




Bank of America Merrill Lynch 2013 New York Auto Summit March 27, 2013

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.

Non-GAAP Financial Measures

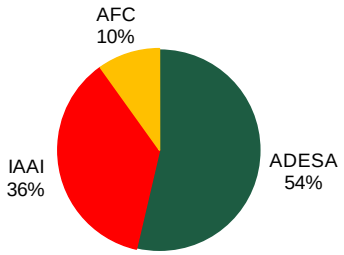
EBITDA, Adjusted EBITDA, free cash flow, adjusted net income and adjusted net income per share, and percentages or calculations using these measures, as presented herein, are supplemental measures of the company's performance that are not required by, or presented in accordance with, generally accepted accounting principles in the United States, or GAAP. They are not measurements of the company's 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. See Appendix for additional information and a reconciliation of these non-GAAP measures to GAAP net income (loss).

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

Leading Provider of Vehicle Auction Services in North America

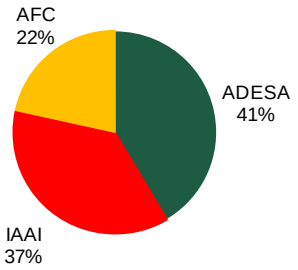
2012 Revenue by Segment



3.3mm vehicles sold in 2012

Revenue	$1,963mm
Adj. EBITDA	$500mm
% margin	*25.5%*

2012 Adj. EBITDA by Segment(1)



Whole Car Auctions

- 2012 Revenue: $1,053mm
- 2012 Adj. EBITDA: $231mm
  - % margin: 21.9%

Salvage Vehicle Auctions

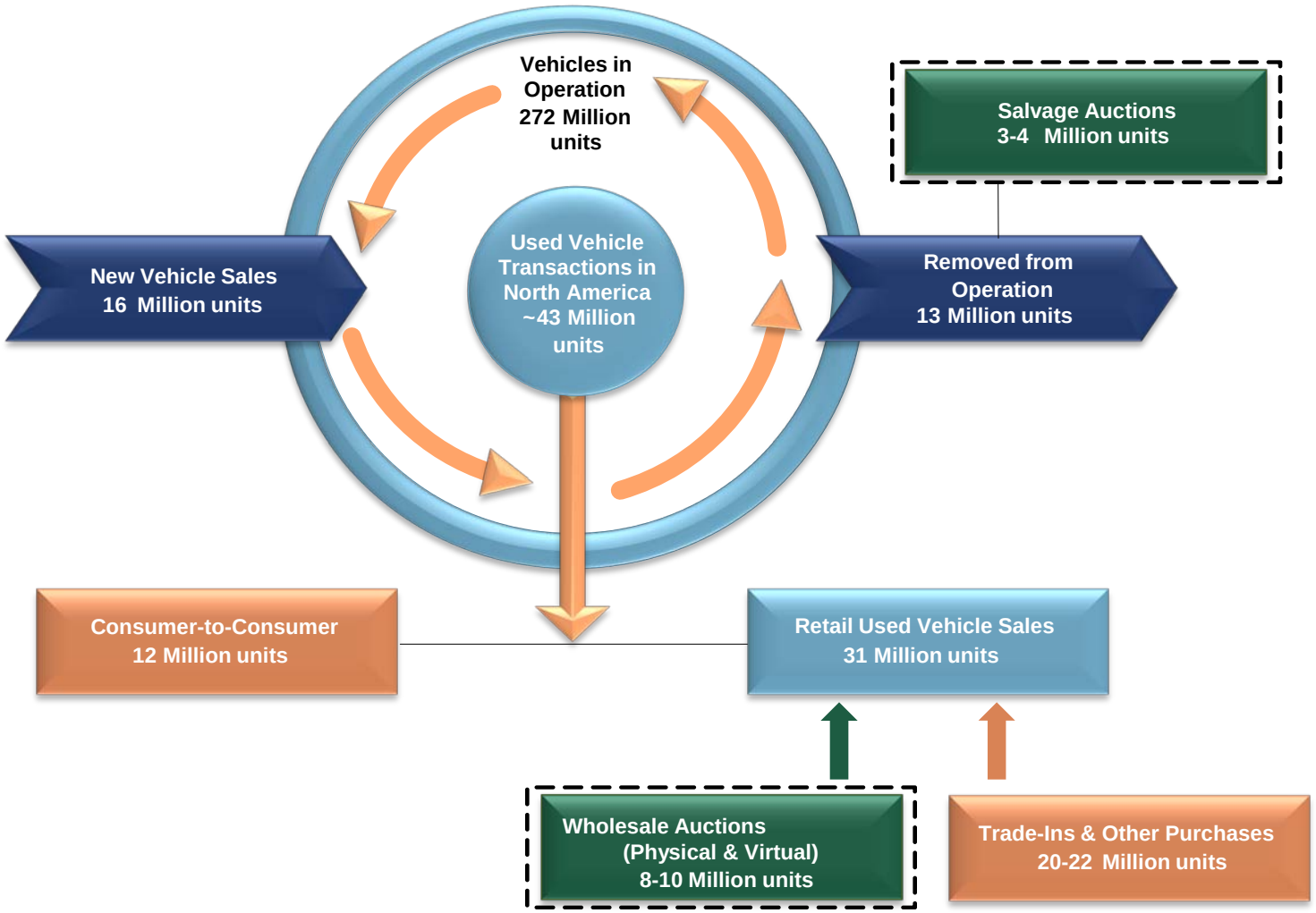
- 2012 Revenue: $716mm
- 2012 Adj. EBITDA: $206mm
  - % margin: 28.8%

Vehicle Floorplan Financing

- 2012 Revenue: $194mm
- 2012 Adj. EBITDA: $120mm
  - % margin: 62.0%

Note: Financials include OPENLANE.
(1) Excludes Holding Company costs.

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:
~$560 / vehicle

AA INSURANCE AUTO AUCTIONS

Revenue:
~$450 / 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

Long-standing and Diverse Customer and Buyer Base

- Average relationship of over ten years with top ten vehicle suppliers
- Largest customer ~2% of 2012 consolidated revenue
- Over 150,000 registered whole car and salvage buyers from over 100 countries

Banks

HSBC
citi
WELLS FARGO
CHASE
Capital One
GM Financial
Santander
GE Capital

OEMs & Finance Companies

TOYOTA
KIA
GM
HYUNDAI
ally AUTO REMARKETING

OPENLANE Closed Programs

Jeep
Mercedes-Benz
CHRYSLER
Ford
BMW
HONDA

Rental Car Companies

Enterprise
Hertz
AVIS
Thrifty
DOLLAR RENT A CAR

Insurance Companies

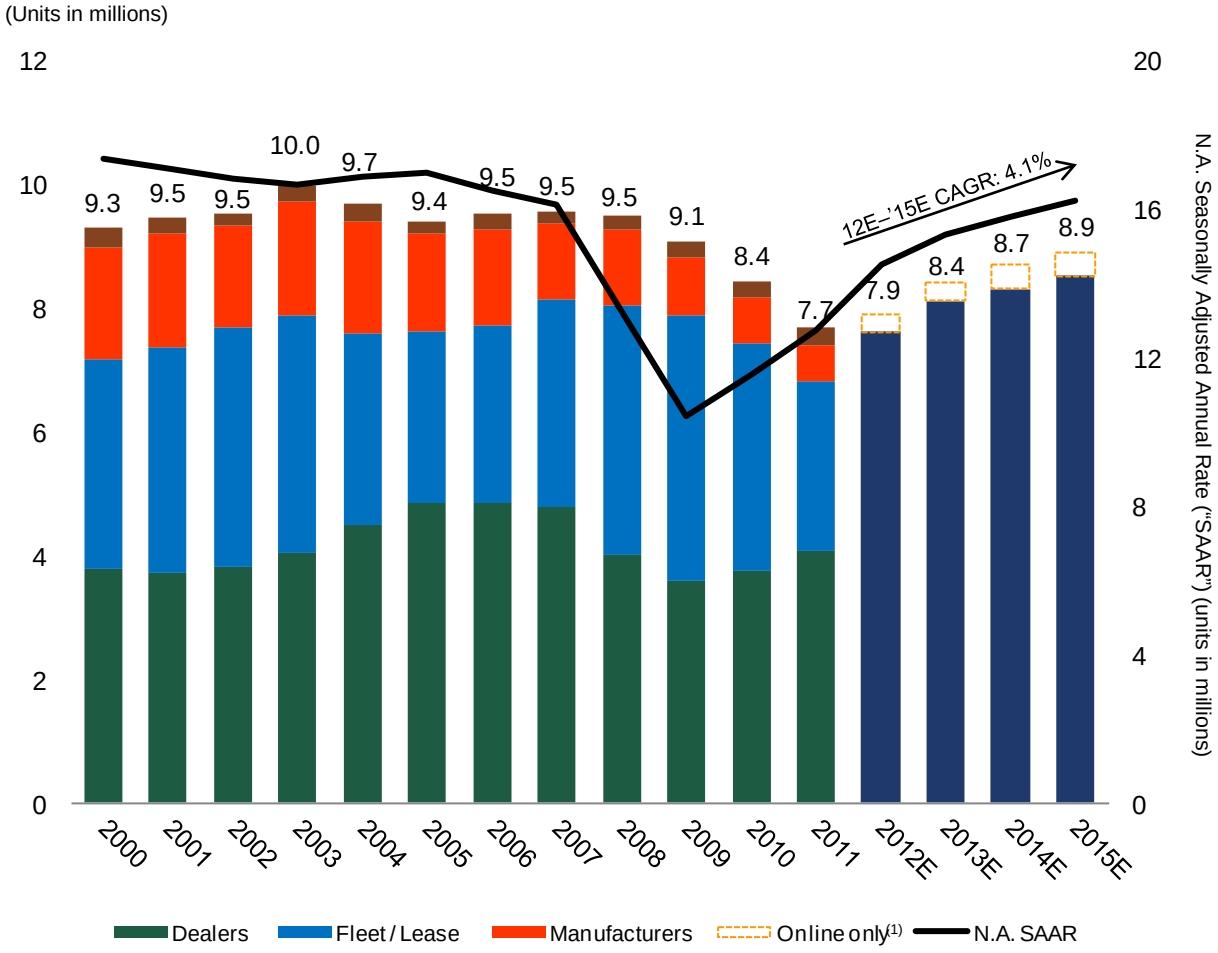
AMERICAN FAMILY INSURANCE
All your protection under one roof®
GEICO
STATE FARM INSURANCE
ZURICH FINANCIAL SERVICES
PROGRESSIVE
MERCURY INSURANCE GROUP
USAA

Poised to Benefit from Volume Recovery in Whole Car

Positive Demand Drivers

- 2013 is an expected inflection point in whole car auction volumes
  - Average 2-4 year lag between whole car volumes and whole car auction volumes
- New vehicle sales have rebounded and are growing
- Significant increase in lease penetration since the 2008-2009 financial crisis
  - With higher retail sales overall, off-lease volumes expected to show growth in 2013-2015 and beyond
- Increased availability of vehicle purchase lending

North American Whole Car Auction Volume & New Vehicle Sales



Source: BEA, IHS Automotive, Kontos Total Market Estimates, NAAA 2011 Annual Review and Management estimates.
(1) Includes OPENLANE.

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

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OPENLANE



ADESA (migrating to OPENLANE technology platform)



New Customer Wins Since OPENLANE Acquisition



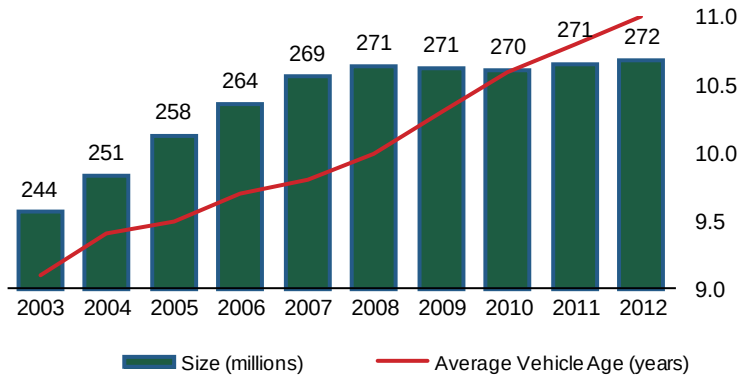
(1) Private label sales held by manufacturers are limited to franchised dealers.

Continued Positive Salvage Market Fundamentals

Positive Demand Drivers

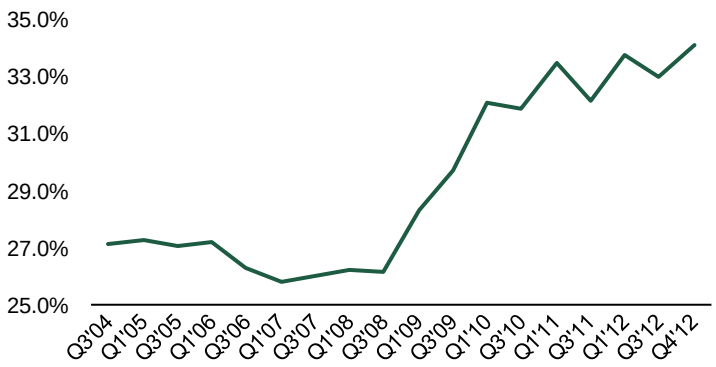
- Increased acceptance of alternative parts as utilization has grown from ~25%+ levels in 2004 to over 30% currently
- Increasing vehicle complexity and technology content
- Increase in non-insurance supply, including charity, direct-to-consumer and dealer sales
- International demand

Large Aging North American Car Parc



Alternative Parts Utilization

(% of total parts dollars)



Source: Polk and Mitchell International.

IAA Platform Continues to Expand Supporting Consistent Market Share Gains

Organic Growth Drivers

- Consistent market share gains
  - Hybrid auction maximizes proceeds
  - Smaller competitors lack the scale and technology to compete effectively
- Continued success with fast-growing insurance companies
  - Allows IAA to take additional share
- Increased penetration of non-insurance suppliers
  - Charities, dealers, rental cars, municipalities
- Technology leader

Demonstrated History of Tuck-in Acquisitions

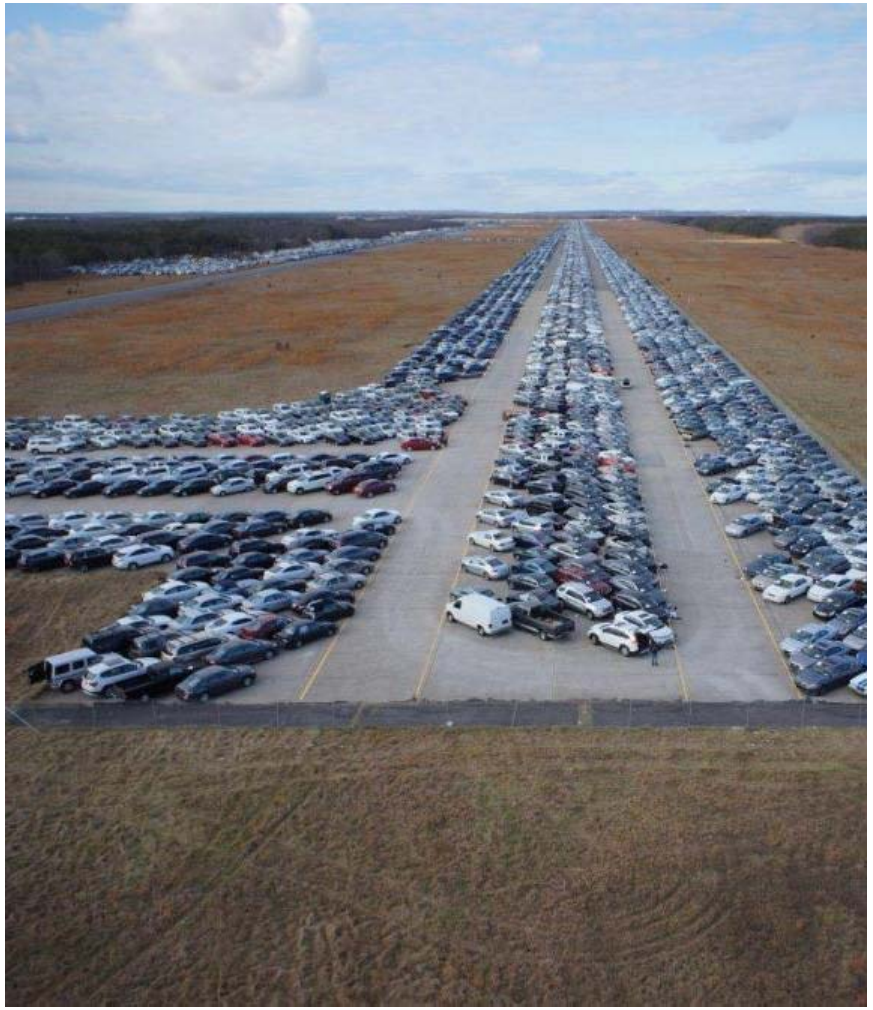
- VDPC – November 2010
- Car Program – November 2010
- Horisk – May 2008
- Dakotas – April 2008(1)
- Massey – February 2008
- Verastar – February 2008
- B&E – January 2008

(1) ADESA acquisition.

IAA – Superstorm Sandy Impact

Superstorm Sandy

- Most catastrophic event in IAA history
- Sandy impacted one of the most densely populated areas in the U.S.
- The region's infrastructure was very difficult to deal with
- Increased costs
  - Tow
  - Occupancy
  - Labor
- Over 50,000 vehicles assigned to IAA
- Positive customer reaction to IAA service efforts
- Adjusted EBITDA impact
  - Loss of $9.1 million in Q4 2012
  - Expected loss of $10 million in 2013

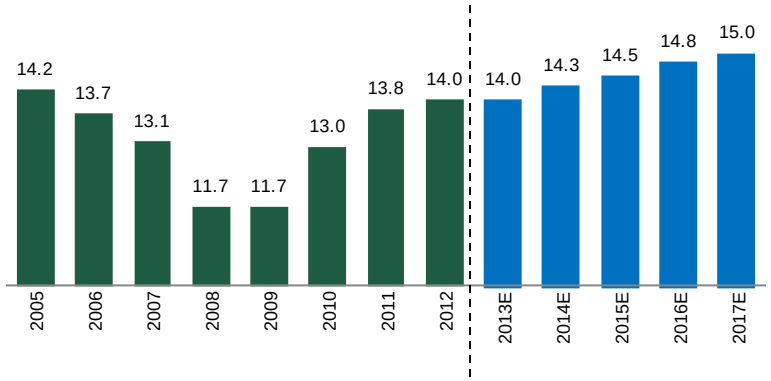


Temporary IAA location in Calverton, NY

Attractive Floorplan Business Drivers

U.S. Independent Dealer Used Car Sales

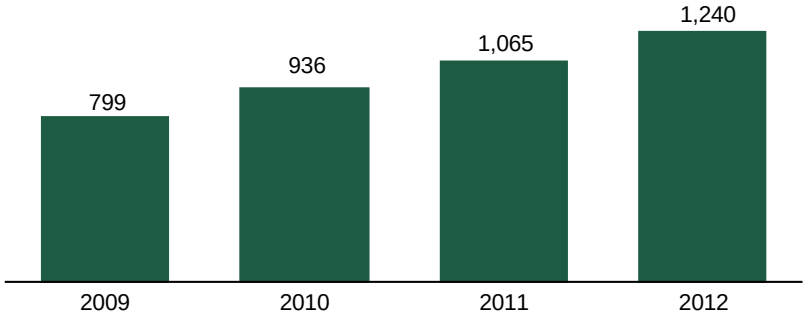
(Units in millions)



Source: CNW Research and Management estimates.

AFC Loan Transaction Units

(Units in thousands)



Positive Demand Drivers

- Large population of ~38,000[(1)] independent used vehicle dealers in the U.S.
- AFC has relationships with ~30% of the independent dealer population
  - ~11,000 registered dealers
- Hybrid physical / online model
  - 104 physical locations
  - AFCDealer.com
- Independent dealer need for floorplanning is correlated to the number of used cars they sell
- AFC loan volume growth outpacing industry volumes during the recovery

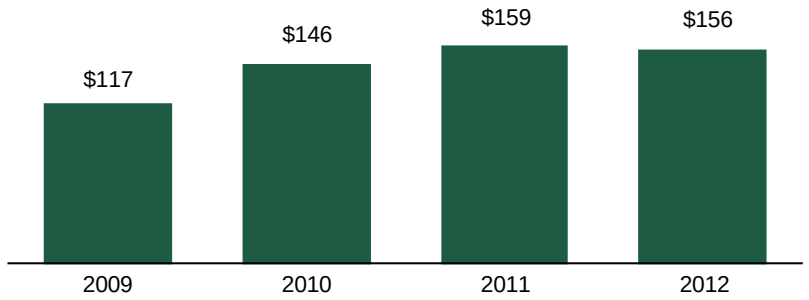
(1) National Independent Automobile Dealers Association.

AFC Presents a Significant Competitive Advantage for KAR

AFC Highlights

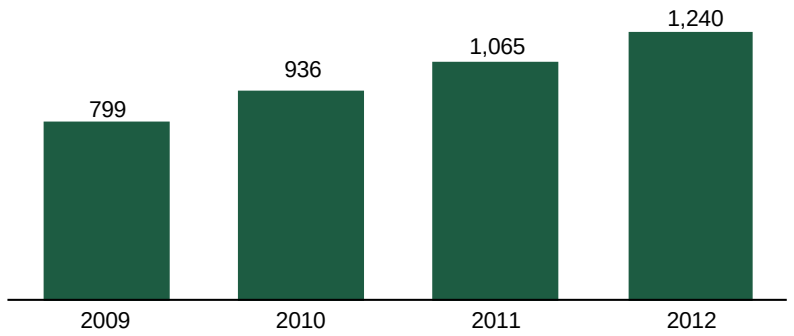
- Portfolio managed to short duration with strong underwriting and control environment
  - Short-term (30-60 days) secured financing
- Aim to selectively grow portfolio
  - Successfully adjusted portfolio through 2009 economic downturn
- Tightened credit standards
  - 99% current as of 12/31/12
- Sufficient liquidity
  - Low cost debt, unfunded revolver and strong cash balance
  - AFC funding in place through June 2014
  - US$650 million and C$100 million committed liquidity(1) ($713 million drawn as of 12/31/12)
- Experienced management team

Revenue Per Loan Transaction(2)



Loan Transaction Units

(Units in thousands)



(1) USD & CAD facility commitments through June 2014.
(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.

Multiple Avenues for Continued Organic and Acquisition Expansion

Near-Term

- Continue market share gains across all businesses
- Continue margin expansion during cyclical recovery of used car auction volumes
- Further leveraging of technology platform across business lines
- Pursue disciplined growth at AFC through further penetration and increased line utilization
- Bolt-on acquisitions and select greenfields

Longer-Term

- Expansion of auction platform into adjacent markets
- Expand market reach to consumers
- International opportunities



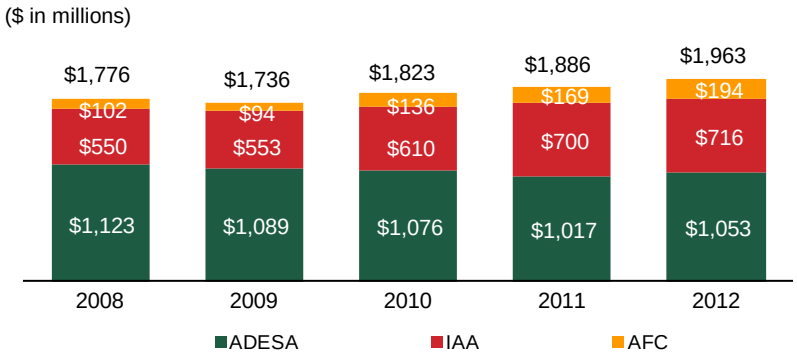
Financial Overview

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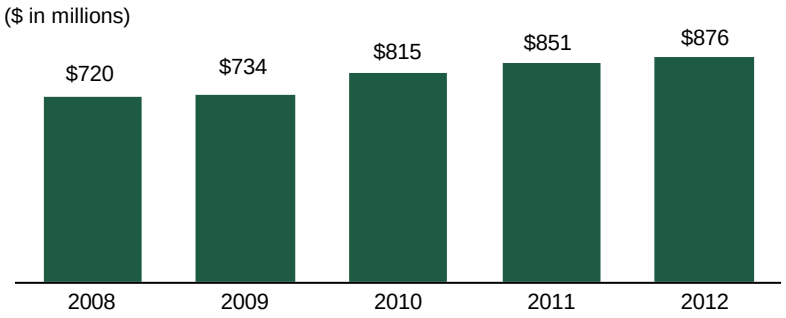
Historical Financial Performance

Revenue



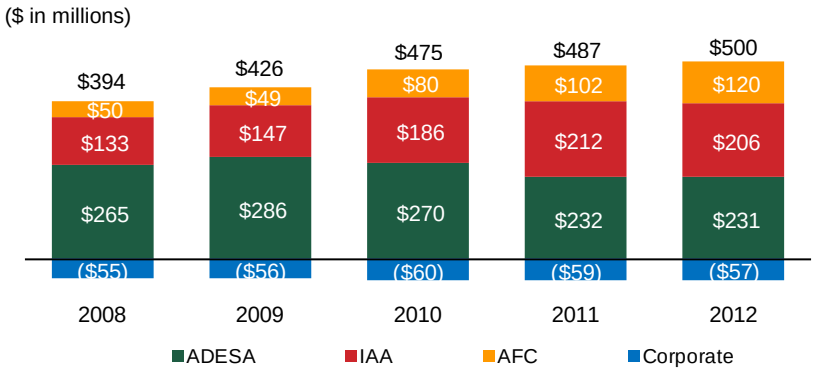
Visible and predictable top line growth

Gross Profit



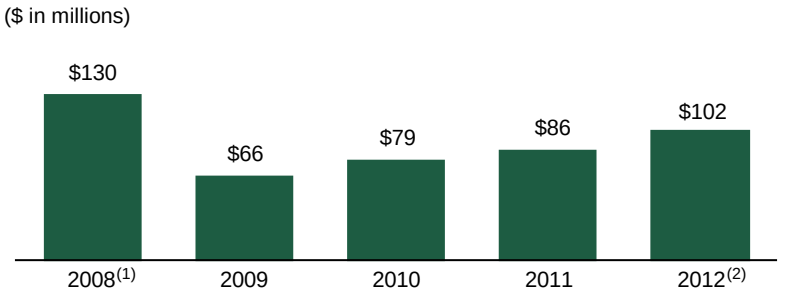
History of growing profitability

Adjusted EBITDA



Diversified segment mix

Capital Expenditures

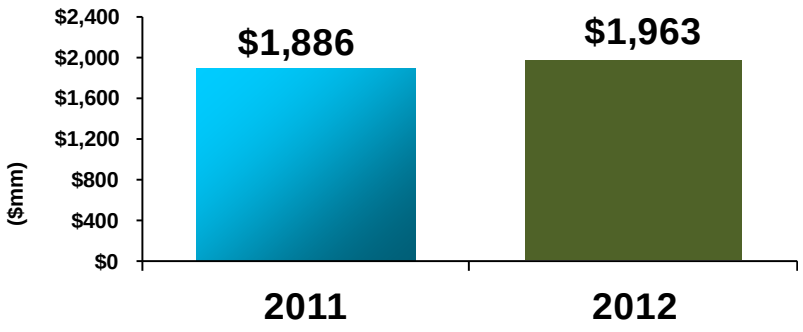


Modest capital expenditure requirements

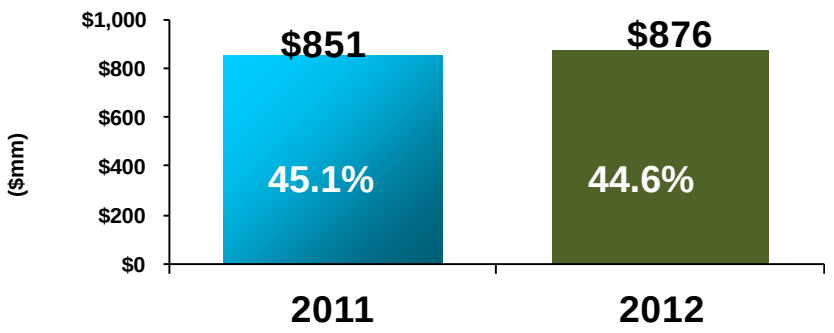
Note: Please see appendix for EBITDA adjustments.
(1) Includes $38 million related to the ADESA Kansas City location.
(2) Includes $7 million related to Superstorm Sandy.

YTD December 31, 2012 Performance

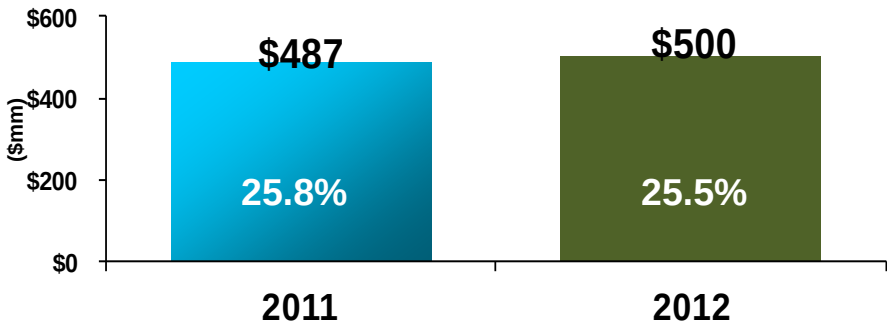
Revenue



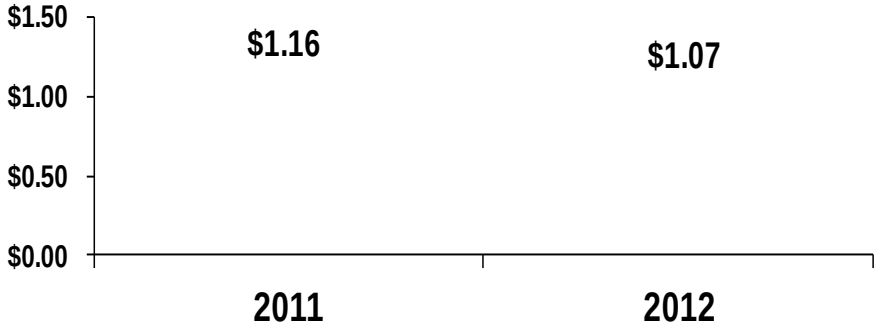
Gross Profit*



Adjusted EBITDA**



Adjusted Net Income Per Share**



* *Excludes depreciation and amortization expense*

* * *2012 Excludes $9.1M pre-tax loss ($5.4 after-tax) incurred for processing vehicles damaged in Superstorm Sandy*

December 31, 2012 Capital Structure (US$ in millions)

	12/31/2012	Maturity
Term Loan Facilities	$1,668.3	2017
Revolving Credit Facility	$0.0	2016
Floating Rate Notes	150.0	2014
Capital Leases	30.0	*
Total	1,848.3	
Less: Available Cash	(53.7)	
Net Debt	$1,794.6	
Net Debt /Adjusted EBITDA	**3.59X**	

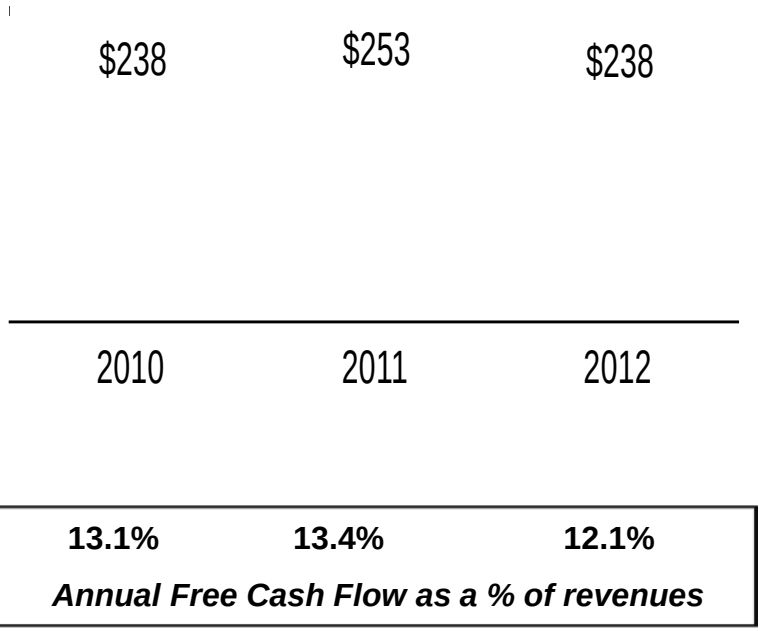
* Various maturities

Investment Summary:
Diverse Business Model / Strong Free Cash Flow

Adjusted EBITDA Contribution By Segment*



Free Cash Flow**



13.1%	13.4%	12.1%

Annual Free Cash Flow as a % of revenues

**Percentage calculations exclude holding company.*

** *Free cash flow represents Adjusted EBITDA less capital expenditures, adjusted cash interest paid and cash taxes paid. See appendix slide #24 for explanatory footnotes.*






Appendix

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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 and to evaluate results relative to incentive compensation targets.

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 for the year ended December 31, 2011 have been adjusted to exclude a loss on extinguishments of debt, as well as a charge to settle and terminate the Company's swap agreement. Net income and net income per share for the years ended December 31, 2012 and 2011 have been adjusted for accrued contingent consideration related to certain prior year acquisitions. Lastly, net income and net income per share in the fourth quarter of 2012 have been adjusted for a net loss resulting from processing vehicles associated with Superstorm Sandy.

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.

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	42.3	38.2	(11.7)	(68.8)	–
EBITDA	**$253.8**	**$170.8**	**$80.0**	**($95.2)**	**$409.4**
Adjustments	16.0	15.2	(0.4)	35.0	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	52.4	38.3	(14.4)	(76.3)	–
EBITDA	**$214.9**	**$207.8**	**$109.1**	**($119.2)**	**$412.6**
Adjustments	17.3	3.9	(7.2)	60.6	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	60.2	38.3	(17.8)	(80.7)	–
EBITDA	**$210.8**	**$198.0**	**$130.6**	**($78.5)**	**$460.9**
Adjustments	20.3	(0.7)	(10.4)	21.0	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.

Q4 2011 Adjusted EBITDA Reconciliation

($ in millions)

	Three Months ended December 31, 2011				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**($2.0)**	**$15.9**	**$15.0**	**($14.4)**	**$14.5**
Add back:					
Income taxes	3.0	7.2	7.3	(8.5)	9.0
Interest expense, net of interest income	0.2	0.5	3.5	26.5	30.7
Depreciation and amortization	24.9	16.9	6.1	0.4	48.3
Intercompany	14.9	9.5	(3.8)	(20.6)	–
EBITDA	**$41.0**	**$50.0**	**$28.1**	**($16.6)**	**$102.5**
Adjustments	6.7	1.3	(2.3)	3.9	9.6
Adjusted EBITDA	**$47.7**	**$51.3**	**$25.8**	**($12.7)**	**$112.1**
Revenue	$250.3	$186.3	$43.2	–	$479.8
Adjusted EBITDA % margin	19.1%	27.5%	59.7%		23.4%

Q4 2012 Adjusted EBITDA Reconciliation

($ in millions)

	Three Months ended December 31, 2012				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$16.5**	**$9.8**	**$12.8**	**($16.2)**	**$22.9**
Add back:					
Income taxes	(5.0)	2.9	16.2	(6.9)	7.2
Interest expense, net of interest income	0.1	0.3	3.8	25.2	29.4
Depreciation and amortization	23.3	17.3	5.7	0.5	46.8
Intercompany	15.0	9.6	(4.7)	(19.9)	–
EBITDA	**$49.9**	**$39.9**	**$33.8**	**($17.3)**	**$106.3**
Adjustments	3.8	(1.0)	(3.0)	4.7	4.5
Superstorm Sandy	–	9.1	–	–	9.1
Adjusted EBITDA	**$53.7**	**$48.0**	**$30.8**	**($12.6)**	**$119.9**
Revenue	$262.1	$182.0	$49.6	–	$493.7
Adjusted EBITDA % margin	20.5%	26.4%	62.1%		24.3%

LTM Adjusted EBITDA Reconciliation

($ in millions) (unaudited)

	Three months ended				Twelve months ended
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012	December 31, 2012
Net income (loss)	**$26.0**	**$23.9**	**$19.2**	**$22.9**	**$92.0**
Add back:					
Income taxes	18.4	20.2	13.8	7.2	59.6
Interest expense, net of interest income	30.3	29.6	29.8	29.4	119.1
Depreciation and amortization	48.6	48.0	46.8	46.8	190.2
EBITDA	**$123.3**	**$121.7**	**$109.6**	**$106.3**	**$460.9**
Nonrecurring charges	5.4	3.2	4.0	4.7	17.3
Noncash charges	9.1	6.1	6.8	3.1	25.1
AFC interest expense	(2.9)	(2.9)	(3.1)	(3.3)	(12.2)
Superstorm Sandy	–	–	–	9.1	9.1
Adjusted EBITDA	**$134.9**	**$128.1**	**$117.3**	**$119.9**	**$500.2**

Adjusted Net Income Per Share Reconciliation

($ in millions, except per share amounts)

	Three Months ended December 31,		Year ended December 31,	
	2012	2011	2012	2011
Net income	$22.9	$14.5	$92.0	$72.2
Loss on extinguishment of debt, net of tax[1]	–	–	–	33.2
Swap termination, net of tax[2]	–	–	–	9.0
Stepped up depreciation and amortization expense, net of tax[3]	7.3	9.3	32.5	38.6
Stock-based compensation, net of tax[4]	1.5	4.7	18.2	10.4
Contingent consideration adjustment, net of tax[5]	0.1	–	0.7	(2.9)
Superstorm Sandy, net of tax[6]	5.4	–	5.4	–
Adjusted net income	**$37.2**	**$28.5**	**$148.8**	**$160.5**
Net income (loss) per share – diluted	$0.16	$0.11	$0.66	$0.52
Loss on extinguishment of debt, net of tax	–	–	–	0.24
Swap termination, net of tax	–	–	–	0.07
Stepped up depreciation and amortization expense, net of tax	0.05	0.07	0.23	0.28
Stock-based compensation, net of tax	0.01	0.03	0.13	0.07
Contingent consideration adjustment, net of tax	0.01	–	0.01	(0.02)
Superstorm Sandy, net of tax	0.04	–	0.04	–
Adjusted net income per share – diluted	**$0.27**	**$0.21**	**$1.07**	**$1.16**
Weighted average diluted shares	139.6	137.9	139.0	137.8

Adjusted Net Income – Explanatory Footnotes

(1) In the second quarter of 2011, there were losses on extinguishments of debt totaling $53.5 million ($33.2 million net of tax).

(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 $11.6 million ($7.3 million net of tax) and $15.0 million ($9.3 million net of tax) for the three months ended December 31, 2012 and 2011. For the years ended December 31, 2012 and 2011, increased depreciation and amortization expense was $51.8 million ($32.5 million net of tax) and $61.4 million ($38.6 million net of tax).

(4) Stock-based compensation resulting from the 2007 merger was $1.7 million ($1.5 million net of tax) and $5.9 million ($4.7 million net of tax) for the three months ended December 31, 2012 and 2011. For the years ended December 31, 2012 and 2011, such stock-based compensation was $20.9 million ($18.2 million net of tax) and $16.1 million ($10.4 million net of tax).

(5) We recorded accrued contingent consideration of approximately $0.1 million ($0.1 million net of tax) for the three months ended December 31, 2012. For the years ended December 31, 2012 and 2011, 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), 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).

Free Cash Flow Calculation – Explanatory Footnotes

(1) Free cash flow represents Adjusted EBITDA less capital expenditures, adjusted cash interest paid and cash taxes paid.

(2) Cash paid for interest excludes interest paid for standby letters of credit of $0.6 million for the year ended December 31, 2009.

(3) 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.

(4) 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.

(5) 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.