



KAR Auction Services, Inc.

KAR Auction Services, Inc. Pursues Separation
of IAA Salvage Auction Business Unit

February 28, 2018

KAR
AUCTION
SERVICES

Forward-Looking Statements

Certain statements contained in this presentation, including the statements regarding the anticipated separation of KAR into two independent companies, the expected timetable for completing the transaction and any other statements regarding events or developments that we believe or anticipate will or may occur in the future, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and are subject to certain risks, trends and uncertainties. Consummation of the separation is subject to a number of factors, many of which are not within KAR’s control. Accordingly, no assurance can be given that the separation will be consummated within the time frame specified or at all. These forward-looking statements speak only as of the date of this presentation and KAR does not assume any obligation to update or revise any forward-looking statement, whether as a result of new information, future events and developments or otherwise.

Today's Presenters and Agenda



Jim Hallett

KAR Auction Services, Inc.

Chief Executive Officer and Chairman of the Board of Directors



Eric Loughmiller

KAR Auction Services, Inc.

Executive Vice President and Chief Financial Officer

Agenda

- Opening Remarks
- Overview of Separation
- Questions and Answers

Rationale for Separation

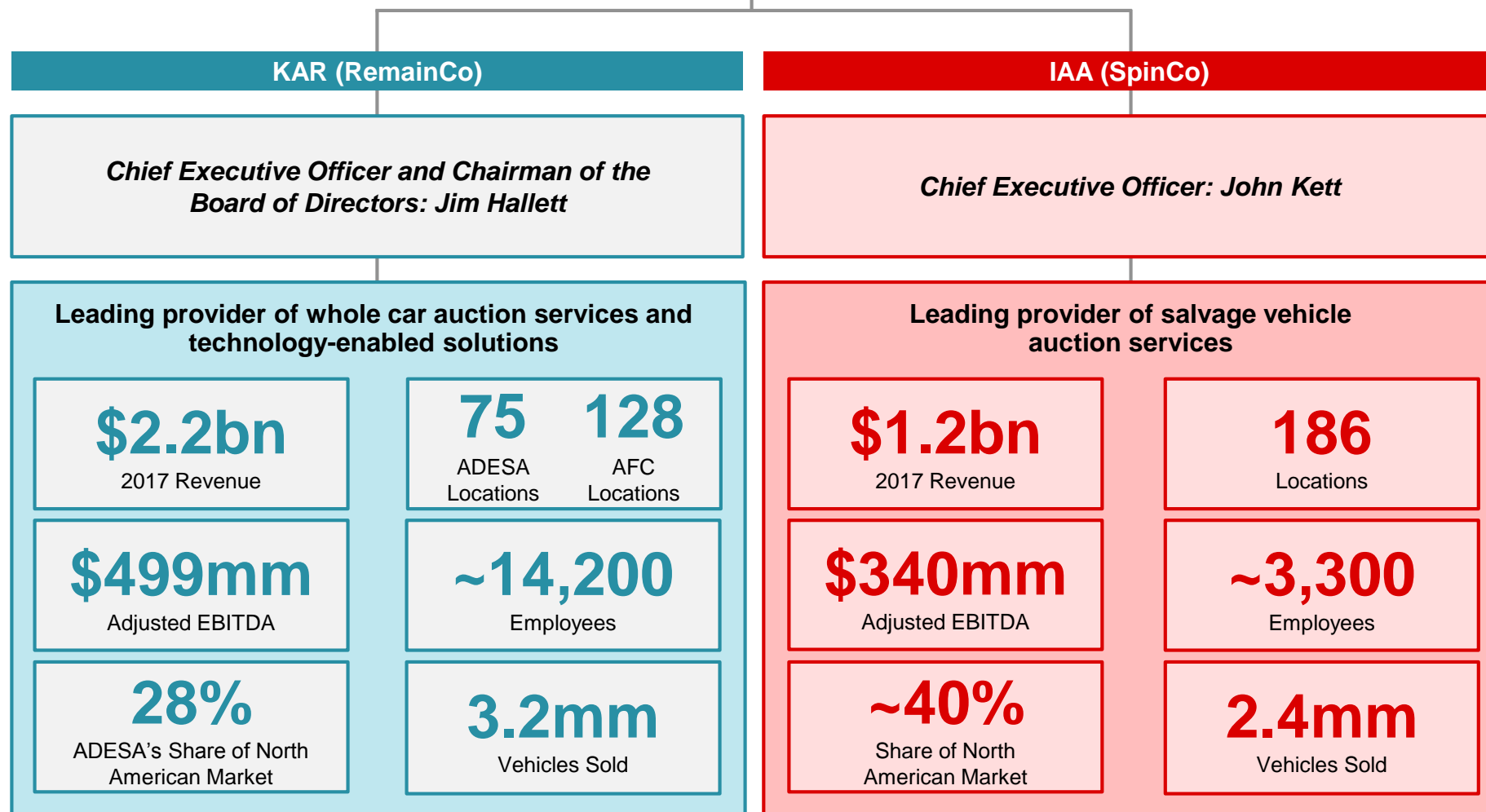
- Create two independent companies with distinct strengths well positioned for market leadership and continued growth
- Allow independent decisions on investments, acquisitions and capital expenditures to advance respective strategic priorities
- Enhance ability to address needs of unique customers and respond to changing market and competitive conditions
- Simplify financial reporting for investors to more accurately assess and value performance of individual businesses
- Create distinct and compelling investment opportunities based on track records of successful performance and streamlined operating models

Two Distinct Companies with Greater Financial Flexibility and Focused Strategies

Transaction Details

- Separation to create two independent, publicly traded companies
 - Tax-free spin-off expected to close within the next twelve months
 - Separation subject to final approval by KAR Board of Directors and market, regulatory, financing and other customary closing conditions
- Insurance Auto Auctions, Inc. to retain North American salvage vehicle operations and HBC Vehicle Services business in the UK
 - All other current KAR businesses to remain part of KAR Auction Services, Inc.
 - Expectation that capital structure of KAR and IAA will include debt level and corporate credit ratings generally consistent with current KAR rating of BB-
- Additional details to be included in initial Form 10 registration statement expected later this year

Two Independent and Highly Attractive Businesses



Note: Represents 2017A statistics.

KAR (RemainCo) – Key Investment Highlights



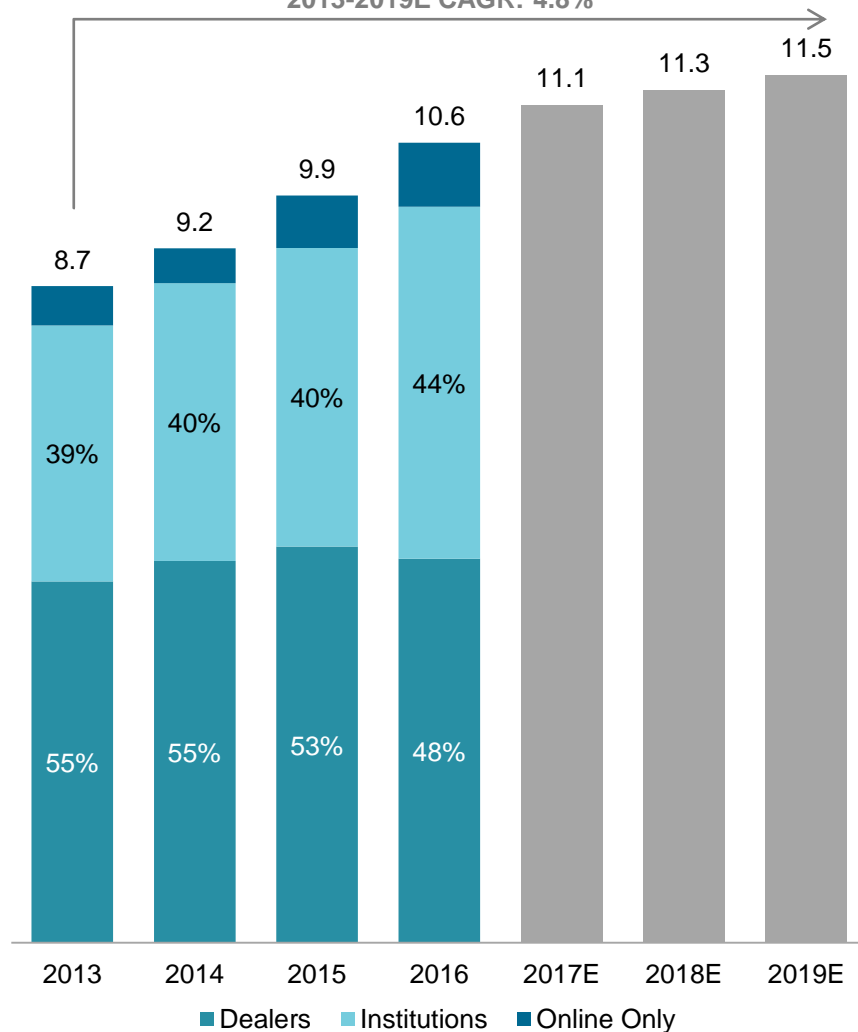
- I Pure-play wholesale service provider with a leading market position in the US and Canada**
- II Continued growth through investments in digital and data analytics assets**
- III Global and market expansion opportunity**
- IV Attractive financial profile with revenue growth and EBITDA margin expansion opportunity**
- V Experienced management team**

KAR (RemainCo) – Market Fundamentals

Whole Car Auction Volumes

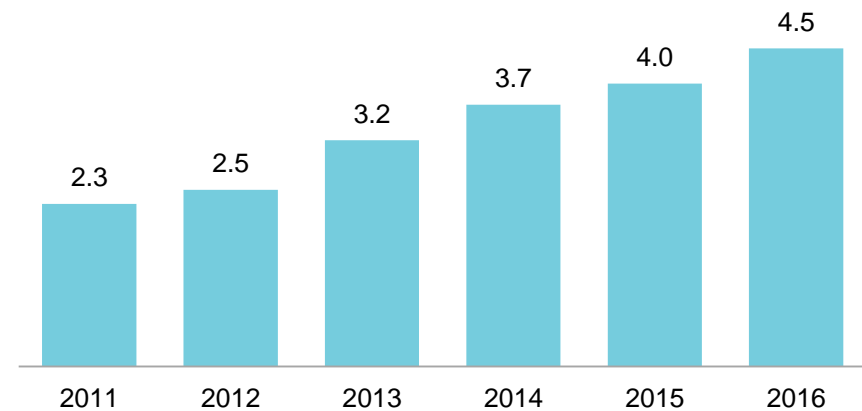
(Vehicles in mm)

2013-2019E CAGR: 4.8%



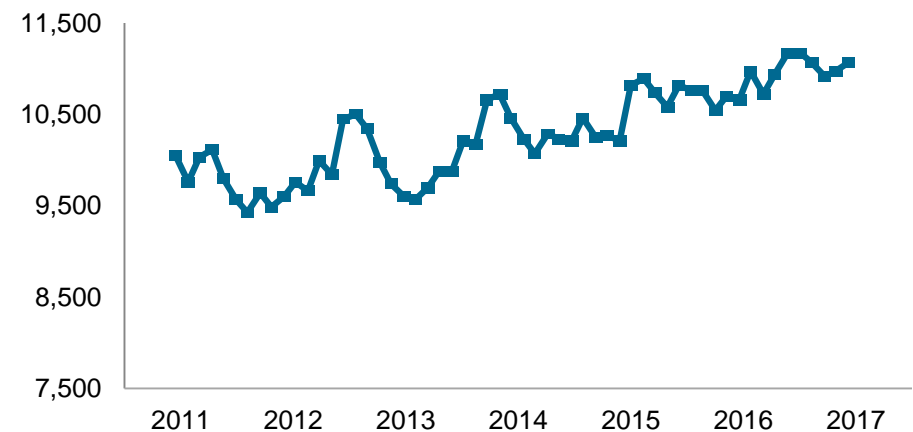
New Vehicle Lease Growth

(Lease Originations in mm)



Wholesale Used Vehicle Values

(ADESA Average Wholesale Value in USD)



Source: BEA, Edmunds, IHS Automotive, Kontos Total Market Estimates, NAAA, Management estimates.

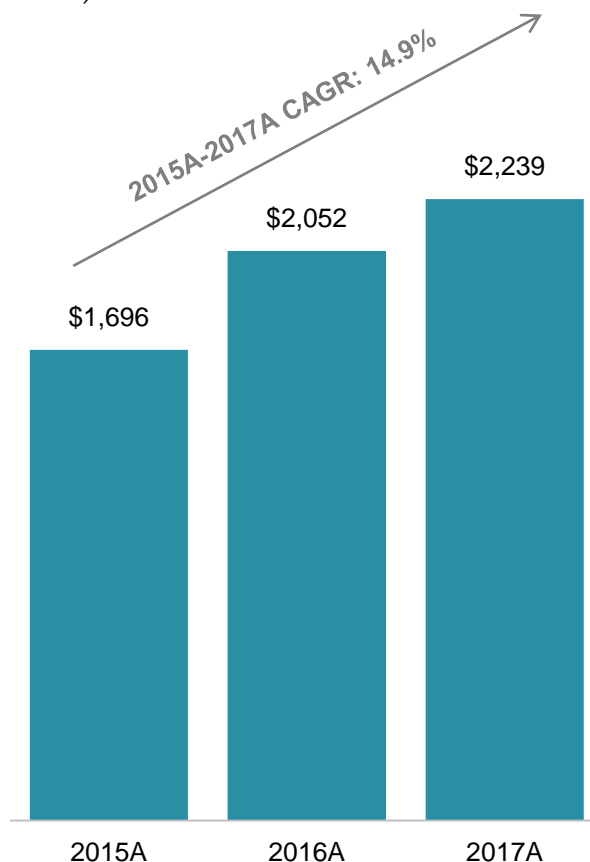
KAR (RemainCo) – Financial Profile

Highlights

- ✓ Visible and predictable top-line growth
- ✓ History of strong free cash flow generation
- ✓ Proven ability to expand operating margins

Revenue

(\$ in mm)

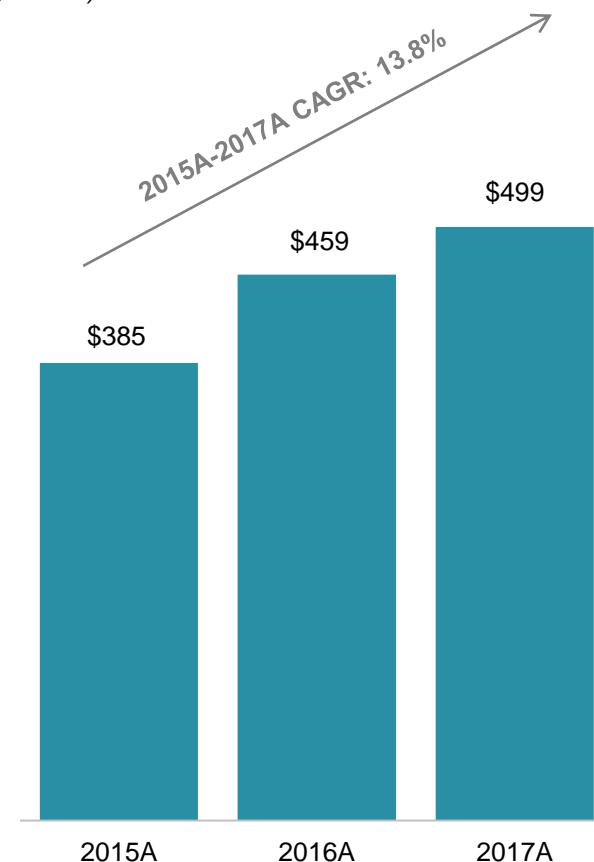


Revenue Growth:

11.5%	21.0%	9.1%
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Adj. EBITDA

(\$ in mm)



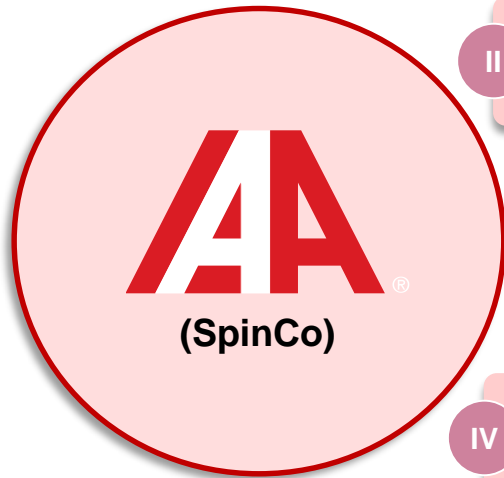
Adj. EBITDA Growth:

9.5%	19.3%	8.6%
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Adj. EBITDA Margin:

22.7%	22.4%	22.3%
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IAA (SpinCo) – Key Investment Highlights



I Leading pure-play salvage auto auction company with ~40% North American market share

II Benefits from increased miles driven, aging vehicle population, increased accident frequency and rising total loss as a percentage of insurance claims

III Established relationships and experience with major national insurers – >80% of volume is sourced through insurers

IV Continued growth supported by strong and consistent execution history

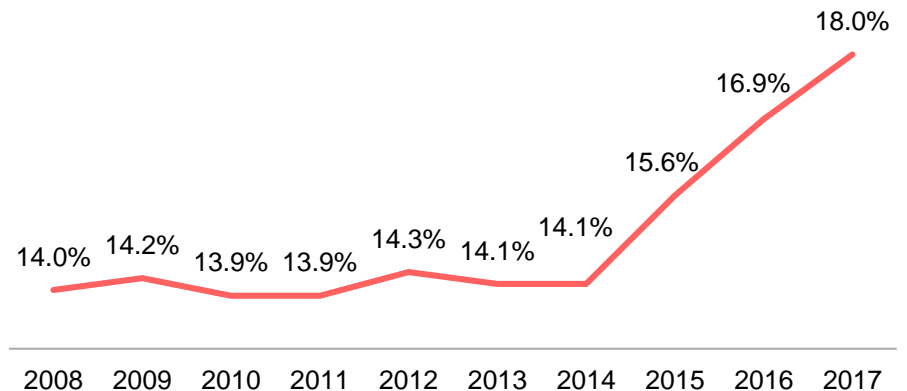
V Experienced existing management team

IAA (SpinCo) – Market Fundamentals

Positive Industry Drivers

- Accident frequency benefits from rising miles driven, aging vehicle fleet and increasing driver distractions
- Accident severity increasing due to vehicle complexity and technology content, resulting in a higher frequency of total losses

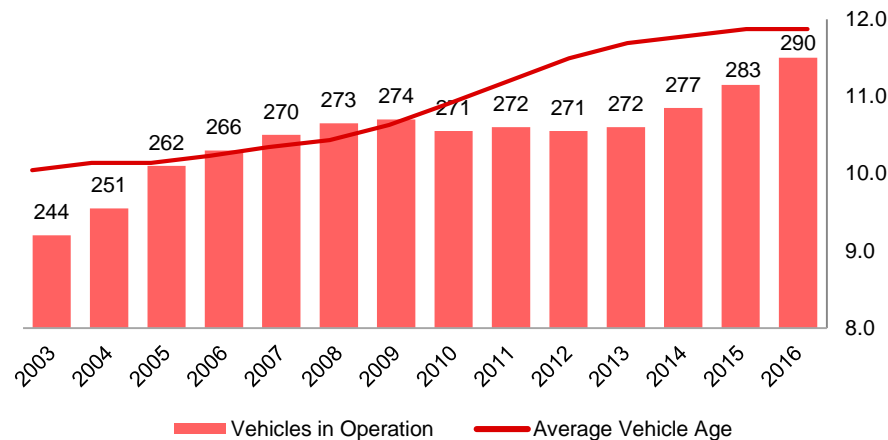
Total Loss % of Total Claims



Growing and Aging North American Car Parc

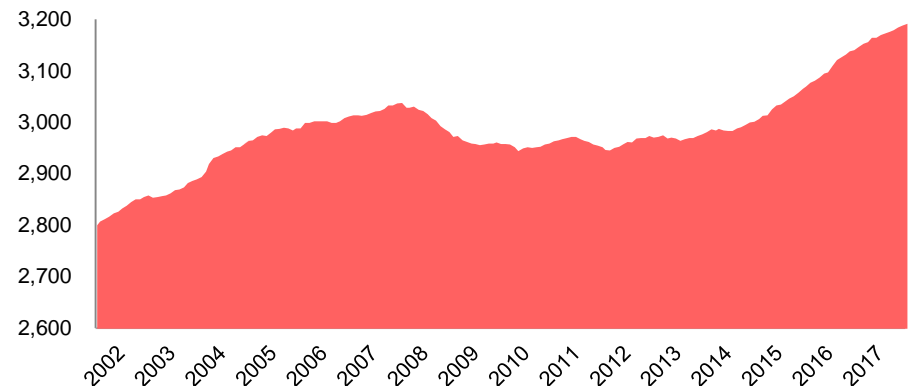
(Vehicles in Operation in mm)

(Average Vehicle Age in years)



Miles Driven

(LTM in billions)



Source: CCC Information Services, Polk and ADESA Analytical Services, Federal Reserve St. Louis.

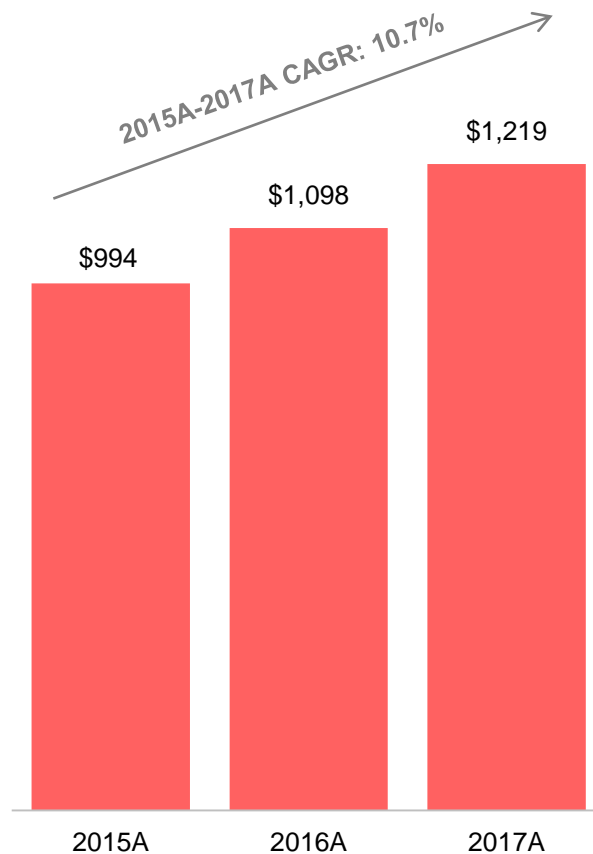
IAA (SpinCo) – Financial Profile

Highlights

- ✓ Robust revenue growth with highly attractive profitability margins
- ✓ High free cash flow conversion
- ✓ Reduces complexity of KAR business model and cash flow expected to be used to pursue growth and capital allocation policies

Revenue

(\$ in mm)

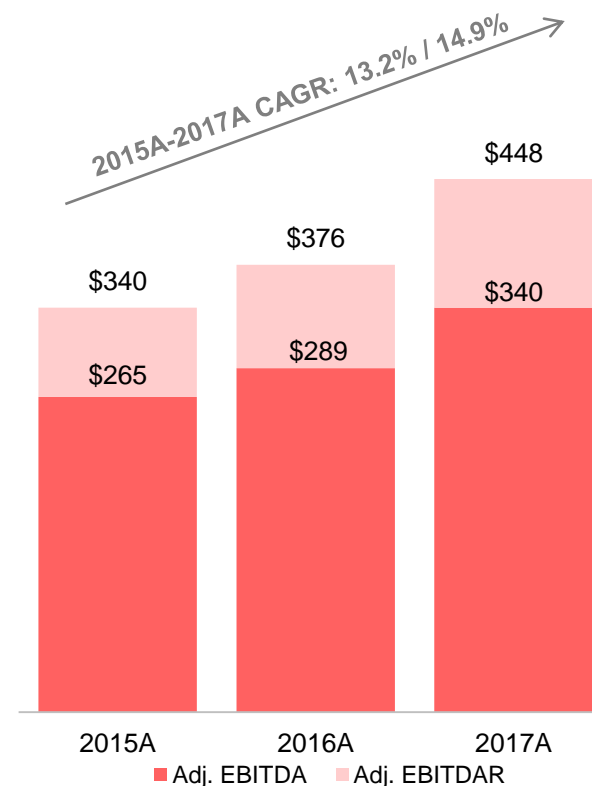


Revenue Growth:

11.0%	10.4%	11.0%
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Adj. EBITDA and Adj. EBITDAR

(\$ in mm)



Adj. EBITDA Growth:

7.2%	9.0%	17.5%
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Adj. EBITDA / Adj. EBITDAR Margin:

26.7% / 34.2%	26.3% / 34.3%	27.8% / 36.8%
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Key Takeaways

Key Takeaways

Separation enhances strategic focus and value creation potential for shareholders

- Two industry-leading companies with distinct strengths and positioned to maximize value
- Each company with resources and focus to capitalize on growth opportunities in their respective market segment
- Technology, innovation and data analytics capabilities to underpin success of both businesses
- Enhances the flexibility of each business to pursue distinct capital structure and allocation strategies to meet individual needs
- Enables investors exposure to each company separately

Appendix

Non-GAAP Financial Measures

EBITDA, EBITDAR, Adjusted EBITDA and Adjusted EBITDAR, as presented in the following reconciliations, are supplemental measures of performance that are not required by, or presented in accordance with, generally accepted accounting principles in the United States, or GAAP. They are not measurements of 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. EBITDAR is defined as net income (loss), plus interest expense net of interest income, income tax provision (benefit), depreciation and amortization and lease expense. Adjusted EBITDA and Adjusted EBITDAR are EBITDA and EBITDAR 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 and EBITDAR applied in presenting Adjusted EBITDA and Adjusted EBITDAR is appropriate to provide additional information to investors about the principal measures of performance used by the company's creditors and by the company's management.

EBITDA, EBITDAR, Adjusted EBITDA and Adjusted EBITDAR 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.

KAR (RemainCo) – Adjusted EBITDA Reconciliations

(\$ in millions)

	2015	2016	2017
Net income (loss)	\$121.8	\$121.3	\$196.0
Add back:			
Income taxes	\$73.5	\$73.6	(\$2.0)
Interest expense, net of interest income	\$90.8	\$138.4	\$162.6
Depreciation and amortization	\$132.0	\$152.7	\$171.5
Intercompany interest	(\$37.7)	(\$37.8)	(\$37.8)
EBITDA	\$380.4	\$448.2	\$490.3
Addbacks, net	\$4.3	\$10.8	\$8.2
Adjusted EBITDA	\$384.7	\$459.0	\$498.5
Revenue	\$1,696.2	\$2,052.1	\$2,238.8
Adjusted EBITDA % margin	22.7%	22.4%	22.3%

IAA (SpinCo) – Adjusted EBITDA Reconciliations

(\$ in millions)

	2015	2016	2017
Net income (loss)	\$92.8	\$101.1	\$166.0
Add back:			
Income taxes	\$52.4	\$59.3	\$38.0
Interest expense, net of interest income	—	—	—
Depreciation and amortization	\$80.8	\$87.9	\$93.1
Intercompany interest	\$37.7	\$37.8	\$37.8
EBITDA	\$263.7	\$286.1	\$334.9
Addbacks, net	\$1.4	\$2.8	\$4.6
Adjusted EBITDA	\$265.1	\$288.9	\$339.5
Revenue	\$994.4	\$1,098.0	\$1,219.2
Adjusted EBITDA % margin	26.7%	26.3%	27.8%

IAA (SpinCo) – Adjusted EBITDAR Reconciliations

(\$ in millions)

	2015	2016	2017
Net income (loss)	\$92.8	\$101.1	\$166.0
Add back:			
Income taxes	\$52.4	\$59.3	\$38.0
Interest expense, net of interest income	—	—	—
Depreciation and amortization	\$80.8	\$87.9	\$93.1
Intercompany interest	\$37.7	\$37.8	\$37.8
Lease expense	\$74.6	\$87.4	\$108.6
EBITDAR	\$338.3	\$373.5	\$443.5
Addbacks, net	\$1.4	\$2.8	\$4.6
Adjusted EBITDAR	\$339.7	\$376.3	\$448.1
Revenue	\$994.4	\$1,098.0	\$1,219.2
Adjusted EBITDAR % margin	34.2%	34.3%	36.8%