

KAR Auction Services, Inc.
Corporate Update

First Quarter 2017

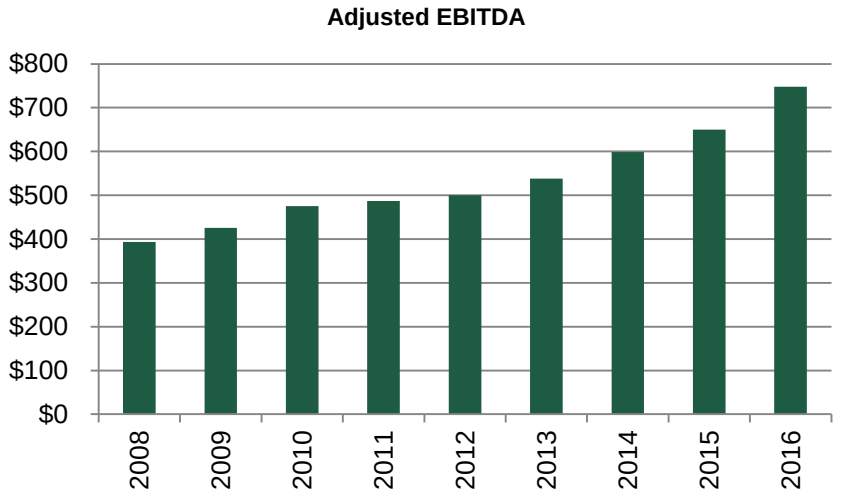


Forward-Looking Statements

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

- Proven and Resilient Growth Through Diversified Business Mix
- Strong Free Cash Flow Generation and High Margin
- Physical and Technological Assets Differentiate KAR
- Established Market Leader Across Core Businesses
- Multiple Avenues for Continued Organic and Acquisition Expansion
- Experienced Management Team with Proven Track Record



~$6B Market Cap

2.5% - 3.0% Dividend Yield

~3x Net Debt / Adjusted EBITDA

$368M Free Cash Flow

$617M Returned to Shareholders ('15 –'16)

24% Adjusted EBITDA Margin

Shareholder Value Creation Strategy

Customer Focus

- ❑ Extend and Integrate Our Distinct Portfolio of Assets
- ❑ Leverage Unique Data and Analytic Capabilities
- ❑ Expand Portfolio of Services and Geographic Presence

Operational Excellence

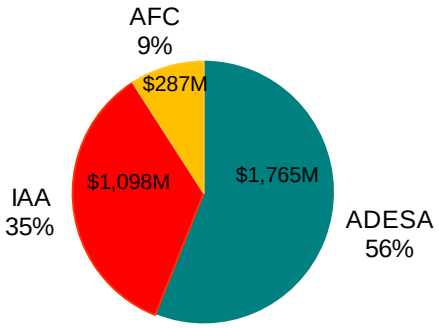
- ❑ Provide Best in Class Remarketing Channels
- ❑ Standardize and Centralize Processes
- ❑ Leverage Technology

Capital Allocation

- ❑ Acquisitions
- ❑ Strategic Investments
- ❑ Return to Shareholders

Vehicle Auction Services Leader

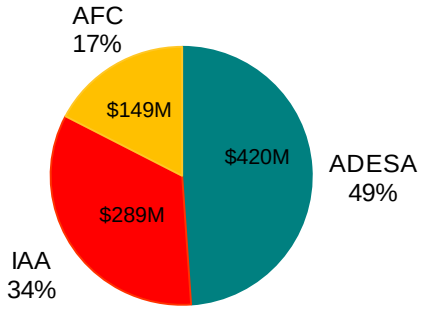
2016 Revenue by Segment



~5.1mm vehicles sold in 2016

Revenue	$3,150mm
Adj. EBITDA	$748mm
% margin	*23.7%*

2016 Adj. EBITDA by Segment[(1)]



Whole Car Auctions

- Dealer and institutional vehicles (e.g., off-lease, repossessions)
- #2 North American market position
- 2.9m vehicles sold
- ~42% vehicles sold online
- 77 locations

Salvage Vehicle Auctions

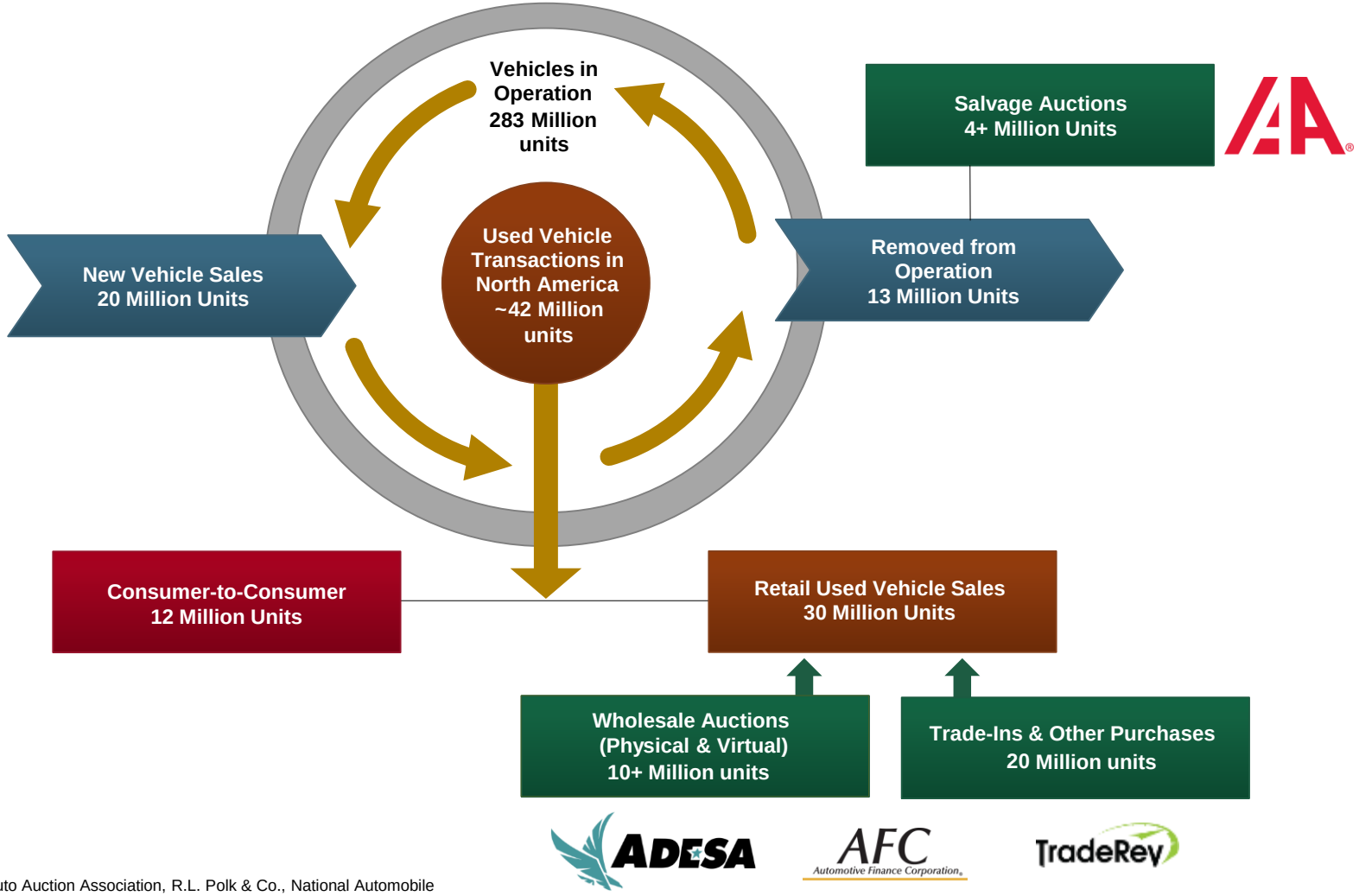
- Total loss vehicles (insurance companies, charities, etc)
- Co-leader North American market position
- 2.2m vehicles sold
- ~60% vehicles sold online
- 170+ locations

Vehicle Floorplan Financing

- Independent dealer vehicle inventory (floorplan) finance
- #2 North American market position
- 1.7m loan transaction units
- ~65 day short-term secured
- 120+ locations

(1) Excludes $110 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:
~$600 / vehicle

Value-Added Ancillary Services

AFC Automotive Finance Corporation

Revenue:
~$150 / LTU(2)

Whole Car Buyers

- Franchised Dealers
- Independent Dealers
- Wholesale Dealers

Seller
(Variable & Fixed)

Auction Fee



Auction Fee

Buyer
(Variable)

Salvage Vehicle Consignors

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

AA

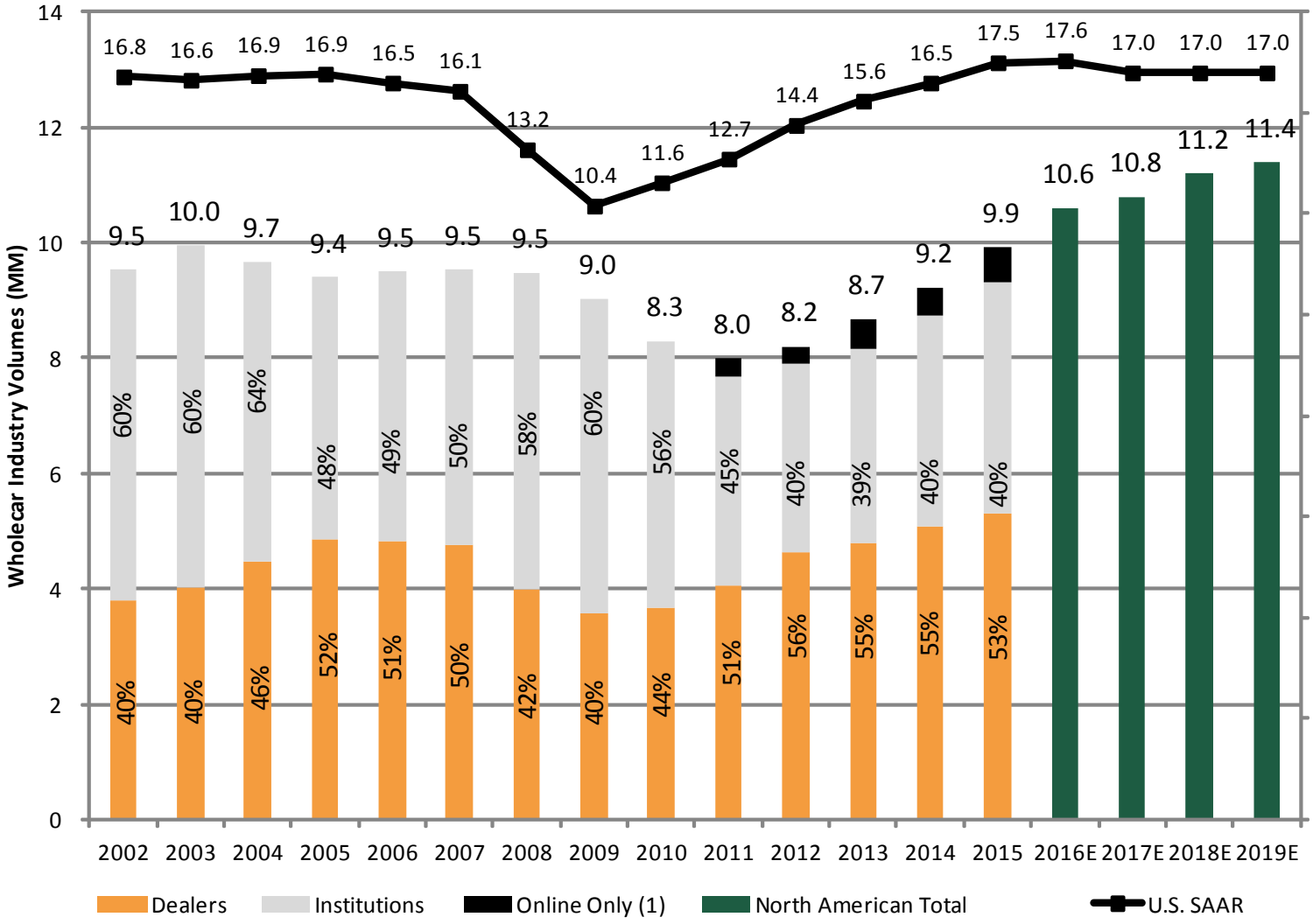
Revenue:
~$500 / vehicle(1)

Salvage Vehicle Buyers

- Dismantlers
- Rebuilders & Resellers
- Recyclers
- International Buyers

RPU as of 12/31/16
(1) Excludes HBC Vehicle Services revenue
(2) Excludes “Other Service” revenue

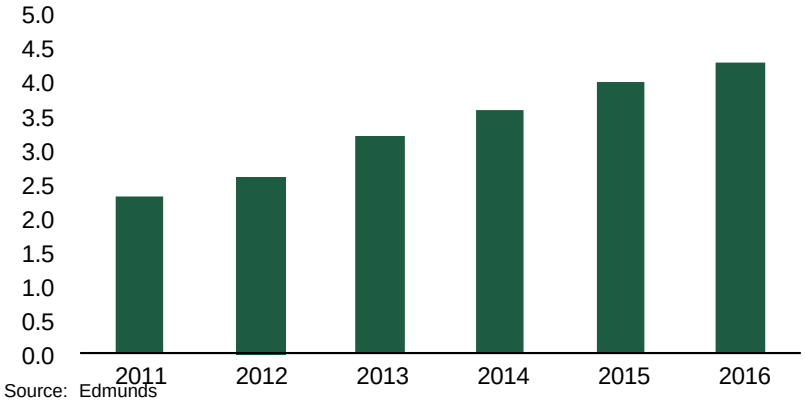
North American Whole Car Auction Industry



Source: BEA, IHS Automotive, Kontos Total Market Estimates, NAAA 2015 Annual Review and Management estimates. (1) Includes Openlane online only & Manheim online only.

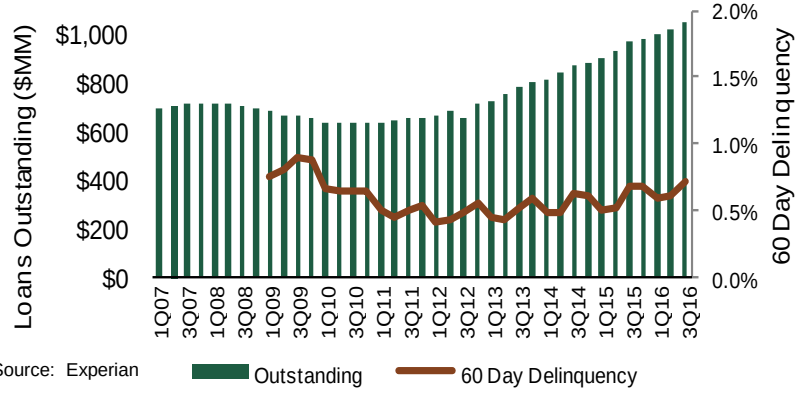
ADESA – Whole Car Market Fundamentals

New Vehicle Lease Growth



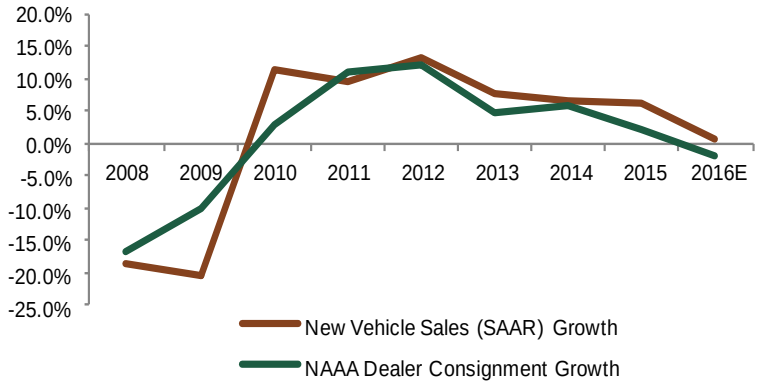
Source: Edmunds

Auto Loans Outstanding



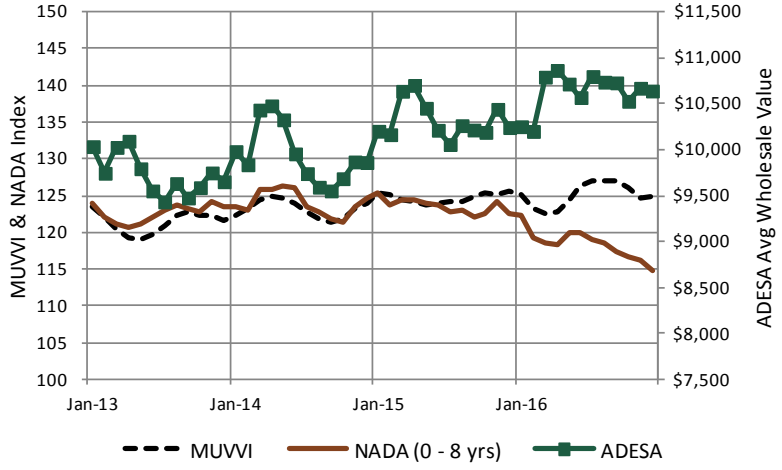
Source: Experian

Dealer Consignment vs SAAR Growth



Source: BEA, NAAA

Wholesale Used Vehicle Values

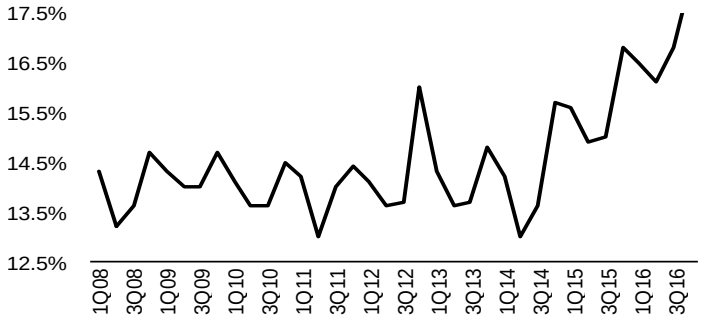


IAA - Salvage Market Fundamentals

Positive Industry Drivers

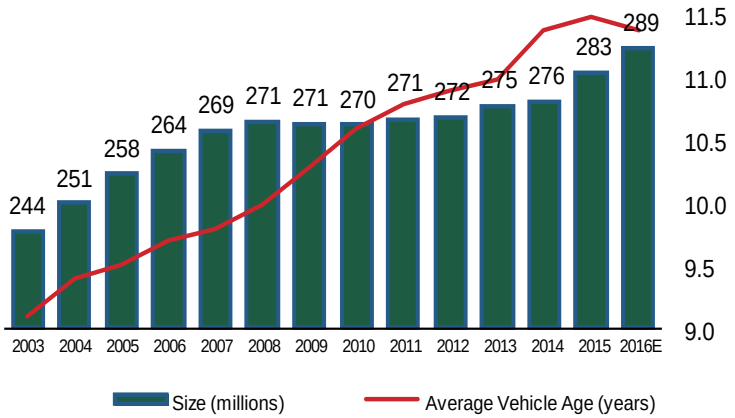
- Accident frequency benefits from rising miles driven, an aging vehicle fleet, and increasing driver distractions
- Accident severity increasing due to vehicle complexity and technology content leading to more total losses
- Increase in non-insurance supply

Increasing Total Loss % of Total Claims



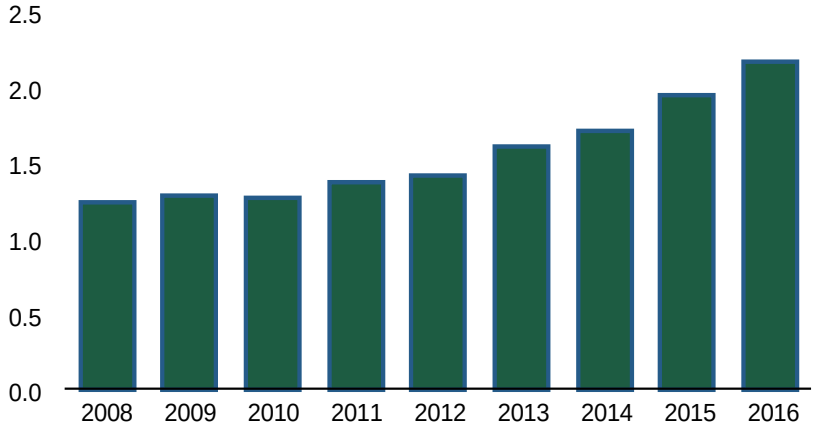
Source: CCC Information Services

Growing & Aging North American Car Parc



Source: Polk and ADESA Analytical Services

IAA Volume Sold

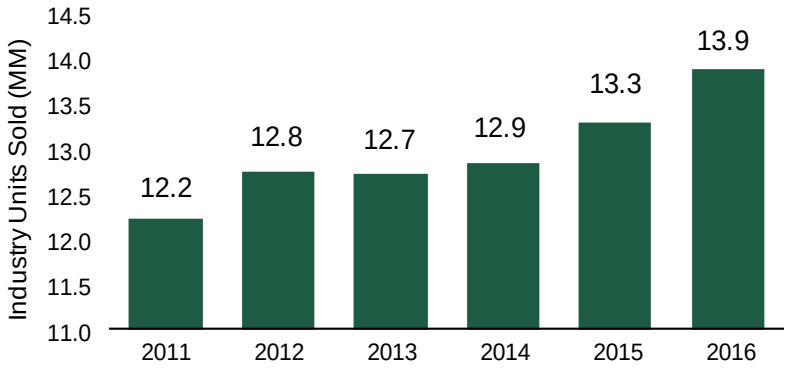


AFC Provides Complementary Service to Buyers

AFC Highlights

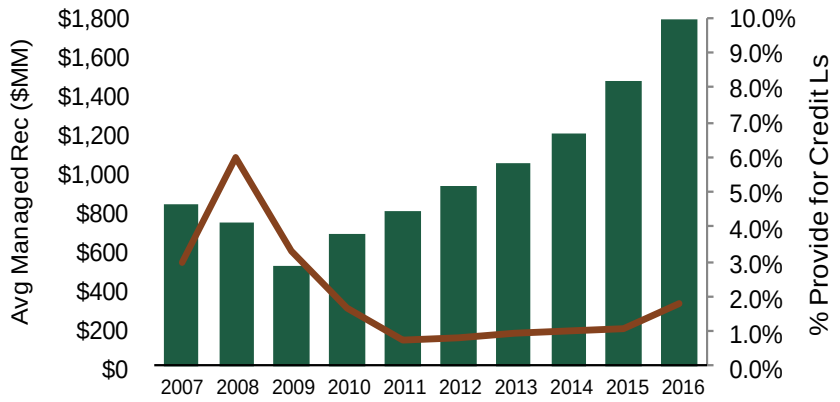
- Short-term (~65 day) secured financing to independent used car dealers
- Provides liquidity to auctions
- Portfolio managed through disciplined underwriting and consistent credit standards
- Utilizes risk based pricing model
- Significant risk mitigation processes (local presence, lot checks, credit pulls, etc)
- Securitization provides liquidity
  - AFC funding in place through Jan 2020
  - US$1,500 million and C$125 million committed liquidity(1)
    ($1,280 million drawn as of 12/31/16)

Independent Dealer Used Vehicle Retail Sales



Source: NADA

Managed Receivables & Net Provision for Credit Losses



Capital Allocation Framework

$617M Returned to Shareholders 2015 – 2016

	Capex	Dividends	Strategic Investments	Share Repurchases
Priorities	■ Historically ~18% - 20% of Adjusted EBITDA, plus strategic investments ■ Technology ~50% ■ Physical ~50%	■ 45% - 50% of FCF ■ Highlights consistency & strength of free cash flow	■ Acquisitions that leverage wholecar auction cyclical recovery (indep auctions) ■ Complementary technologies ■ New geographies	■ Tool for managing cash and leverage
2015	$135M Spent	$152M Paid	$118M Acquisitions	$228M Repurchased
2015	■ Technology $63M ■ Physical $56M ■ Chicago Greenfield $16M	■ $1.08 per share paid	■ Pittsburgh (Indep Auction) ■ DataScan (Vehicle Inspections) ■ Autoniq (Price Guide Aggregator) ■ MobileTrac (Vehicle History Reports) ■ HBC (UK Salvage)	■ $300M two year authorization approved in October 2014 ■ 6.2M shares repurchased
2016	$155M Spent	$157M Paid	$432M Acquisitions	$80M Repurchased
2016	■ Technology $77M ■ Physical $51M ■ Chicago Greenfield $27M	■ $1.14 per share paid	■ Brashers (8 Indep Auctions) ■ Orlando (Indep Auction) ■ GRS (UK Online Only Auctions) ■ Flint (Independent Auction)	■ $500M three year authorization approved in October 2016 ■ 1.9M shares repurchased



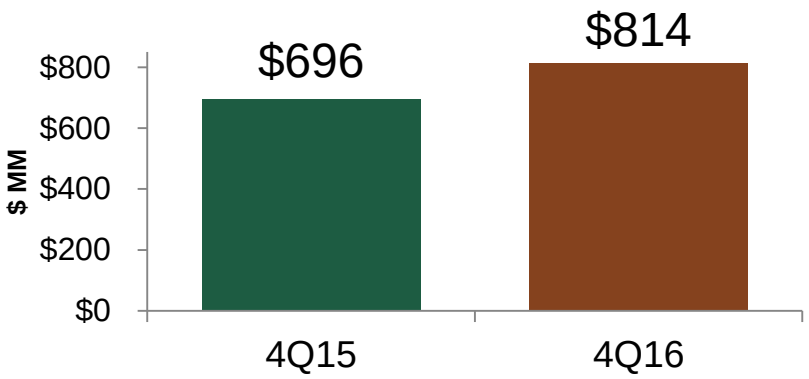
Financial Overview

KAR AUCTION SERVICES

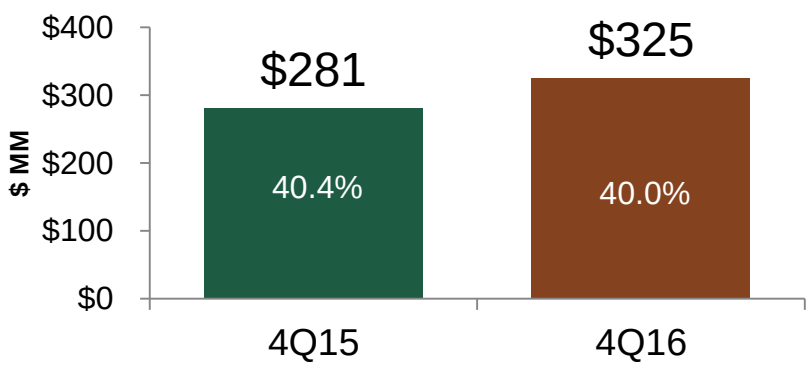


Fourth Quarter 2016 Performance

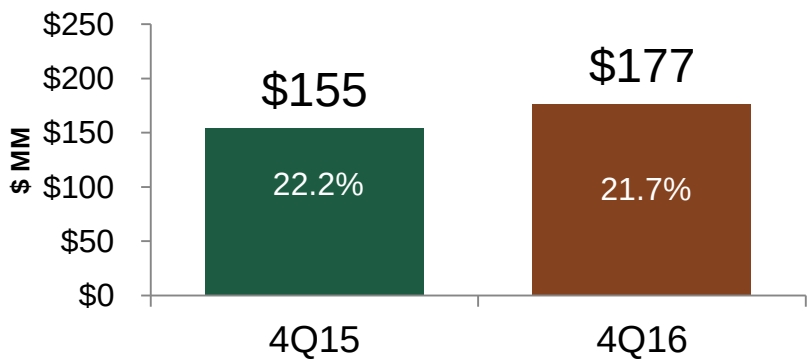
Revenue



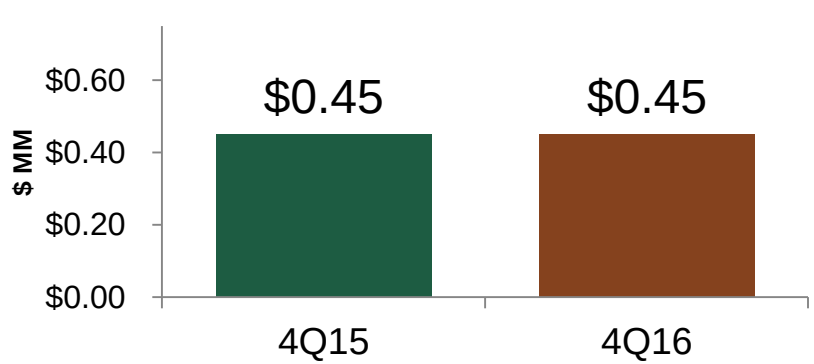
Gross Profit*



Adjusted EBITDA



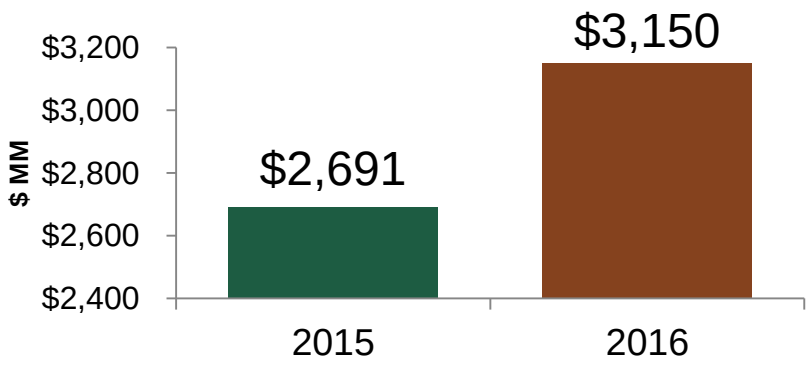
Operating Adjusted Net Income Per Share



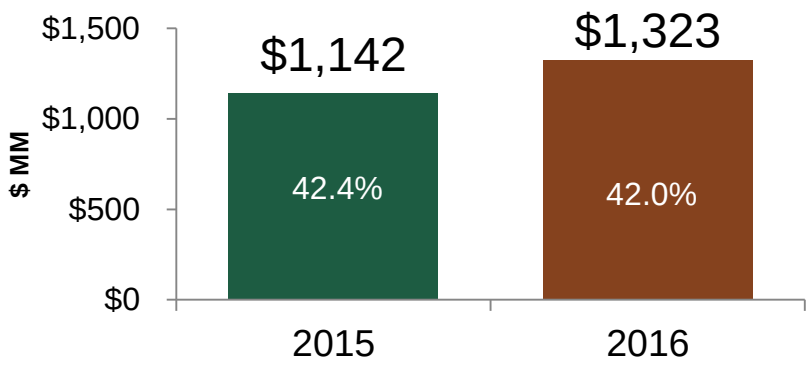
* *Excludes depreciation and amortization expense*

2016 Performance

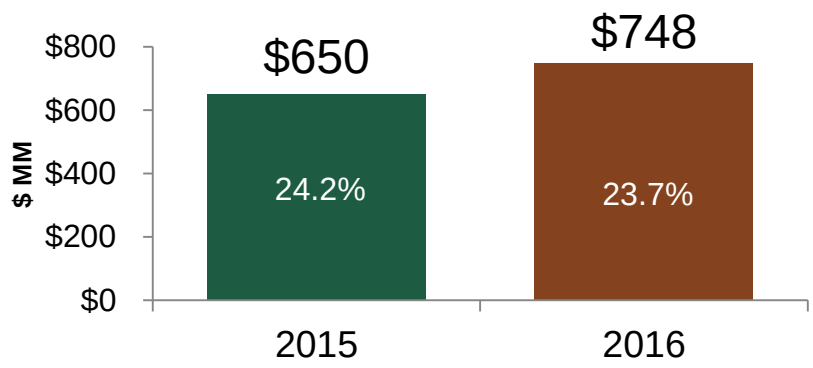
Revenue



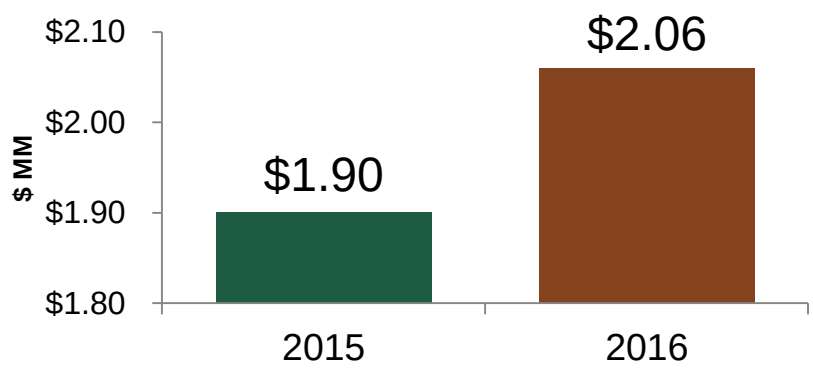
Gross Profit*



Adjusted EBITDA



Operating Adjusted Net Income Per Share



* *Excludes depreciation and amortization expense*

December 31, 2016 Leverage

(US$ in millions)

	12/31/2016	Maturity
Term Loan B-2 (Adjusted LIBOR[(1)] + 3.1875%)	$1,081	2021
Term Loan B-3 (Adjusted LIBOR[(1)] + 3.50%)	1,328	2023
Revolving Credit Facility (Adj LIBOR[(1)] + 2.50%)	81	2021
Capital Leases	52	
Total	2,541	
Less: Available Cash	(108)	
Net Debt	$2,434	
Net Debt / Adjusted EBITDA (Target 3x)	**3.25**	

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

LIBOR Interest Rate Caps

$800M notional amt	Expire 8/19/17	1.75% LIBOR cap
$400M notional amt	Expire 3/31/17	1.50% LIBOR cap

Three Year Trends and Outlook

Expected Environmental Trends

Growth in **off-lease** and **repo** vehicle volumes

5%-7% annual growth in salvage auction industry volumes

Potential for a 1% reduction in corporate income tax = **$.02/share** increase in net income



~ 60/40 commercial vehicle vs. dealer consignment mix …

… should drive increases in **revenue per vehicle** sold

Strategic Priorities

Capital deployment

Leverage unique **data and analytic capabilities**

Extend and **integrate** our platforms

Improve operating efficiency

Capital Deployment

$395M to $420M

Free cash flow expected in 2017 and levels at or above that for 2018-2019

Return to shareholders through:

- Recurring **dividend** & **share repurchases**
- Strategic **acquisitions**

Target senior leverage

3X

adjusted EBITDA or less

$20M - $25M

Investment over three years for deployment of New Wave online solution



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. Free cash flow is defined as Adjusted EBITDA less cash interest expense on corporate debt (Credit Facility), capital expenditures and cash taxes related to the calendar year. 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, Adjusted EBITDA and free cash flow 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, free cash flow, 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.

2007–2014 Adjusted EBITDA Reconciliations

($ in millions)

	2008	2009	2010	2011	2012	2013	2014
Net income (loss)	**($216.2)**	**$23.2**	**$69.6**	**$72.2**	**$92.0**	**$67.7**	**$169.3**
Add back:							
Income taxes	(31.4)	11.1	27.2	17.8	59.6	81.5	95.7
Interest expense, net of interest	213.4	172.2	141.3	142.8	119.1	104.3	85.9
Depreciation and amortization	182.8	172.4	171.3	179.8	190.2	194.4	196.6
EBITDA	**$148.6**	**$378.9**	**$409.4**	**$412.6**	**$460.9**	**$447.9**	**$547.5**
Adjustments per the Credit Agreement	244.9	47.0	65.8	74.6	39.3	90.3	51.3
Adjusted EBITDA	**$393.5**	**$425.9**	**$475.2**	**$487.2**	**$500.2**	**$538.2**	**$598.8**

Q4 2015 Adjusted EBITDA Reconciliation

($ in millions)

	Three Months ended December 31, 2015				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$25.1**	**$23.3**	**$21.4**	**($21.5)**	**$48.3**
Add back:					
Income taxes	13.9	11.1	13.4	(11.5)	26.9
Interest expense, net of interest income	(0.3)	–	6.9	17.2	23.8
Depreciation and amortization	22.4	21.7	7.6	4.3	56.0
Intercompany interest	12.1	9.5	(7.9)	(13.7)	–
EBITDA	**$73.2**	**$65.6**	**$41.4**	**($25.2)**	**$155.0**
Intercompany charges	1.9	0.1	–	(2.0)	–
Non-cash stock-based compensation	0.9	0.3	0.3	1.4	2.9
Acquisition related costs	0.6	–	0.2	0.2	1.0
Securitization interest	–	–	(5.5)	–	(5.5)
Minority interest	0.2	(1.1)	–	–	(0.9)
Other	0.8	0.7	0.3	0.2	2.0
Total addbacks	4.4	–	(4.7)	(0.2)	(0.5)
Adjusted EBITDA	**$77.6**	**$65.6**	**$36.7**	**($25.4)**	**$154.5**
Revenue	$365.9	$261.6	$68.2	–	$695.7
Adjusted EBITDA % margin	21.2%	25.1%	53.8%		22.2%

Q4 2016 Adjusted EBITDA Reconciliation

($ in millions)

	Three Months ended December 31, 2016				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$27.9**	**$29.0**	**$19.8**	**($31.2)**	**$45.5**
Add back:					
Income taxes	16.0	16.8	12.2	(18.3)	26.7
Interest expense, net of interest income	(0.2)	–	9.4	28.7	37.9
Depreciation and amortization	27.4	23.5	7.7	6.1	64.7
Intercompany interest	9.3	9.5	(8.7)	(10.1)	–
EBITDA	**$80.4**	**$78.8**	**$40.4**	**($24.8)**	**$174.8**
Intercompany charges	3.1	–	–	(3.1)	–
Non-cash stock-based compensation	1.2	0.7	0.4	1.7	4.0
Loss on extinguishment of debt	–	–	1.4	–	1.4
Acquisition related costs	1.3	–	–	0.1	1.4
Securitization interest	–	–	(7.7)	–	(7.7)
Minority interest	1.1	–	–	–	1.1
Other	0.9	0.7	0.2	(0.3)	1.5
Total addbacks	7.6	1.4	(5.7)	(1.6)	1.7
Adjusted EBITDA	**$88.0**	**$80.2**	**$34.7**	**($26.4)**	**$176.5**
Revenue	$442.3	$302.6	$68.8	–	$813.7
Adjusted EBITDA % margin	19.9%	26.5%	50.4%		21.7%

YTD 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)
(Gain)/Loss on asset sales	3.6	(0.1)	–	–	3.5
Other	2.3	1.0	0.4	0.3	4.0
Total addbacks	21.1	1.4	(16.8)	–	5.7
Adjusted EBITDA	**$328.6**	**$265.1**	**$147.3**	**($91.2)**	**$649.8**
Revenue	$1,427.8	$994.4	$268.4	–	$2,690.6
Adjusted EBITDA % margin	23.0%	26.7%	54.9%		24.2%

YTD 2016 Adjusted EBITDA Reconciliation

($ in millions)

	Year ended December 31, 2016				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$156.9**	**$101.1**	**$88.4**	**($124.0)**	**$222.4**
Add back:					
Income taxes	92.7	59.3	54.0	(73.1)	132.9
Interest expense, net of interest income	(0.3)	–	34.1	104.6	138.4
Depreciation and amortization	100.0	87.9	31.1	21.6	240.6
Intercompany interest	41.7	37.8	(33.8)	(45.7)	–
EBITDA	**$391.0**	**$286.1**	**$173.8**	**($116.6)**	**$734.3**
Intercompany charges	10.9	0.3	–	(11.2)	–
Non-cash stock-based compensation	4.6	2.6	1.8	10.1	19.1
Loss on extinguishment of debt	–	–	1.4	4.0	5.4
Acquisition related costs	4.9	0.2	0.1	3.4	8.6
Securitization interest	–	–	(28.0)	–	(28.0)
Minority interest	3.8	–	–	–	3.8
(Gain)/Loss on asset sales	1.6	0.2	–	0.6	2.4
Other	2.7	(0.5)	0.2	(0.1)	2.3
Total addbacks	28.5	2.8	(24.5)	6.8	13.6
Adjusted EBITDA	**$419.5**	**$288.9**	**$149.3**	**($109.8)**	**$747.9**
Cash interest expense on corporate debt					(97.1)
Capital expenditures					(155.1)
Cash taxes related to calendar year					(128.0)
Free cash flow					**$367.7**
Revenue	$1,765.3	$1,098.0	$286.8	–	$3,150.1
Adjusted EBITDA % margin	23.8%	26.3%	52.1%		23.7%

LTM Adjusted EBITDA Reconciliation

($ in millions) (unaudited)

	Three months ended				Twelve months ended
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	December 31, 2016
Net income (loss)	**$60.7**	**$61.8**	**$54.4**	**$45.5**	**$222.4**
Add back:					
Income taxes	36.7	37.7	31.8	26.7	132.9
Interest expense, net of interest income	28.7	35.7	36.1	37.9	138.4
Depreciation and amortization	56.4	59.0	60.5	64.7	240.6
EBITDA	**$182.5**	**$194.2**	**$182.8**	**$174.8**	**$734.3**
Non-cash stock-based compensation	5.5	4.9	4.7	4.0	19.1
Loss on extinguishment of debt	4.0	–	–	1.4	5.4
Acquisition related costs	2.6	3.3	1.3	1.4	8.6
Securitization interest	(6.4)	(6.7)	(7.2)	(7.7)	(28.0)
Minority interest	0.6	1.0	1.1	1.1	3.8
(Gain)/Loss on asset sales	0.4	0.4	1.3	0.3	2.4
Other	0.3	–	0.8	1.2	2.3
Total addbacks	7.0	2.9	2.0	1.7	13.6
Adjusted EBITDA	**$189.5**	**$197.1**	**$184.8**	**$176.5**	**$747.9**

Operating Adjusted Net Income Per Share Reconciliation (Q4 2016 & Q4 2015)

($ in millions, except per share amounts)

	Three Months ended December 31,	
	2016	**2015**
Net income	$45.5	$48.3
Acquired amortization expense [(1)]	25.8	22.3
Loss on extinguishment of debt [(2)]	1.4	–
Income taxes [(3)]	(10.0)	(8.0)
Operating adjusted net income	**$62.7**	**$62.6**
Net income per share – diluted	$0.33	$0.35
Acquired amortization expense	0.19	0.16
Loss on extinguishment of debt	0.01	–
Income taxes	(0.08)	(0.06)
Operating adjusted net income per share – diluted	**$0.45**	**$0.45**
Weighted average diluted shares	138.9	139.6

(1) Acquired amortization expense was $25.8 million ($16.3 million net of tax) and $22.3 million ($14.3 million net of tax) for the three months ended December 31, 2016 and 2015, respectively.
(2) We incurred a loss on the extinguishment of debt totaling $1.4 million ($0.9 million net of tax) for the three months ended December 31, 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.

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

($ in millions, except per share amounts)

	Year ended December 31,	
	2016	**2015**
Net income	$222.4	$214.6
Acquired amortization expense [1]	97.1	87.5
Loss on extinguishment of debt [2]	5.4	–
Income taxes [3]	(38.3)	(32.4)
Operating adjusted net income	**$286.6**	**$269.7**
Net income per share – diluted	$1.60	$1.51
Acquired amortization expense	0.70	0.62
Loss on extinguishment of debt	0.04	–
Income taxes	(0.28)	(0.23)
Operating adjusted net income per share – diluted	**$2.06**	**$1.90**
Weighted average diluted shares	139.1	142.3

(1) Acquired amortization expense was $97.1 million ($60.8 million net of tax) and $87.5 million ($55.1 million net of tax) for the year ended December 31, 2016 and 2015, respectively.
(2) We incurred a loss on the extinguishment of debt totaling $5.4 million ($3.4 million net of tax) for the year ended December 31, 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	2015	2014	2013	2012	2011	2010	2009	2008	2007
Ending Managed Receivables	$1,792.2	$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	$1,732.5	$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	$30.7	$16.0	$12.3	$9.6	$7.2	$6.1	$11.2	$17.1	$44.7	$25.0
% of Managed Receivables	1.77%	1.08%	1.02%	0.91%	0.78%	0.76%	1.63%	3.31%	6.00%	2.99%