

KAR Auction Services, Inc.
Corporate Update

August 2016



Forward-Looking Statements

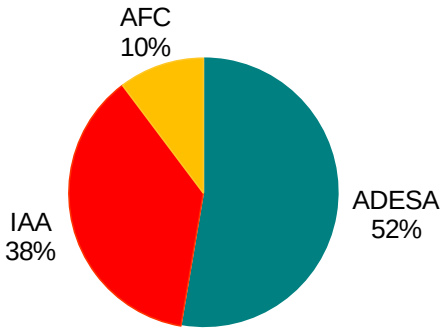
This presentation includes forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such forward looking statements are subject to certain risks, trends, and uncertainties that could cause actual results to differ materially from those projected, expressed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

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

Leading Provider of Vehicle Auction Services in North America

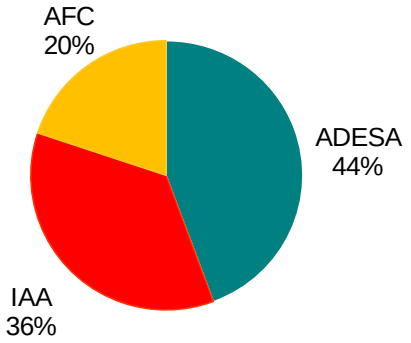
2015 Revenue by Segment



4.4mm vehicles sold in 2015

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

2015 Adj. EBITDA by Segment(1)



Whole Car Auctions

- 2015 Revenue: $1,377mm
- 2015 Adj. EBITDA: $329mm
- Adj. EBITDA margin: 23.9%

Salvage Vehicle Auctions

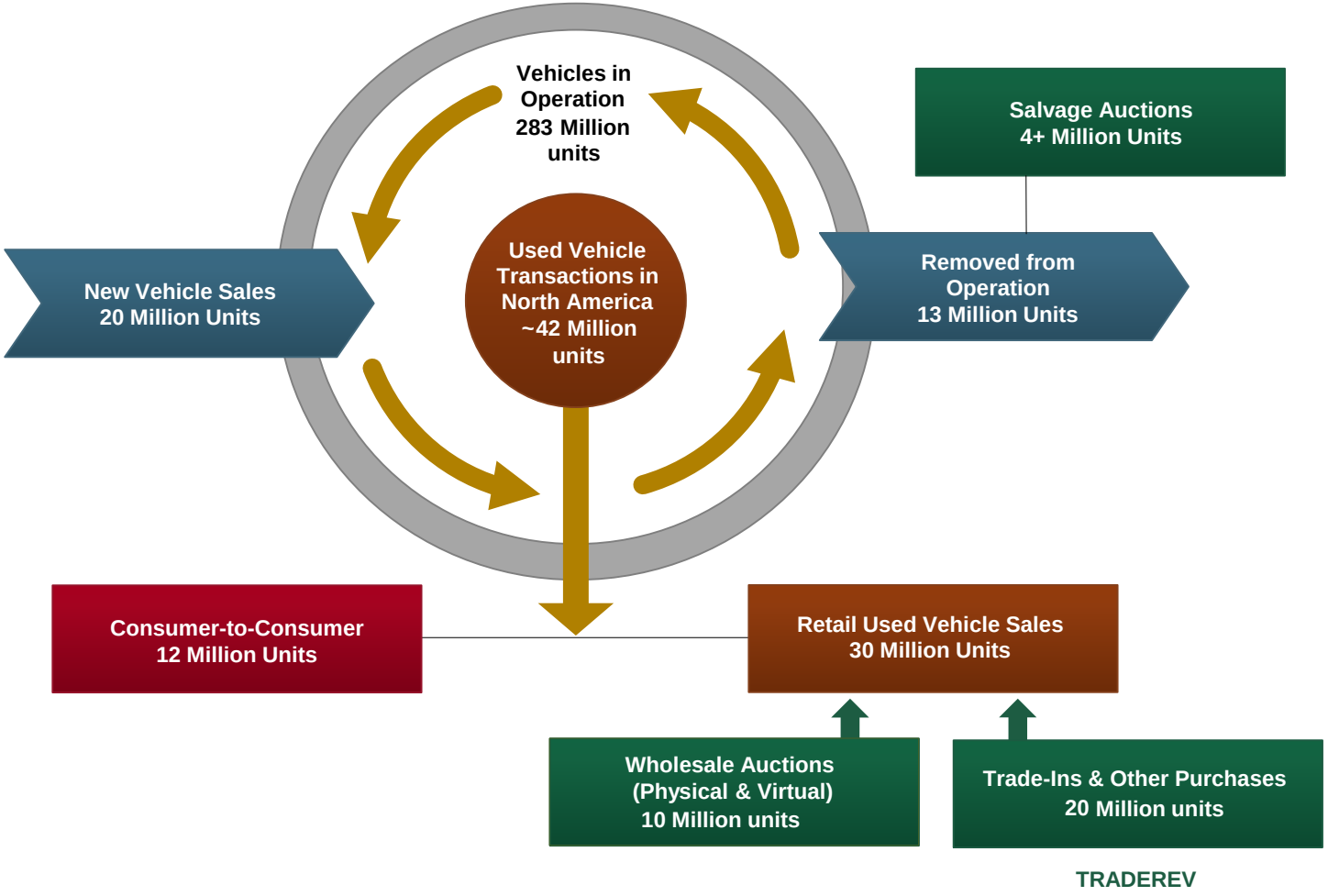
- 2015 Revenue: $995mm
- 2015 Adj. EBITDA: $265mm
- Adj. EBITDA margin: 26.7%

Vehicle Floorplan Financing

- 2015 Revenue: $268mm
- 2015 Adj. EBITDA: $147mm
- Adj. EBITDA margin: 54.9%

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

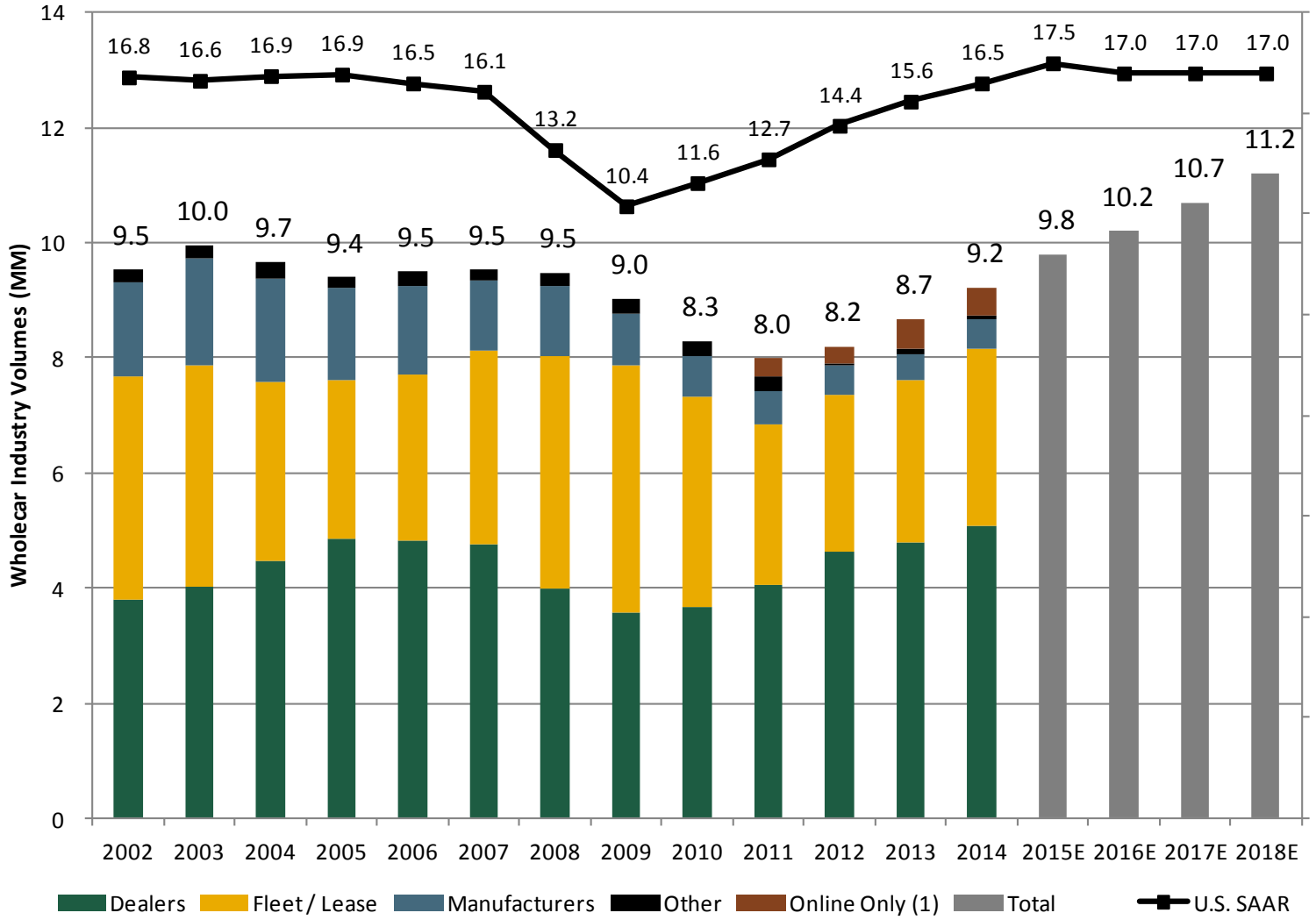
The North American Car Parc:
Vehicle Remarketing is a Large and Growing Market



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

Benefiting from Volume Recovery in Whole Car

North American Whole Car Auction Volume & New Vehicle Sales



Source:BEA, IHS Automotive, Kontos Total Market Estimates, NAAA 2014 Annual Review and Management estimates. (1) Includes OPENLANE.

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*

Value-Added Ancillary Services

AFC Automotive Finance Corporation

Revenue:
~$150 / LTU***

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

Revenue:
~$450 / vehicle**

Salvage Vehicle Buyers

- Dismantlers
- Rebuilders & Resellers
- Recyclers
- International Buyers

RPU as of 12/31/15
* Includes online only
** Excludes HBC Vehicle Services
*** Excludes Other service revenue

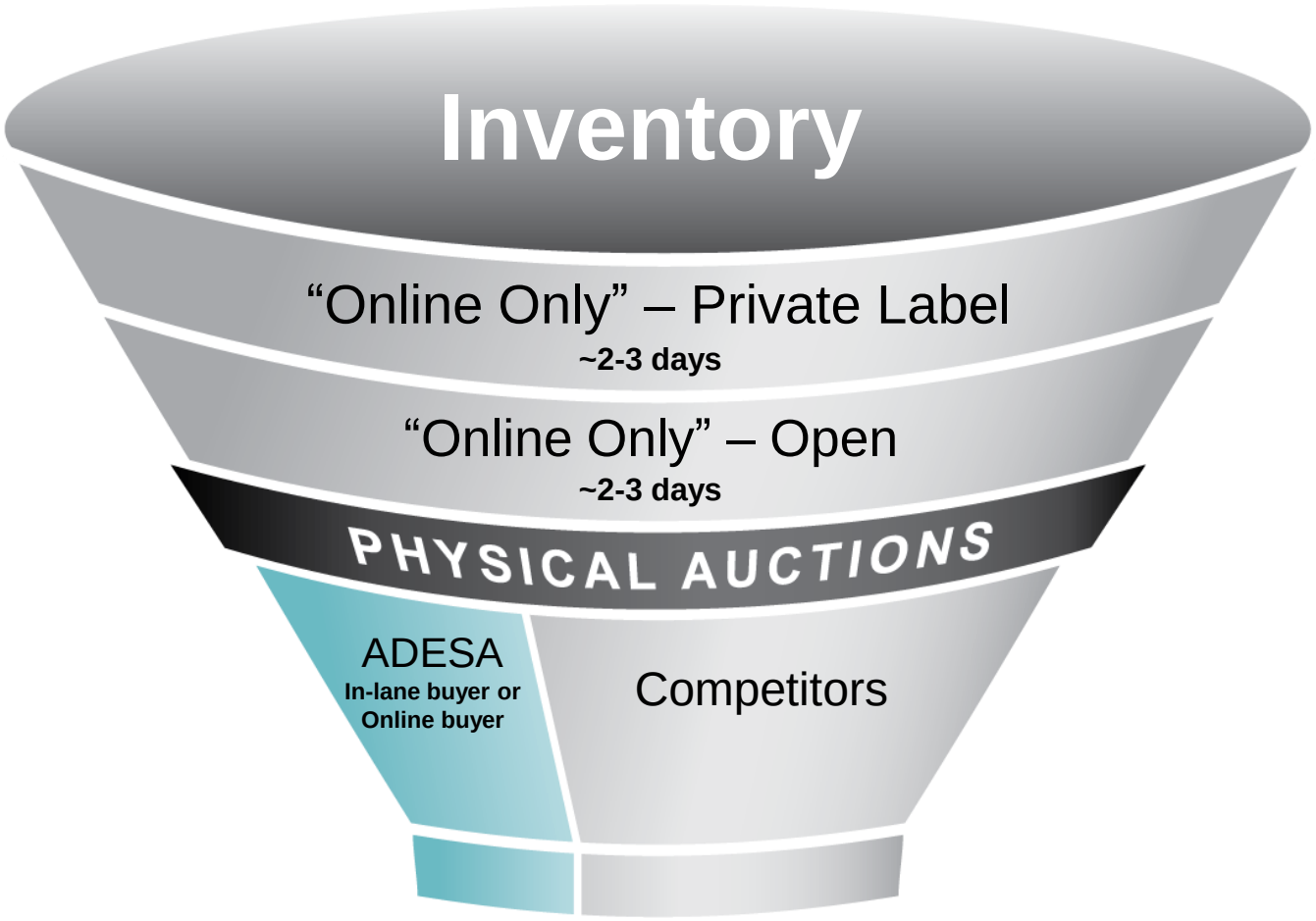
Off-lease “Auction Funnel”

Revenue Per Unit

~$100



~$700



Gross Margin %

Higher



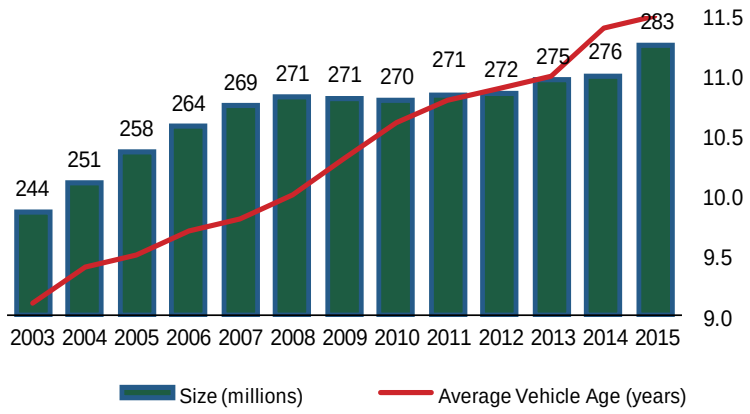
Lower

Continued Positive Salvage Market Fundamentals

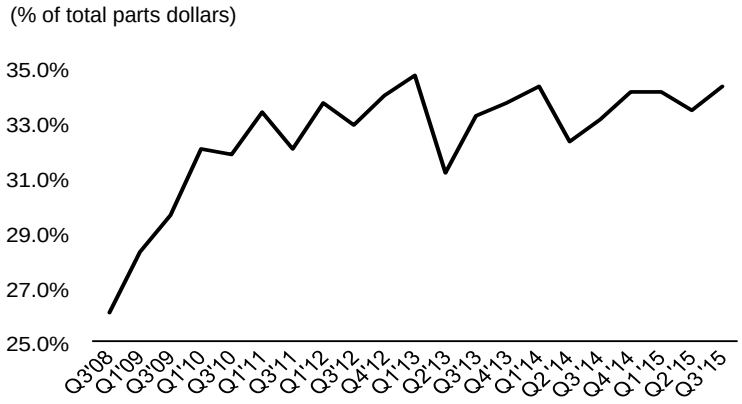
Positive Demand Drivers

- 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



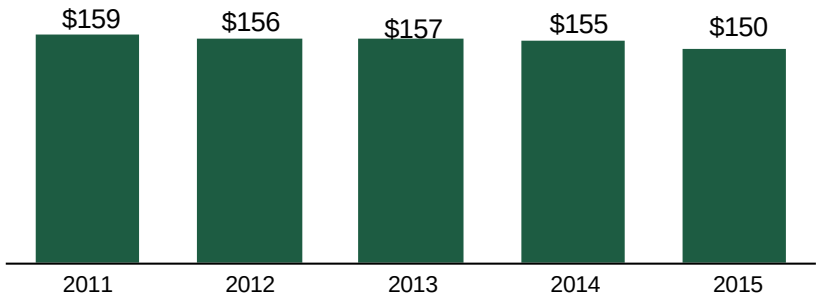
Source: Polk and Mitchell International.

AFC Presents a Significant Competitive Advantage for KAR

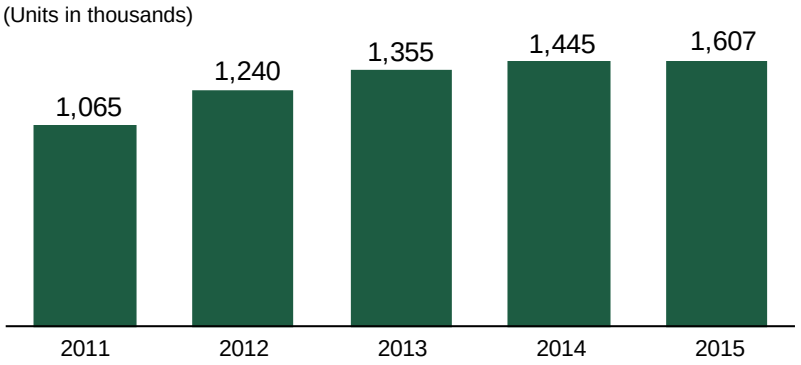
AFC Highlights

- Portfolio managed to short duration with strong underwriting and control environment
  - Short-term secured financing
- Growing portfolio
- Consistent credit standards
- Sufficient 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)
    ($1,242 million drawn as of 6/30/16)
- 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

- Volume increases
  - Cyclical recovery at ADESA
  - Salvage volumes
  - LTU growth
- Capital deployment
- Increase RPU at physical auctions
- Used vehicle prices
- Selective fee increases
- International expansion

Challenges

- Scrap values
- Foreign currency trends
- Competition
- Acquisition integration
- Used vehicle prices
- International expansion



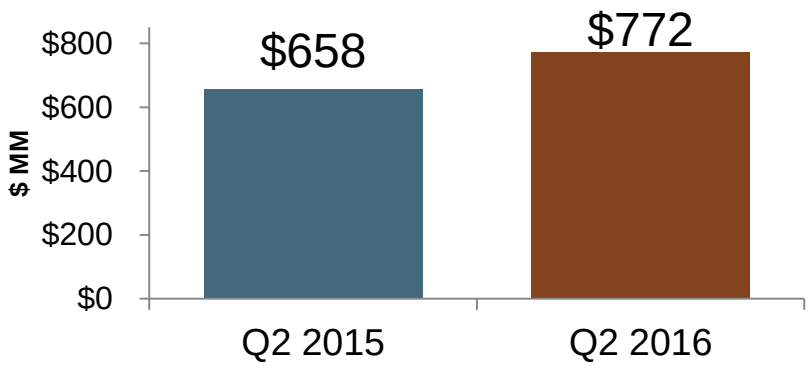
Financial Overview

KAR AUCTION SERVICES

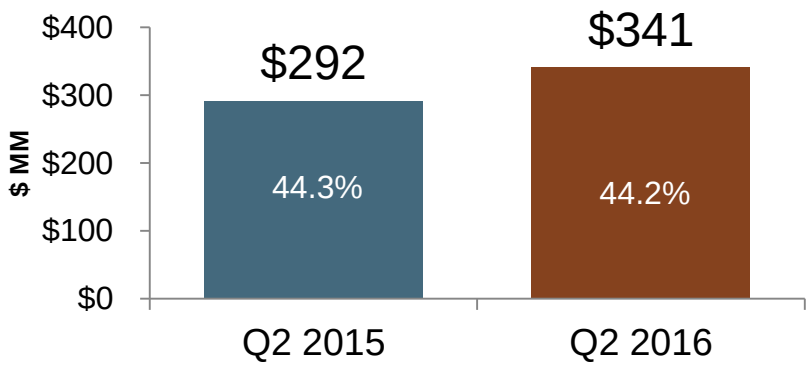


Second Quarter 2016 Performance

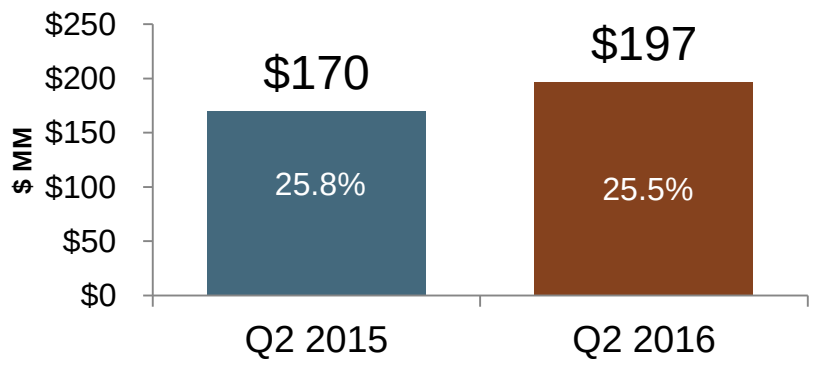
Revenue



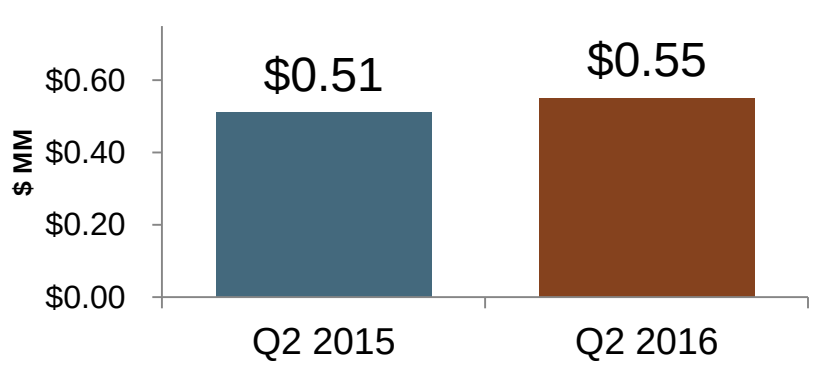
Gross Profit*



Adjusted EBITDA



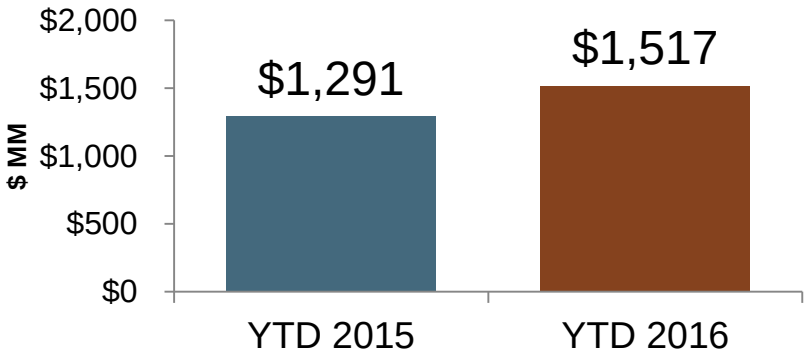
Operating Adjusted Net Income Per Share



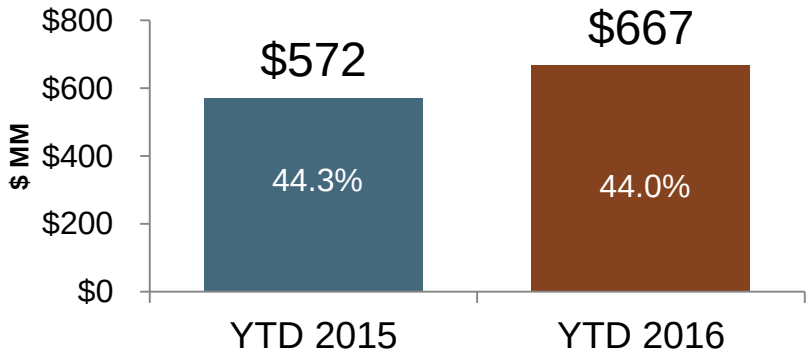
* *Excludes depreciation and amortization expense*

2016 YTD Performance

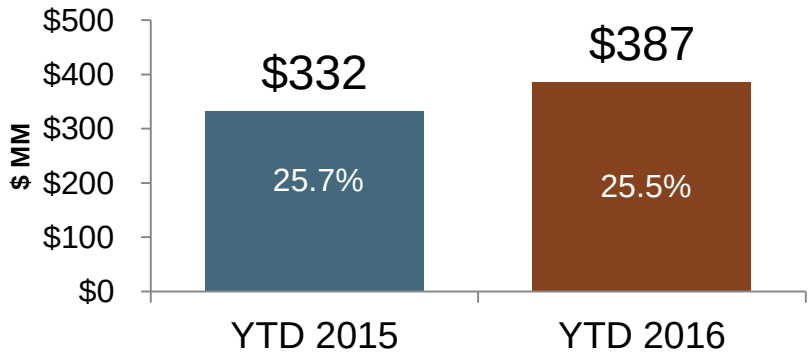
Revenue



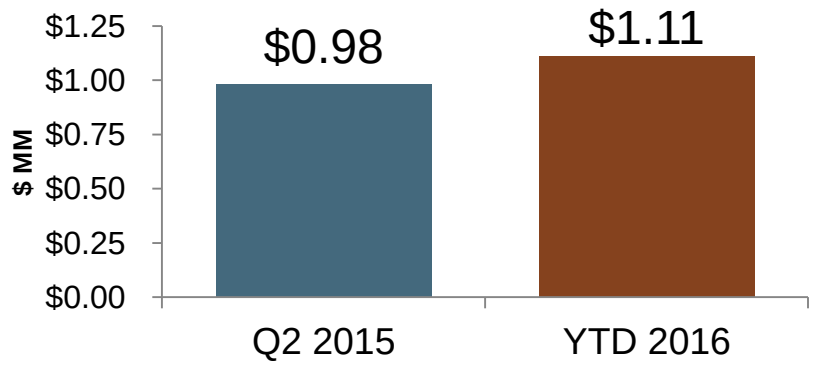
Gross Profit*



Adjusted EBITDA



Operating Adjusted Net Income Per Share



* *Excludes depreciation and amortization expense*

June 30, 2016 Leverage
(US$ in millions)

	6/30/2016	Maturity
Term Loan B-2	$1,092	2021
Term Loan B-3	1,347	2023
Revolving Credit Facility	0	2021
Capital Leases	47	
Total	2,486	
Less: Available Cash	(243)	
Net Debt	$2,243	
Net Debt /Adjusted EBITDA	**3.19**	

The above calculation ignores any unamortized debt discount on the Term Loans

Capital Allocation Framework

Dividends

- Qtrly dividend of $0.29 per share
- 45% - 50% of free cash flow
- Highlights strength of free cash flow

Strategic Investments

- Priority for free cash flow
- Acquisitions that leverage the cyclical recovery
- New geographies / technologies
- Increases enterprise value

Share Repurchase Program

- $300M
- Two year authorization
- Tool for managing cash / leverage
- $72mm remaining

2016 Capital Allocation Actions

- Capital Structure
  - Completed ASR; Retired Additional 800K Shares in January 2016
  - Increased Annual Dividend 7% to $1.16 Per Share
  - Refinanced and Extended Credit Agreement
  - Increased U.S. Securitization Facility $100M to $1.25B
- Acquisitions (~$355M aggregate purchase price)
  - Brasher's Auto Auctions (8 sites with ~$25M 2016 Adjusted EBITDA contribution)
  - Sanford Auto Dealer's Exchange (Orlando area independent whole car auction)
  - GRS Remarketing (UK online whole car remarketing services)

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- Attractive Financial Model Generating Significant Free Cash
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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%

Q2 2016 Adjusted EBITDA Reconciliation

($ in millions)

	Three Months ended June 30, 2016				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$46.2**	**$25.2**	**$23.0**	**($32.6)**	**$61.8**
Add back:					
Income taxes	27.1	15.1	14.0	(18.5)	37.7
Interest expense, net of interest income	–	–	8.2	27.5	35.7
Depreciation and amortization	24.8	21.2	7.9	5.1	59.0
Intercompany interest	11.1	9.5	(8.6)	(12.0)	–
EBITDA	**$109.2**	**$71.0**	**$44.5**	**($30.5)**	**$194.2**
Intercompany charges	2.2	0.1	–	(2.3)	–
Non-cash stock-based compensation	1.1	0.7	0.5	2.6	4.9
Acquisition related costs	1.3	0.1	0.1	1.8	3.3
Securitization interest	–	–	(6.7)	–	(6.7)
Minority interest	1.0	–	–	–	1.0
Other	0.9	(0.5)	–	–	0.4
Total addbacks	6.5	0.4	(6.1)	2.1	2.9
Adjusted EBITDA	**$115.7**	**$71.4**	**$38.4**	**($28.4)**	**$197.1**
Revenue	$434.1	$264.8	$72.9	–	$771.8
Adjusted EBITDA % margin	26.7%	27.0%	52.7%		25.5%

Q2 2015 Adjusted EBITDA Reconciliation

($ in millions)

	Three Months ended June 30, 2015				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$32.0**	**$24.6**	**$18.7**	**($15.8)**	**$59.5**
Add back:					
Income taxes	17.5	14.6	11.5	(8.8)	34.8
Interest expense, net of interest income	0.2	–	5.5	16.1	21.8
Depreciation and amortization	21.3	19.4	7.7	3.4	51.8
Intercompany interest	12.6	9.4	(5.2)	(16.8)	–
EBITDA	**$83.6**	**$68.0**	**$38.2**	**($21.9)**	**$167.9**
Intercompany charges	1.8	0.2	–	(2.0)	–
Non-cash stock-based compensation	1.0	0.3	0.4	1.7	3.4
Acquisition related costs	0.4	–	–	0.6	1.0
Securitization interest	–	–	(4.2)	–	(4.2)
Minority interest	0.5	(0.1)	–	–	0.4
Other	0.8	0.2	0.5	–	1.5
Total addbacks	4.5	0.6	(3.3)	0.3	2.1
Adjusted EBITDA	**$88.1**	**$68.6**	**$34.9**	**($21.6)**	**$170.0**
Revenue	$345.0	$248.6	$64.7	–	$658.3
Adjusted EBITDA % margin	25.5%	27.6%	53.9%		25.8%

Q2 YTD 2016 Adjusted EBITDA Reconciliation

($ in millions)

	Six Months ended June 30, 2016				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$85.5**	**$50.1**	**$47.0**	**($60.1)**	**$122.5**
Add back:					
Income taxes	50.4	30.0	28.6	(34.6)	74.4
Interest expense, net of interest income	0.1	–	16.0	48.3	64.4
Depreciation and amortization	47.3	42.5	15.6	10.0	115.4
Intercompany interest	23.0	18.9	(16.4)	(25.5)	–
EBITDA	**$206.3**	**$141.5**	**$90.8**	**($61.9)**	**$376.7**
Intercompany charges	5.5	0.3	–	(5.8)	–
Non-cash stock-based compensation	2.3	1.3	0.9	5.9	10.4
Loss on extinguishment of debt	–	–	–	4.0	4.0
Acquisition related costs	2.4	0.1	0.1	3.3	5.9
Securitization interest	–	–	(13.1)	–	(13.1)
Minority interest	1.6	–	–	–	1.6
Other	1.8	(0.7)	–	–	1.1
Total addbacks	13.6	1.0	(12.1)	7.4	9.9
Adjusted EBITDA	**$219.9**	**$142.5**	**$78.7**	**($54.5)**	**$386.6**
Revenue	$835.6	$534.4	$146.8	–	$1,516.8
Adjusted EBITDA % margin	26.3%	26.7%	53.6%		25.5%

Q2 YTD 2015 Adjusted EBITDA Reconciliation

($ in millions)

	Six Months ended June 30, 2015				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$54.5**	**$49.6**	**$39.7**	**($29.8)**	**$114.0**
Add back:					
Income taxes	32.4	29.9	24.3	(17.2)	69.4
Interest expense, net of interest income	0.3	–	10.6	31.8	42.7
Depreciation and amortization	41.5	39.0	15.5	6.7	102.7
Intercompany interest	25.4	18.8	(9.5)	(34.7)	–
EBITDA	**$154.1**	**$137.3**	**$80.6**	**($43.2)**	**$328.8**
Intercompany charges	4.2	0.4	–	(4.6)	–
Non-cash stock-based compensation	1.9	0.5	0.7	3.2	6.3
Acquisition related costs	1.7	0.1	–	1.3	3.1
Securitization interest	–	–	(8.1)	–	(8.1)
Minority interest	0.7	(0.2)	–	–	0.5
Other	2.5	(0.5)	(0.5)	0.1	1.6
Total addbacks	11.0	0.3	(7.9)	0.0	3.4
Adjusted EBITDA	**$165.1**	**$137.6**	**$72.7**	**($43.2)**	**$332.2**
Revenue	$673.0	$486.6	$131.1	–	$1,290.7
Adjusted EBITDA % margin	24.5%	28.3%	55.5%		25.7%

LTM Adjusted EBITDA Reconciliation

($ in millions) (unaudited)

	Three months ended				Twelve months ended
	September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016	June 30, 2016
Net income (loss)	**$52.3**	**$48.3**	**$60.7**	**$61.8**	**$223.1**
Add back:					
Income taxes	29.6	26.9	36.7	37.7	130.9
Interest expense, net of interest income	24.3	23.8	28.7	35.7	112.5
Depreciation and amortization	54.1	56.0	56.4	59.0	225.5
EBITDA	**$160.3**	**$155.0**	**$182.5**	**$194.2**	**$692.0**
Non-cash stock-based compensation	3.5	2.9	5.5	4.9	16.8
Loss on extinguishment of debt	–	–	4.0	–	4.0
Acquisition related costs	0.7	1.0	2.6	3.3	7.6
Securitization interest	(5.1)	(5.5)	(6.4)	(6.7)	(23.7)
Minority interest	(0.2)	(0.9)	0.6	1.0	0.5
(Gain)/Loss on asset sales	1.8	0.3	0.4	0.4	2.9
Severance and retention	0.7	0.9	0.3	0.5	2.4
Other	1.4	0.8	–	(0.5)	1.7
Total addbacks	2.8	(0.5)	7.0	2.9	12.2
Adjusted EBITDA	**$163.1**	**$154.5**	**$189.5**	**$197.1**	**$704.2**

Operating Adjusted Net Income Per Share Reconciliation (Q2 2016 & Q2 2015)

($ in millions, except per share amounts)

	Three Months ended June 30,	
	2016	**2015**
Net income	$61.8	$59.5
Acquired amortization expense [1]	24.6	21.8
Income taxes [2]	(9.2)	(8.0)
Operating adjusted net income	**$77.2**	**$73.3**
Net income per share − diluted	$0.44	$0.41
Acquired amortization expense	0.18	0.15
Income taxes	(0.07)	(0.05)
Operating adjusted net income per share − diluted	**$0.55**	**$0.51**
Weighted average diluted shares	139.3	144.1

(1) Acquired amortization expense was $24.6 million ($15.3 million net of tax) and $21.8 million ($13.8 million net of tax) for the three months ended June 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 (Q2 YTD 2016 & Q2 YTD2015)

($ in millions, except per share amounts)

	Six Months ended June 31,	
	2016	**2015**
Net income	$122.5	$114.0
Acquired amortization expense [(1)]	46.6	42.9
Loss on extinguishment of debt [(2)]	4.0	–
Income taxes [(3)]	(19.0)	(16.2)
Operating adjusted net income	**$154.1**	**$140.7**
Net income per share − diluted	$0.88	$0.79
Acquired amortization expense	0.34	0.30
Loss on extinguishment of debt	0.03	–
Income taxes	(0.14)	(0.11)
Operating adjusted net income per share − diluted	**$1.11**	**$0.98**
Weighted average diluted shares	139.1	144.0

(1) Acquired amortization expense was $46.6 million ($29.0 million net of tax) and $42.9 million ($26.7 million net of tax) for the six months ended June 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 six months ended June 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.