




KAR Auction Services, Inc.
Q3 2015 Earnings Slides

November 4, 2015

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.

Third Quarter and YTD 2015 Highlights

Summary

- 13% revenue growth, 9% Adjusted EBITDA growth and 4% growth in Adjusted Net Income
- For the first nine months of year, returned $342.4 million to shareholders via dividend and common stock repurchases, retiring approximately 5.3 million shares
- 5% growth in Adjusted EPS to $0.42 and 9% growth in Operating Adjusted EPS to $0.47
- Ended quarter with net debt / Adjusted EBITDA of 2.83X

ADESA

- 15% volume growth, 14% revenue growth and 16% growth in Adjusted EBITDA
- 13% physical volume sold growth
- Announced TradeRev expansion into the Carolinas and Florida

IAA

- 16% growth in volume
- 13% growth in revenue
- Launched Total Loss Solutions Suite of Products
- Inventory increased approximately 20% year over year

AFC

- Achieved growth in volumes and revenue of 13% and 9%, respectively
- Managed receivables at September 30 were $1,529.6 million – an increase of 19% over September 30, 2014
- Managed portfolio over 99% current as of 9/30/15

KAR Q3 2015 Highlights

(in millions, except per share amounts)

KAR	Q3 2015	Q3 2014	Highlights*
Total operating revenues	$ 666.7	$ 589.1	-$15.2M CAD currency
Gross profit**	$ 288.6	$ 261.1	
SG&A	$ 128.5	$ 116.5	+$3.8M acquired SG&A, +1.4M professional fees, -$2.4M CAD currency
EBITDA	$ 160.3	$ 145.0	-$6M CAD currency
Adjusted EBITDA	$ 163.1	$ 149.1	-$6M CAD currency
Net income	$ 52.3	$ 47.5	-$3M CAD currency
Net income per share - diluted	$ 0.37	$ 0.33	-$0.02 per share CAD currency
Weighted average diluted shares	141.8	142.3	
Dividends declared per common share	$ 0.27	$ 0.25	
Effective tax rate	36.1%	37.4%	
Capital expenditures	$ 92.3	$ 70.3	
Cash flow from operating activities	$ 315.4	$ 327.7	

** For a more complete explanation of these changes, see the MD&A in the company's supplemental financial information and Form 10-Q, both for the quarter ended September 30, 2015.*

*** Exclusive of depreciation and amortization*

ADESA Q3 2015 Highlights

($ in millions except RPU)

ADESA	Q3 2015	Q3 2014	Highlights*
Revenue	$ 351.4	$ 308.1	+15% volume, -1% RPU (includes -$11.3M CAD currency), +$15.0M acquisitions
Gross profit**	$ 152.2	$ 133.5	+$5.2M acquisitions
Gross profit %	43.3%	43.3%	
SG&A	$ 71.3	$ 64.1	+$3.0M acquired SG&A , +$2.5M compensation expense, +$1.3M marketing expenses, +$1.2M incentive based compensation expense, +$1.2M loss on disposal of land, -$2.1M CAD currency, -$1.4M stock-based compensation expense
EBITDA	$ 80.2	$ 68.3	-$4.5M CAD currency
Adjusted EBITDA	$ 85.9	$ 73.9	-$4.6M CAD currency
Total volume growth - %	15%	6%	
Physical	13%	4%	
Online only	22%	11%	
Dealer consignment growth	10%	2%	
Dealer consignment %	52%	53%	
Conversion rate (physical)	56.9%	54.5%	
Online volume as a % of total volume	38%	36%	
Online only volume	146,000	120,000	
Online grounding dealer volume	90,000	80,000	
Total revenue per vehicle	$ 561	$ 565	-$18 CAD currency
Physical RPU	$ 699	$ 697	-$22 CAD currency
Online only RPU	$ 110	$ 97	-$4 CAD currency

** For a more complete explanation of these changes, see the MD&A in the company's supplemental financial information and Form 10-Q, both for the quarter ended September 30, 2015.*

*** Exclusive of depreciation and amortization*

IAA Q3 2015 Highlights

($ in millions)

IAA	Q3 2015	Q3 2014	Highlights*
Revenue	$ 246.2	$ 217.5	+16% volume, -3% RPU (includes -$3.1M CAD currency) +$9.8M HBC
Gross profit**	$ 87.3	$ 82.1	+$0.7M HBC
Gross profit %	35.5%	37.7%	
SG&A	$ 25.6	$ 23.5	+$1.0M telecom expenses, +$0.9M compensation expense, +$0.8M acquired SG&A, -$0.8M stock-based compensation expense
EBITDA	$ 60.8	$ 58.6	-$1M CAD currency
Adjusted EBITDA	$ 61.9	$ 59.3	-$1M CAD currency
% Volume growth	16%	7%	
% Purchased contract vehicles	7%	6%	+1% HBC volume

** For a more complete explanation of these changes, see the MD&A in the company's supplemental financial information and Form 10-Q, both for the quarter ended September 30, 2015.*

*** Exclusive of depreciation and amortization*

AFC Q3 2015 Highlights

($ in millions except for revenue per loan transaction)

AFC	Q3 2015	Q3 2014	Highlights*
Revenue	$ 69.1	$ 63.5	+13% LTUs, +6% in "Other service revenue", -3% revenue per LTU (includes -$0.8M CAD currency)
Other service revenue	$ 7.1	$ 6.7	
Provision for credit losses	$ (2.7)	$ (3.3)	
Gross profit**	$ 49.1	$ 45.5	
Gross profit %	71.1%	71.7%	
SG&A	$ 7.0	$ 6.8	
EBITDA	$ 42.1	$ 38.7	-$0.6M CAD currency
Adjusted EBITDA	$ 37.9	$ 36.3	-$0.5M CAD currency
Loan transactions	405,116	358,800	
% Volume growth	13%	5%	
Revenue per loan transaction unit (LTU)***	$ 153	$ 158	-$2 CAD currency
Managed receivables	$ 1,529.6	$ 1,285.3	
Obligations collateralized by finance receivables	$ 1,122.9	$ 858.8	

** For a more complete explanation of these changes, see the MD&A in the company's supplemental financial information and Form 10-Q, both for the quarter ended September 30, 2015.*

*** Exclusive of depreciation and amortization*

**** Excludes "Other service revenue"*

ADESA Incremental Operating Profit Margin Analysis

($ in millions)

	Reported	Impact of Acquisitions	ADESA Excluding Acquisitions
Q3 2015			
Revenue	$ 351.4	$ 15.0	$ 336.4
Operating Profit	$ 58.6	$ 0.5	$ 58.1
Operating Profit %	16.7%	3.3%	17.3%
Q3 2014			
Revenue	$ 308.1		
Operating Profit	$ 49.7		
Operating Profit %	16.1%		
Q3 2015 Reported Growth			
Reported Revenue Growth	$ 43.3		
Reported Operating Profit Growth	$ 8.9		
Incremental Operating Margin	20.6%		
Q3 2015 Excluding Acquisitions			
Revenue Growth	$ 28.3		
Operating Profit Growth	$ 8.4		
Incremental Operating Margin	29.7%		



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 EBITDA and Adjusted EBITDA to evaluate the company's performance.

EBITDA and Adjusted EBITDA have limitations as analytical tools, and should not be considered in isolation or as a substitute for analysis of the results as reported under GAAP. These measures may not be comparable to similarly titled measures reported by other companies.

Q3 2014 Adjusted EBITDA Reconciliation

($ in millions)

	Three Months ended September 30, 2014				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$22.3**	**$19.1**	**$20.0**	**($13.9)**	**$47.5**
Add back:					
Income taxes	13.4	11.0	12.1	(8.1)	28.4
Interest expense, net of interest income	0.1	–	4.7	15.4	20.2
Depreciation and amortization	19.7	19.1	7.7	2.4	48.9
Intercompany interest	12.8	9.4	(5.8)	(16.4)	–
EBITDA	**$68.3**	**$58.6**	**$38.7**	**($20.6)**	**$145.0**
Adjustments per the Credit Agreement	5.6	0.7	(2.4)	0.2	4.1
Adjusted EBITDA	**$73.9**	**$59.3**	**$36.3**	**($20.4)**	**$149.1**
Revenue	$308.1	$217.5	$63.5	–	$589.1
Adjusted EBITDA % margin	24.0%	27.3%	57.2%		25.3%

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**
Adjustments per the Credit Agreement	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%