

For Immediate Release

Analyst Inquiries:

Jonathan Peisner
(317) 249-4390
jonathan.peisner@karauctionservices.com

Media Inquiries:

Darci Valentine
(317) 249-4414
darci.valentine@karauctionservices.com

KAR Auction Services, Inc. Reports 2015 Financial Results and Dividend Increase

Carmel, IN, February 17, 2016 — KAR Auction Services, Inc. (NYSE: KAR), today reported its fourth quarter financial results for the period ended December 31, 2015. For the fourth quarter of 2015, the company reported revenue of \$682.2 million as compared with revenue of \$606.0 million for the fourth quarter of 2014, an increase of 13%. Net income for the fourth quarter of 2015 decreased 4% to \$48.3 million, or \$0.35 per diluted share, as compared with net income of \$50.3 million, or \$0.35 per diluted share, in the fourth quarter of 2014. Adjusted EBITDA for the quarter ended December 31, 2015 increased 4% to \$154.5 million, as compared with Adjusted EBITDA of \$148.5 million for the quarter ended December 31, 2014. Adjusted net income per diluted share was \$0.40 for both the quarter ended December 31, 2015 and December 31, 2014. Operating adjusted net income per diluted share was \$0.45 for both the quarter ended December 31, 2015 and December 31, 2014. For the quarter ended December 31, 2015, fluctuations in the Canadian exchange rate negatively impacted revenue by \$13.6 million, Adjusted EBITDA by \$4.7 million and adjusted net income and operating adjusted net income by \$2.6 million, or \$0.02 per diluted share.

For the year ended December 31, 2015, the company reported revenue of \$2,639.6 million as compared with revenue of \$2,364.5 million for the year ended December 31, 2014, an increase of 12%. Net income in 2015 increased 27% to \$214.6 million, or \$1.51 per diluted share, as compared with net income of \$169.3 million, or \$1.19 per diluted share in 2014. Net income for the year ended December 31, 2014 was negatively impacted by \$19.3 million (\$0.14 per diluted share) resulting from the company's refinancing activities. Adjusted EBITDA for the year ended December 31, 2015 increased 9% to \$649.8 million, as compared with Adjusted EBITDA of \$598.8 million for the year ended December 31, 2014. Adjusted net income per diluted share for the year ended December 31, 2015 increased 5% to \$1.70 versus adjusted net income per diluted share of \$1.62 for the year ended December 31, 2014. Operating adjusted net income per diluted share for the year ended December 31, 2015 increased 11% to \$1.90 versus operating adjusted net income per diluted share of \$1.71 for the year ended December 31, 2014. For the year ended December 31, 2015, fluctuations in the Canadian exchange rate negatively impacted revenue by \$48.7 million, Adjusted EBITDA by \$18.1 million and adjusted net income and operating adjusted net income by \$9.2 million, or \$0.06 per diluted share.

The company also announced a cash dividend today of \$0.29 per share on the company's common stock. The dividend is payable on April 5, 2016, to stockholders of record as of the close of business on March 23, 2016.

2016 Outlook*

<i>(\$ in millions, except per share amounts)</i>	
Adjusted EBITDA	\$725 - \$750
Capital expenditures	\$145
Cash taxes	\$150 - \$160
Cash interest on corporate debt	\$85
Free cash flow before dividend payments	\$340 - \$365
Effective tax rate	37.5%
Net income per share	\$1.60 - \$1.75
Operating adjusted net income per share	\$2.05 - \$2.20
Free cash flow per share	\$2.45 - \$2.63

*The 2016 outlook assumes that the acquisition of Brasher's Auto Auctions is completed by March 31, 2016. In 2016, the Company expects Brasher's to contribute approximately \$25 million of Adjusted EBITDA and \$0.04 of operating adjusted net income per diluted share.

Earnings Conference Call Information

KAR Auction Services, Inc. will be hosting an earnings conference call and webcast on Thursday, February 18, 2016 at 11:00 a.m. EST (10:00 a.m. CST). The call will be hosted by KAR Auction Services, Inc.'s Chief Executive Officer and Chairman of the Board, Jim Hallett, and Executive Vice President and Chief Financial Officer, Eric Loughmiller. The conference call may be accessed by calling 1-800-580-5706 and entering participant passcode 3704556 while the live web cast will be available at the investor relations section of www.karauctionservices.com. Supplemental financial information for KAR Auction Services' fourth quarter and full year 2015 results is available at the investor relations section of www.karauctionservices.com under the quarterly results page.

A replay of the call will be available for two weeks via telephone starting approximately 30 minutes after the completion of the call. The replay may be accessed by calling 1-888-203-1112 and entering passcode 3704556. The archive of the web cast will also be available following the call and will be available at the investor relations section of www.karauctionservices.com for a limited time.

About KAR Auction Services, Inc.

KAR Auction Services, Inc. (NYSE: KAR), a FORTUNE® 1000 company, operates worldwide vehicle auction services and provides related services. Based in Carmel, Indiana, the KAR group of companies is comprised of ADESA, Inc. (ADESA), Insurance Auto Auctions, Inc. (IAA), Automotive Finance Corporation (AFC), and additional business units, with approximately 14,000 employees and 240 auction facilities. Together, KAR's complementary businesses provide support, technology and logistics for the used vehicle industry. For more information, visit karauctionservices.com.

Forward Looking Statements

Certain statements contained in this release include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and which are subject to certain risks, trends and uncertainties. In particular, statements made that are not historical facts may be forward-looking statements. Words such as "should," "may," "will," "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," and similar expressions identify forward-looking statements. Such statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results projected, expressed or implied by these forward-looking statements. Factors that could cause or contribute to such differences include those matters disclosed in the Company's Securities and Exchange Commission filings. The Company does not undertake any obligation to update any forward-looking statements.

KAR Auction Services, Inc.
Condensed Consolidated Statements of Income

(In millions) (Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Operating revenues				
ADESA Auction Services	\$352.4	\$310.5	\$1,376.8	\$1,218.5
IAA Salvage Services	261.6	229.6	994.4	895.9
AFC	68.2	65.9	268.4	250.1
Total operating revenues	682.2	606.0	2,639.6	2,364.5
Operating expenses				
Cost of services (exclusive of depreciation and amortization)	400.8	344.2	1,497.5	1,318.8
Selling, general and administrative	128.5	113.8	502.0	471.4
Depreciation and amortization	56.0	51.3	212.8	196.6
Total operating expenses	585.3	509.3	2,212.3	1,986.8
Operating profit	96.9	96.7	427.3	377.7
Interest expense	24.2	20.9	91.4	86.2
Other income, net	(2.5)	(1.9)	(4.6)	(3.8)
Loss on extinguishment of debt	--	--	--	30.3
Income before income taxes	75.2	77.7	340.5	265.0
Income taxes	26.9	27.4	125.9	95.7
Net income	\$48.3	\$50.3	\$214.6	\$169.3
Net income per share				
Basic	\$0.35	\$0.36	\$1.53	\$1.21
Diluted	\$0.35	\$0.35	\$1.51	\$1.19
Dividends declared per common share	\$0.27	\$0.27	\$1.08	\$1.02

KAR Auction Services, Inc.
Condensed Consolidated Balance Sheets

(In millions) (Unaudited)

	December 31, 2015	December 31, 2014
Cash and cash equivalents	\$155.0	\$152.9
Restricted cash	16.2	17.0
Trade receivables, net of allowances	511.9	401.2
Finance receivables, net of allowances	1,632.0	1,363.1
Other current assets	131.0	140.7
Total current assets	2,446.1	2,074.9
Goodwill	1,795.9	1,705.2
Customer relationships, net of accumulated amortization	417.7	484.4
Intangible and other assets	365.2	359.1
Property and equipment, net of accumulated depreciation	766.9	727.9
Total assets	\$5,791.8	\$5,351.5
Current liabilities, excluding obligations collateralized by finance receivables and current maturities of debt	\$871.0	\$707.7
Obligations collateralized by finance receivables	1,201.2	865.2
Current maturities of debt	153.9	17.7
Total current liabilities	2,226.1	1,590.6
Long-term debt	1,719.3	1,736.6
Other non-current liabilities	460.3	477.2
Stockholders' equity	1,386.1	1,547.1
Total liabilities and stockholders' equity	\$5,791.8	\$5,351.5

KAR Auction Services, Inc.
Condensed Consolidated Statements of Cash Flows

(In millions) (Unaudited)

	Year Ended December 31,	
	2015	2014
Operating activities		
Net income	\$214.6	\$169.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	212.8	196.6
Provision for credit losses	18.8	16.6
Deferred income taxes	5.0	(24.5)
Amortization of debt issuance costs	7.2	7.5
Stock-based compensation	11.7	28.0
Excess tax benefit from stock-based compensation	(7.1)	(4.1)
Loss (gain) on disposal of fixed assets	0.9	(0.2)
Loss on extinguishment of debt	--	30.3
Other non-cash, net	2.0	3.6
Changes in operating assets and liabilities, net of acquisitions:		
Trade receivables and other assets	(127.0)	(52.3)
Accounts payable and accrued expenses	136.1	60.5
Net cash provided by operating activities	475.0	431.3
Investing activities		
Net increase in finance receivables held for investment	(295.9)	(282.8)
Acquisition of businesses (net of cash acquired) and equity method investments	(118.1)	(31.9)
Purchases of property, equipment and computer software	(134.7)	(101.0)
Proceeds from the sale of property and equipment	0.3	1.1
Decrease in restricted cash	0.8	1.8
Net cash used by investing activities	(547.6)	(412.8)
Financing activities		
Net increase in book overdrafts	10.7	9.9
Net increase in borrowings from lines of credit	140.0	--
Net increase in obligations collateralized by finance receivables	349.8	99.6
Proceeds from long-term debt	--	1,767.2
Payments for debt issuance costs/amendments	(10.9)	(12.3)
Payments on long-term debt	(21.5)	(1,785.1)
Payments on capital leases	(20.5)	(19.4)
Payments of contingent consideration and deferred acquisition costs	(1.2)	(0.2)
Initial net investment for interest rate caps	(2.2)	--
Issuance of common stock under stock plans	22.7	27.6
Excess tax benefit from stock-based compensation	7.1	4.1
Repurchase and retirement of common stock	(227.6)	--
Dividends paid to stockholders	(151.9)	(139.9)
Net cash provided by (used by) financing activities	94.5	(48.5)
Effect of exchange rate changes on cash	(19.8)	(8.7)
Net increase (decrease) in cash and cash equivalents	2.1	(38.7)
Cash and cash equivalents at beginning of period	152.9	191.6
Cash and cash equivalents at end of period	\$155.0	\$152.9
Cash paid for interest	\$79.7	\$75.9
Cash paid for taxes, net of refunds	\$129.9	\$102.2

- more -

KAR Auction Services, Inc.
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 table reconciles EBITDA and Adjusted EBITDA to net income for the periods presented:

<i>(Dollars in millions), (Unaudited)</i>	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Net income	\$48.3	\$50.3	\$214.6	\$169.3
Add back:				
Income taxes	26.9	27.4	125.9	95.7
Interest expense, net of interest income	23.8	20.8	90.8	85.9
Depreciation and amortization	56.0	51.3	212.8	196.6
EBITDA	155.0	149.8	644.1	547.5
Adjustments per the Credit Agreement	(0.5)	(1.3)	5.7	51.3
Adjusted EBITDA	\$154.5	\$148.5	\$649.8	\$598.8

KAR Auction Services, Inc.
Adjusted Net Income and Adjusted Net Income Per Share

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 tied to the 2007 merger, have had a continuing effect on our reported results. Non-GAAP financial 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 non-cash expenses. In addition, net income and net income per share have been adjusted for certain other charges, as seen in the following reconciliation.

The following table reconciles adjusted net income and adjusted net income per share to net income and net income per share for the periods presented:

<i>(In millions, except per share amounts)</i>	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Net income	\$48.3	\$50.3	\$214.6	\$169.3
Loss on extinguishment of debt, net of tax ⁽¹⁾	--	--	--	19.3
Stepped up depreciation and amortization expense, net of tax ⁽²⁾	7.0	7.2	27.2	28.6
Stock-based compensation, net of tax ⁽³⁾	--	(0.3)	--	13.2
Adjusted net income	\$55.3	\$57.2	\$241.8	\$230.4
Net income per share – diluted	\$0.35	\$0.35	\$1.51	\$1.19
Loss on extinguishment of debt, net of tax	--	--	--	0.14
Stepped up depreciation and amortization expense, net of tax	0.05	0.05	0.19	0.20
Stock-based compensation, net of tax	--	--	--	0.09
Adjusted net income per share – diluted	\$0.40	\$0.40	\$1.70	\$1.62
Weighted average diluted shares	139.6	142.8	142.3	141.8

- (1) We incurred a loss on the extinguishment of debt totaling \$30.3 million (\$19.3 million net of tax) for the year ended December 31, 2014.
- (2) Increased depreciation and amortization expense was \$10.9 million (\$7.0 million net of tax) and \$11.1 million (\$7.2 million net of tax) for the three months ended December 31, 2015 and 2014, respectively. For the year ended December 31, 2015 and 2014, increased depreciation and amortization expense was \$43.2 million (\$27.2 million net of tax) and \$44.8 million (\$28.6 million net of tax), respectively.
- (3) For the three months ended December 31, 2014, there was a reduction in stock-based compensation resulting from the 2007 merger of \$0.5 million (\$0.3 million benefit net of tax). For the year ended December 31, 2014, such stock-based compensation was \$20.6 million (\$13.2 million net of tax).

KAR Auction Services, Inc.

Operating Adjusted Net Income and Operating Adjusted Net Income Per Share

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.

The following table reconciles operating adjusted net income and operating adjusted net income per share to net income and net income per share for the periods presented:

<i>(In millions, except per share amounts)</i>	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Net income	\$48.3	\$50.3	\$214.6	\$169.3
Acquired amortization expense, net of tax ⁽¹⁾	14.3	13.8	55.1	54.5
Loss on extinguishment of debt, net of tax ⁽²⁾	--	--	--	19.3
Operating adjusted net income	<u>\$62.6</u>	<u>\$64.1</u>	<u>\$269.7</u>	<u>\$243.1</u>
Net income per share – diluted	\$0.35	\$0.35	\$1.51	\$1.19
Acquired amortization expense, net of tax	0.10	0.10	0.39	0.38
Loss on extinguishment of debt, net of tax	--	--	--	0.14
Operating adjusted net income per share – diluted	<u>\$0.45</u>	<u>\$0.45</u>	<u>\$1.90</u>	<u>\$1.71</u>
Weighted average diluted shares	139.6	142.8	142.3	141.8

(1) Acquired amortization expense was \$22.3 million (\$14.3 million net of tax) and \$21.3 million (\$13.8 million net of tax) for the three months ended December 31, 2015 and 2014, respectively. For the year ended December 31, 2015 and 2014 acquired amortization expense was \$87.5 million (\$55.1 million net of tax) and \$85.3 million (\$54.5 million net of tax), respectively.

(2) We incurred a loss on the extinguishment of debt totaling \$30.3 million (\$19.3 million net of tax) for the year ended December 31, 2014.

Non-GAAP Financial Measures

The company provides historical and forward-looking non-GAAP measures called EBITDA, Adjusted EBITDA, free cash flow, adjusted net income, adjusted net income per share, operating adjusted net income and operating 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 amortization expense associated with acquired intangible assets, as well as one-time charges, net of taxes.