

***KAR Auction Services, Inc.
Q4 and YTD 2014 Supplemental Financial Information
February 17, 2015***

KAR Auction Services, Inc.

EBITDA and Adjusted EBITDA Measures

EBITDA and Adjusted EBITDA Measures

EBITDA and Adjusted EBITDA as presented herein are supplemental measures of our performance that are not required by, or presented in accordance with, generally accepted accounting principles in the United States ("GAAP"). They are not measurements of our 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.

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 our 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 our creditors. In addition, management uses EBITDA and Adjusted EBITDA to evaluate our 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.

The following tables reconcile EBITDA and Adjusted EBITDA to net income (loss) for the periods presented:

<i>(Dollars in millions), (Unaudited)</i>	Three Months Ended December 31, 2014				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	\$23.9	\$18.5	\$19.9	\$(12.0)	\$50.3
Add back:					
Income taxes	7.5	12.4	13.9	(6.4)	27.4
Interest expense, net of interest income	0.1	--	4.9	15.8	20.8
Depreciation and amortization	21.2	19.6	7.7	2.8	51.3
Intercompany interest	13.0	9.4	(5.1)	(17.3)	--
EBITDA	65.7	59.9	41.3	(17.1)	149.8
Adjustments per the Credit Agreement	3.2	0.1	(2.7)	(1.9)	(1.3)
Adjusted EBITDA	\$68.9	\$60.0	\$38.6	\$(19.0)	\$148.5

<i>(Dollars in millions), (Unaudited)</i>	Three Months Ended December 31, 2013				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	\$2.7	\$17.3	\$21.7	\$(59.3)	\$(17.6)
Add back:					
Income taxes	11.9	9.2	6.0	(5.1)	22.0
Interest expense, net of interest income	0.2	0.1	4.4	20.6	25.3
Depreciation and amortization	21.1	18.4	7.3	1.7	48.5
Intercompany interest	12.7	9.4	(4.7)	(17.4)	--
EBITDA	48.6	54.4	34.7	(59.5)	78.2
Adjustments per the Credit Agreement	9.5	3.2	--	40.3	53.0
Adjusted EBITDA	\$58.1	\$57.6	\$34.7	\$(19.2)	\$131.2

Certain of our loan covenant calculations utilize financial results for the most recent four consecutive fiscal quarters. The following table reconciles EBITDA and Adjusted EBITDA to net income for the periods presented:

<i>(Dollars in millions), (Unaudited)</i>	Three Months Ended				Twelve Months Ended December 31, 2014
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014	
Net income (loss)	\$20.7	\$50.8	\$47.5	\$50.3	\$169.3
Add back:					
Income taxes	9.8	30.1	28.4	27.4	95.7
Interest expense, net of interest income	24.1	20.8	20.2	20.8	85.9
Depreciation and amortization	48.1	48.3	48.9	51.3	196.6
EBITDA	102.7	150.0	145.0	149.8	547.5
Other adjustments per the Credit Agreement	1.3	0.9	1.0	0.6	3.8
Non-cash charges	46.4	6.7	6.8	2.0	61.9
AFC interest expense	(3.3)	(3.5)	(3.7)	(3.9)	(14.4)
Adjusted EBITDA	\$147.1	\$154.1	\$149.1	\$148.5	\$598.8

Segment Results

ADESA Results

<i>(Dollars in millions)</i>	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
ADESA revenue	\$310.5	\$274.3	\$1,218.5	\$1,118.6
Cost of services*	180.9	160.1	693.4	629.9
Gross profit*	129.6	114.2	525.1	488.7
Selling, general and administrative	63.2	64.6	259.9	252.3
Depreciation and amortization	21.2	21.1	80.2	87.9
Operating profit	\$45.2	\$28.5	\$185.0	\$148.5
EBITDA	\$65.7	\$48.6	\$261.0	\$231.3
Adjustments per the Credit Agreement	3.2	9.5	24.0	24.7
Adjusted EBITDA	\$68.9	\$58.1	\$285.0	\$256.0

* Exclusive of depreciation and amortization

Overview of ADESA Results for the Three Months Ended December 31, 2014 and 2013

Revenue

Revenue from ADESA increased \$36.2 million, or 13%, to \$310.5 million for the three months ended December 31, 2014, compared with \$274.3 million for the three months ended December 31, 2013. The increase in revenue was primarily a result of a 9% increase in the number of vehicles sold, as well as a 4% increase in revenue per vehicle sold, offset by the impact of a decrease in revenues of \$4.3 million due to fluctuations in the Canadian exchange rate.

The increase in volume sold was primarily attributable to an increase in institutional volume, including vehicles sold on our online only platform, as well as a 3% increase in dealer consignment units sold for the three months ended December 31, 2014 compared with the three months ended December 31, 2013. Online sales volumes for ADESA represented approximately 37% of the total vehicles sold in the fourth quarter of 2014, compared with approximately 35% in the fourth quarter of 2013. "Online sales" includes the following: (i) selling vehicles directly from a dealership or other interim storage location (upstream selling); (ii) online solutions that offer vehicles for sale while in transit to auction locations (midstream selling); (iii) simultaneously broadcasting video and audio of the physical auctions to online bidders (LiveBlock[®]); and (iv) bulletin-board or real-time online auctions (DealerBlock[®]). Both the upstream and midstream selling represent online only sales, which represent over half of ADESA's online sales volume. ADESA sold approximately 115,000 and 98,000 vehicles through its online only offerings in the fourth quarter of 2014 and 2013, respectively. For the three months ended December 31, 2014, dealer consignment vehicles represented approximately 47% of used vehicles sold at ADESA physical auction locations, compared with approximately 49% for the three months ended December 31, 2013. Vehicles sold at physical auction locations increased 7% in the fourth quarter of 2014, compared with the fourth quarter of 2013. The used vehicle conversion percentage at physical auction locations, calculated as the number of vehicles sold as a percentage of the number of vehicles entered for sale at our ADESA auctions, increased to 56.8% for the three months ended December 31, 2014, compared with 55.5% for the three months ended December 31, 2013.

Total revenue per vehicle sold increased 4% to approximately \$574 for the three months ended December 31, 2014, compared with approximately \$554 for the three months ended December 31, 2013. Physical auction revenue per vehicle sold increased \$38 or 6%, to \$700 for the three months ended

December 31, 2014, compared with \$662 for the three months ended December 31, 2013. Physical auction revenue per vehicle sold includes revenue from seller and buyer auction fees and ancillary and other related services, which includes non-auction services. The increase in physical auction revenue per vehicle sold was primarily attributable to an increase in ancillary and other related services revenue. Online only auction revenue per vehicle sold decreased \$9 to \$106 for the three months ended December 31, 2014, compared with \$115 for the three months ended December 31, 2013. The decrease in online only auction revenue per vehicle sold was attributable to a decline in fees per car sold, primarily due to an increase in the number of cars sold in closed private label sales, which includes sales to grounding dealers. The revenue per vehicle sold in a closed private label sale is lower than the revenue per vehicle sold in an open online only auction.

Gross Profit

For the three months ended December 31, 2014, gross profit for ADESA increased \$15.4 million, or 13%, to \$129.6 million, compared with \$114.2 million for the three months ended December 31, 2013. Gross profit for ADESA was 41.7% of revenue for the three months ended December 31, 2014, compared with 41.6% of revenue for the three months ended December 31, 2013. The increase in gross profit percentage for the three months ended December 31, 2014, compared with the three months ended December 31, 2013, was primarily the result of the 13% increase in revenue.

Selling, General and Administrative

Selling, general and administrative expenses for the ADESA segment decreased \$1.4 million, or 2%, to \$63.2 million for the three months ended December 31, 2014, compared with \$64.6 million for the three months ended December 31, 2013, primarily due to a decrease in stock-based compensation expense of \$4.3 million and fluctuations in the Canadian exchange rate of \$0.8 million, partially offset by an increase in incentive-based compensation expense of \$1.2 million, selling, general and administrative expenses associated with High Tech Locksmiths of \$1.0 million and an increase in professional fees of \$0.7 million.

Overview of ADESA Results for the Year Ended December 31, 2014 and 2013

Revenue

Revenue from ADESA increased \$99.9 million, or 9%, to \$1,218.5 million for the year ended December 31, 2014, compared with \$1,118.6 million for the year ended December 31, 2013. The increase in revenue was primarily a result of a 7% increase in the number of vehicles sold, as well as a 2% increase in revenue per vehicle sold, partially offset by the impact of a decrease in revenues of \$15.7 million due to fluctuations in the Canadian exchange rate.

The increase in volume sold was primarily attributable to an increase in institutional volume, including vehicles sold on our online only platform, as well as a 3% increase in dealer consignment units sold for the year ended December 31, 2014 compared with the year ended December 31, 2013. Online sales volumes for ADESA represented approximately 38% of the total vehicles sold in 2014, compared with approximately 35% in 2013. "Online sales" includes the following: (i) selling vehicles directly from a dealership or other interim storage location (upstream selling); (ii) online solutions that offer vehicles for sale while in transit to auction locations (midstream selling); (iii) simultaneously broadcasting video and audio of the physical auctions to online bidders (LiveBlock[®]); and (iv) bulletin-board or real-time online auctions (DealerBlock[®]). Both the upstream and midstream selling represent online only sales, which represent over half of ADESA's online sales volume. ADESA sold approximately 495,000 and 407,000 vehicles through its online only offerings in 2014 and 2013, respectively. For the year ended December 31, 2014 and 2013, dealer consignment vehicles represented approximately 51% of used vehicles sold at ADESA physical auction locations. Vehicles sold at physical auction locations increased 3% in 2014, compared with 2013. The used vehicle conversion percentage at physical auction locations, calculated as the number of vehicles sold as a percentage of the number of vehicles entered for sale at

our ADESA auctions, increased to 58.2% for the year ended December 31, 2014, compared with 56.9% for the year ended December 31, 2013.

Total revenue per vehicle sold increased 2% to approximately \$554 for the year ended December 31, 2014, compared with approximately \$544 for the year ended December 31, 2013. Physical auction revenue per vehicle sold increased \$36 or 6%, to \$685 for the year ended December 31, 2014, compared with \$649 for the year ended December 31, 2013. Physical auction revenue per vehicle sold includes revenue from seller and buyer auction fees and ancillary and other related services, which includes non-auction services. The increase in physical auction revenue per vehicle sold was primarily attributable to an increase in ancillary and other related services revenue. Online only auction revenue per vehicle sold decreased \$15 to \$104 for the year ended December 31, 2014, compared with \$119 for the year ended December 31, 2013. The decrease in online only auction revenue per vehicle sold was attributable to a decline in fees per car sold, primarily due to an increase in the number of cars sold in closed private label sales, which includes sales to grounding dealers. The revenue per vehicle sold in a closed private label sale is lower than the revenue per vehicle sold in an open online only auction.

Gross Profit

For the year ended December 31, 2014, gross profit for ADESA increased \$36.4 million, or 7%, to \$525.1 million, compared with \$488.7 million for the year ended December 31, 2013. Gross profit for ADESA was 43.1% of revenue for the year ended December 31, 2014, compared with 43.7% of revenue for the year ended December 31, 2013. The decrease in gross profit percentage for the year ended December 31, 2014, compared with the year ended December 31, 2013, was primarily the result of the 10% increase in cost of services. The increase in cost of services was primarily attributable to an increase in lower margin ancillary and non-auction services, increased utilities and maintenance, partially offset by fluctuations in the Canadian exchange rate.

Selling, General and Administrative

Selling, general and administrative expenses for the ADESA segment increased \$7.6 million, or 3%, to \$259.9 million for the year ended December 31, 2014, compared with \$252.3 million for the year ended December 31, 2013, primarily due to increases in stock-based compensation expense of \$4.7 million, incentive-based compensation expense of \$3.3 million, selling, general and administrative expenses associated with High Tech Locksmiths of \$2.9 million, an increase in bad debt expense of \$1.2 million and an increase in professional fees of \$1.0 million, partially offset by fluctuations in the Canadian exchange rate of \$3.1 million and decreases in marketing and compensation expenses of \$2.2 million and \$1.3 million, respectively.

IAA Results

<i>(Dollars in millions)</i>	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
IAA revenue	\$229.6	\$206.8	\$895.9	\$830.0
Cost of services*	145.4	129.5	555.7	545.9
Gross profit*	84.2	77.3	340.2	284.1
Selling, general and administrative	25.2	22.9	98.8	82.4
Depreciation and amortization	19.6	18.4	76.2	73.8
Operating profit	\$39.4	\$36.0	\$165.2	\$127.9
EBITDA	\$59.9	\$54.4	\$242.2	\$201.8
Adjustments per the Credit Agreement	0.1	3.2	5.2	3.9
Superstorm Sandy	--	--	--	13.5
Adjusted EBITDA	\$60.0	\$57.6	\$247.4	\$219.2

* Exclusive of depreciation and amortization

Overview of IAA Results for the Three Months Ended December 31, 2014 and 2013

Revenue

Revenue from IAA increased \$22.8 million, or 11%, to \$229.6 million for the three months ended December 31, 2014, compared with \$206.8 million for the three months ended December 31, 2013. The increase in revenue was a result of an increase in vehicles sold of approximately 10% for the three months ended December 31, 2014. IAA's total loss vehicle inventory has increased over 15% at December 31, 2014, as compared to December 31, 2013. Vehicles sold under purchase agreements were approximately 7% of total salvage vehicles sold for the three months ended December 31, 2014 and 2013. Online sales volumes for IAA for the three months ended December 31, 2014 and 2013 represented over half of the total vehicles sold by IAA.

Gross Profit

For the three months ended December 31, 2014, gross profit at IAA increased to \$84.2 million, or 36.7% of revenue, compared with \$77.3 million, or 37.4% of revenue, for the three months ended December 31, 2013. The gross profit increase was primarily the result of the 11% increase in revenue, partially offset by a 12% increase in cost of services. The increase in cost of services was primarily attributable to variable cost increases related to the increase in volume.

Selling, General and Administrative

Selling, general and administrative expenses at IAA increased \$2.3 million, or 10%, to \$25.2 million for the three months ended December 31, 2014, compared with \$22.9 million for the three months ended December 31, 2013. The increase in selling, general and administrative expenses was primarily attributable to increases in information technology costs of \$1.3 million, legal expenses and professional fees.

Overview of IAA Results for the Year Ended December 31, 2014 and 2013

Revenue

Revenue from IAA increased \$65.9 million, or 8%, to \$895.9 million for the year ended December 31, 2014, compared with \$830.0 million for the year ended December 31, 2013. The increase in revenue was a result of an increase in vehicles sold of approximately 7% for the year ended December 31, 2014. Volumes and revenue for 2013 included the impact of Superstorm Sandy as discussed below. Excluding the impact of Superstorm Sandy, IAA's revenue and volumes increased 12% and 10%, respectively. IAA's total loss vehicle inventory has increased over 15% at December 31, 2014, as compared to December 31, 2013. Vehicles sold under purchase agreements were approximately 6% of total salvage vehicles sold for the year ended December 31, 2014, compared with approximately 7% for the year ended December 31, 2013. Online sales volumes for IAA for the years ended December 31, 2014 and 2013 represented over half of the total vehicles sold by IAA.

Gross Profit

For the year ended December 31, 2014, gross profit at IAA increased to \$340.2 million, or 38.0% of revenue, compared with \$284.1 million, or 34.2% of revenue, for the year ended December 31, 2013. The increase in gross profit and gross profit as a percentage of revenue was mainly attributable to expenses associated with processing total loss vehicles related to Superstorm Sandy for the year ended December 31, 2013, as well as the 8% increase in revenue for the year ended December 31, 2014.

For the year ended December 31, 2013, IAA sold over 45,000 Superstorm Sandy vehicles resulting in revenue of approximately \$30.1 million and cost of services of approximately \$43.6 million. Overall IAA

incurred a pretax net loss of \$13.5 million related to the processing of Superstorm Sandy vehicles for the year ended December 31, 2013. Excluding the impact of revenues and expenses associated with Superstorm Sandy, the gross profit as a percentage of revenue for the year ended December 31, 2013 would have been approximately 37.2%.

Selling, General and Administrative

Selling, general and administrative expenses at IAA increased \$16.4 million, or 20%, to \$98.8 million for the year ended December 31, 2014, compared with \$82.4 million for the year ended December 31, 2013. The increase in selling, general and administrative expenses was primarily attributable to increases in information technology costs of \$4.5 million, stock-based compensation expense of \$2.6 million, incentive-based compensation expense of \$1.8 million, professional fees of \$1.5 million, sales and marketing expenses of \$1.2 million and non-income based taxes of \$1.1 million.

AFC Results

	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
<i>(Dollars in millions except volumes and per loan amounts)</i>				
AFC revenue	\$65.9	\$59.5	\$250.1	\$224.7
Cost of services*	17.9	16.1	69.7	56.4
Gross profit*	48.0	43.4	180.4	168.3
Selling, general and administrative	6.7	8.0	28.8	26.2
Depreciation and amortization	7.7	7.3	30.4	27.6
Operating profit	\$33.6	\$28.1	\$121.2	\$114.5
EBITDA	\$41.3	\$34.7	\$151.6	\$140.7
Adjustments per the Credit Agreement	(2.7)	--	(8.1)	(7.1)
Adjusted EBITDA	\$38.6	\$34.7	\$143.5	\$133.6
Loan transactions	373,916	340,918	1,445,077	1,354,955
Revenue per loan transaction, excluding "Other service revenue"	\$158	\$159	\$155	\$157

* Exclusive of depreciation and amortization

Overview of AFC Results for the Three Months Ended December 31, 2014 and 2013

Revenue

For the three months ended December 31, 2014, AFC revenue increased \$6.4 million, or 11%, to \$65.9 million, compared with \$59.5 million for the three months ended December 31, 2013. The increase in revenue was the result of a 10% increase in loan transactions and an increase of \$1.3 million of "Other service revenue" generated by PWI, for the three months ended December 31, 2014, compared with the same period in 2013.

Revenue per loan transaction, which includes both loans paid off and loans curtailed, was consistent with the prior year. Revenue per loan transaction excludes "Other service revenue."

Gross Profit

For the three months ended December 31, 2014, gross profit for the AFC segment increased \$4.6 million, or 11%, to \$48.0 million, or 72.8% of revenue, compared with \$43.4 million, or 72.9% of revenue, for the three months ended December 31, 2013, primarily as a result of an 11% increase in revenue, partially offset by an 11% increase in cost of services. The increase in cost of services was primarily the result of an increase in compensation expense as well as the inclusion of expenses associated with PWI.

Selling, General and Administrative

Selling, general and administrative expenses at AFC decreased \$1.3 million, or 16%, to \$6.7 million for the three months ended December 31, 2014, compared with \$8.0 million for the three months ended December 31, 2013. The decrease was primarily attributable to a decrease in stock-based compensation expense of \$1.2 million.

Overview of AFC Results for the Year Ended December 31, 2014 and 2013

Revenue

For the year ended December 31, 2014, AFC revenue increased \$25.4 million, or 11%, to \$250.1 million, compared with \$224.7 million for the year ended December 31, 2013. The increase in revenue was the result of a 7% increase in loan transactions and an increase of \$13.0 million of "Other service revenue" generated by PWI, for the year ended December 31, 2014, compared with the same period in 2013, partially offset by a 1% decrease in revenue per loan transaction for the year ended December 31, 2014. PWI, a service contract business, was acquired in June 2013. In addition, managed receivables increased to \$1,371.1 million at December 31, 2014 from \$1,107.6 million at December 31, 2013.

Revenue per loan transaction, which includes both loans paid off and loans curtailed, decreased \$2, or 1%, primarily as a result of a decrease in floorplan and other fee income and an increase in the provision for credit losses as well as fluctuations in the Canadian exchange rate, partially offset by an increase in average loan values. Revenue per loan transaction excludes "Other service revenue."

Gross Profit

For the year ended December 31, 2014, gross profit for the AFC segment increased \$12.1 million, or 7%, to \$180.4 million, or 72.1% of revenue, compared with \$168.3 million, or 74.9% of revenue, for the year ended December 31, 2013, primarily as a result of an 11% increase in revenue, partially offset by a 24% increase in cost of services. The increase in cost of services was primarily the result of the inclusion of expenses associated with PWI for the full year 2014, as well as an increase in compensation expense. The decrease in gross margin percentage is the result of the inclusion of PWI results for year ended December 31, 2014, as compared with a partial year for 2013.

Selling, General and Administrative

Selling, general and administrative expenses at AFC increased \$2.6 million, or 10%, to \$28.8 million for the year ended December 31, 2014, compared with \$26.2 million for the year ended December 31, 2013. The increase was primarily attributable to the inclusion of a full year of expenses associated with PWI of \$1.7 million and an increase in stock-based compensation of \$1.6 million, as well as an increase in compensation, partially offset by a decrease in professional fees.

LIQUIDITY AND CAPITAL RESOURCES

The company believes that the significant indicators of liquidity for its business are cash on hand, cash flow from operations, working capital and amounts available under its credit facility. The company's principal sources of liquidity consist of cash generated by operations and borrowings under its revolving credit facility.

<i>(Dollars in millions)</i>	December 31, 2014	December 31, 2013
Cash and cash equivalents	\$152.9	\$191.6
Restricted cash	17.0	18.8
Working capital	484.3	356.9
Amounts available under credit facility*	250.0	250.0
Cash flow from operations	431.3	434.0

*KAR Auction Services, Inc. has a \$250 million revolving line of credit as part of the company's Credit Agreement, which was undrawn as of December 31, 2014. There were related outstanding letters of credit totaling approximately \$25.1 million and \$26.3 million at December 31, 2014 and December 31, 2013, respectively, which reduced the amount available for borrowings under the credit facility.

We regularly evaluate alternatives for our capital structure and liquidity given our expected cash flows, growth and operating capital requirements as well as capital market conditions. For the year ended December 31, 2014, the Company used cash of \$101.0 million to purchase property, plant, equipment and computer software.

Non-GAAP Financial Measures

The company provides historical and forward-looking non-GAAP measures called EBITDA, Adjusted EBITDA, free cash flow, adjusted net income and adjusted net income per share. Management believes that these measures provide investors additional meaningful methods to evaluate certain aspects of the company's results period over period and for the other reasons set forth previously.

Earnings guidance also does not contemplate future items such as business development activities, strategic developments (such as restructurings or dispositions of assets or investments), significant expenses related to litigation and changes in applicable laws and regulations (including significant accounting and tax matters). The timing and amounts of these items are highly variable, difficult to predict, and of a potential size that could have a substantial impact on the company's reported results for any given period. Prospective quantification of these items is generally not practicable. Forward-looking non-GAAP guidance excludes increased depreciation and amortization expense that resulted from the 2007 revaluation of the company's assets, as well as one-time charges, net of taxes.