



Second Quarter 2018 Earnings Slides

August 7, 2018

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.

Q2 2018 Highlights

	Revenues	Highlights	Fundamentals
KAR	<p>2017: \$858.0 (AFC: 70.1, IAA: 298.7, AFC: 489.2) 2018: \$956.6 (AFC: 85.1, IAA: 333.2, AFC: 538.3)</p>	<ul style="list-style-type: none"> • Revenue growth +11% • Operating Adjusted EPS +26% • Adjusted EBITDA +8% 	<ul style="list-style-type: none"> • Diversified and complementary business services model
ADESA		<ul style="list-style-type: none"> • Revenue +10% • Total volume growth +9% • Physical auction RPU +\$91 • Same store incremental operating profit margin 20% • Adjusted EBITDA -2% 	<ul style="list-style-type: none"> • Off-lease supply driving volume growth • Revenue per unit growth largely due to ancillary services growth • Adjusted EBITDA decline due to planned TradeRev losses
IAA		<ul style="list-style-type: none"> • Revenue +12% • Volume growth +7% • North American inv growth +2% • Adjusted EBITDA +16% • Incremental operating profit margin 35% 	<ul style="list-style-type: none"> • Total Loss 17.6% Q2 2018 vs. 17.1% Q2 2017 (CCC) • Scrap pricing +15% (American Recycler, Q2 2018 vs. Q2 2017) • Miles driven +0.3% (FHWA, YTD through May. 2018 vs. 2017)
AFC		<ul style="list-style-type: none"> • Revenue +21% • LTU growth +5% • Provision for credit losses as a percent of managed receivables 1.5% • Adjusted EBITDA +25% 	<ul style="list-style-type: none"> • Conservative portfolio management • Increasing gross revenue per loan transaction due to higher average loan balances

Clear Shareholder Friendly Capital Allocation Framework

PRIORITIES	Capex	Dividends	Strategic Investments	Share Repurchases
		<ul style="list-style-type: none"> Historically ~18% - 20% of Adjusted EBITDA, plus strategic investments 	<ul style="list-style-type: none"> 45% - 50% of FCF Highlights consistency & strength of free cash flow 	<ul style="list-style-type: none"> Acquisitions that leverage wholecar auction cyclical recovery (indep auctions) Complementary technology New geographies
2016	\$155M Spent	\$157M Paid	\$432M Acquisitions	\$80M Repurchased
	<ul style="list-style-type: none"> Technology \$77M Physical \$51M Chicago Greenfield \$27M 	<ul style="list-style-type: none"> \$1.14 per share paid 	<ul style="list-style-type: none"> Brushers (8 Ind Auctions) Orlando (Indep Auction) GRS (UK Online Auctions) Flint (Indep Auction) 	<ul style="list-style-type: none"> \$500M three year authorization approved in October 2016 1.9M shares repurchased
2017	\$152M Spent	\$175M Paid	\$73M Acquisitions	\$150M Repurchased
	<ul style="list-style-type: none"> Technology \$90M Physical \$62M 	<ul style="list-style-type: none"> \$1.28 per share paid 	<ul style="list-style-type: none"> DRIVIN (Data Analytics) DAS (Transportation) TradeRev (Online Sales) POIS (Total Loss Solutions) 	<ul style="list-style-type: none"> 3.3M shares repurchased \$270M Authorization Remaining
2018	\$80M Spent	\$94M Paid	\$23M Acquisitions	\$50M Repurchased
	<ul style="list-style-type: none"> Technology \$51M Physical \$29M 	<ul style="list-style-type: none"> \$0.70 per share paid 	<ul style="list-style-type: none"> STRATIM (Mobility) / February 2018 	<ul style="list-style-type: none"> 0.9M shares repurchased \$220M Authorization Remaining

June 30, 2018 Leverage

(US\$ in millions)



	<u>Balance</u>	<u>Maturity</u>
Term Loan B-4 (Adjusted LIBOR + 2.25%)	\$710	2021
Term Loan B-5 (Adjusted LIBOR + 2.50%)	1,040	2023
Revolving Credit Facility (Adjusted LIBOR + 2.00%)	0	2021
Senior Notes (Fixed 5.125%)	950	2025
Capital Leases	44	
Total	<u>2,744</u>	
Less: Available Cash	<u>(265)</u>	
Net Debt	<u>\$2,479</u>	

Net Debt / Adjusted EBITDA (Target 3x)

2.8

Corporate Credit Ratings: S&P BB-, Moodys B1

LIBOR Interest Rate Caps

\$800M notional amt Expire 9/30/19 2.00% LIBOR cap
 \$400M notional amt Expire 3/31/19 2.00% LIBOR cap

2018 Outlook

ANNUAL GUIDANCE

	2018 Low	2018 High	2017
Net income	\$329.0	\$349.7	\$362.0
Add back:			
Income tax expense	\$115.6	\$122.9	\$36.0
Interest expense, net of interest income	\$191.0	\$191.0	\$162.6
Depreciation and amortization	\$268.0	\$268.0	\$264.6
EBITDA	\$903.6	\$931.6	\$825.2
Total addbacks, net	(\$8.6)	(\$6.6)	\$12.8
Adjusted EBITDA	\$895.0	\$925.0	\$838.0
Effective tax rate	26%	26%	9%
Net income per share – diluted	\$2.40	\$2.55	\$2.62
Capital expenditures	\$185.0	\$185.0	\$152.2
Cash taxes	\$125.0	\$125.0	\$131.8
Cash interest on corporate debt	\$130.0	\$130.0	\$110.9
Operating adjusted net income per share - diluted	\$2.89	\$3.04	\$2.50
Weighted average diluted shares	137	137	138

Second Quarter Results

KAR Q2 2018 Highlights



(\$ in millions, except per share amounts)

KAR	Q2 2018	Q2 2017	Highlights*
Total operating revenues	\$956.6	\$858.0	\$8.7M acquisitions
Gross profit**	\$425.3	\$376.3	
<i>% of revenue</i>	44.5%	43.9%	
SG&A	\$182.8	\$154.6	\$16.5M acquired SG&A
EBITDA	\$242.8	\$195.5	
Adjusted EBITDA	\$242.2	\$223.5	2017 addbacks include credit facility refinance
Net Income	\$93.2	\$57.2	
Net income per share - diluted	\$0.69	\$0.41	
Operating adjusted net income per share - diluted	\$0.82	\$0.65	
Weighted average diluted shares	135.6	138.4	Repurchased 0.9M shares 2Q18
Dividends declared per common share	\$0.35	\$0.32	
Effective tax rate	27.4%	37.2%	
Capital expenditures	\$41.5	\$38.2	

* 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 three months ended June 30, 2018.

** Exclusive of depreciation and amortization

ADESA Q2 2018 Highlights



(\$ in millions, except RPU)

ADESA	Q2 2018	Q2 2017	Highlights*
Revenue	\$538.3	\$489.2	+\$8.7M acquisitions
Gross profit**	\$231.1	\$210.5	
<i>% of revenue</i>	42.9%	43.0%	
SG&A	\$108.3	\$85.2	8% growth excluding \$16.5M of acquired SG&A
EBITDA	\$119.5	\$123.3	
Adjusted EBITDA	\$127.8	\$130.6	2% decrease
<i>% of revenue</i>	23.7%	26.7%	
Vehicles sold	907,000	830,000	9% growth; 6% excluding acquisitions
Physical vehicles sold	561,000	585,000	-4% growth
Online only volume	346,000	245,000	41% growth; 29% excluding acquisitions (30,000)
Dealer consignment mix % (physical only)	43%	46%	Continued off-lease increase displaced dealer consignment
Conversion rate (N.A. physical)	62.4%	61.1%	Increased commercial mix
Physical RPU	\$839	\$748	Excludes purchased vehicles
Online only RPU	\$118	\$105	Excludes ADESA Assurance

* 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 three months ended June 30, 2018.

** Exclusive of depreciation and amortization

IAA Q2 2018 Highlights



(\$ in millions)

IAA	Q2 2018	Q2 2017	Highlights*
Revenue	\$333.2	\$298.7	
Gross profit**	\$132.1	\$117.2	
<i>% of revenue</i>	39.6%	39.2%	Excluding HBC 40.2% in Q2 2017 and Q2 2018
SG&A	\$28.7	\$27.5	
EBITDA	\$104.2	\$90.2	
Adjusted EBITDA	\$105.1	\$90.5	
<i>% of revenue</i>	31.5%	30.3%	
Vehicles sold	623,000	580,000	+7% volume
Inventory growth (N.A.)	2%	9%	
% Purchased contract vehicles	4%	5%	Reduced HBC purchase vehicles

* 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 three months ended June 30, 2018.

** Exclusive of depreciation and amortization

AFC Q2 2018 Highlights



(\$ in millions, except for revenue per loan transaction)

AFC	Q2 2018	Q2 2017	Highlights*
Interest and fee income	\$80.5	\$70.0	
Other revenue	\$3.3	\$3.0	
Provision for credit losses	(\$7.1)	(\$11.4)	
Other service revenue	\$8.4	\$8.5	PWI revenue
Total AFC revenue	\$85.1	\$70.1	+20% revenue per LTU
Gross profit**	\$62.1	\$48.6	
<i>% of revenue</i>	73.0%	69.3%	
SG&A	\$7.5	\$7.3	
EBITDA	\$54.5	\$41.3	
Adjusted EBITDA	\$42.4	\$33.8	25% increase
Loan transactions	435,000	416,000	
Revenue per loan transaction unit (LTU)***	\$177	\$148	\$193 vs \$175 prior year excluding provision for credit losses
Provision for credit losses % of finance receivables	1.5%	2.6%	
Managed receivables	\$1,958.6	\$1,736.5	Increasing vehicle values
Obligations collateralized by finance receivables	\$1,358.0	\$1,224.9	

* 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 three months ended June 30, 2018.

** Exclusive of depreciation and amortization

*** Excludes "Other service revenue"

Year-to-Date Results

KAR Six Months Ended June 30, 2018 Highlights



(\$ in millions, except per share amounts)

KAR	YTD 2018	YTD 2017	Highlights*
Total operating revenues	\$1,907.1	\$1,724.6	\$15.7M acquisitions
Gross profit**	\$840.8	\$741.7	
<i>% of revenue</i>	44.1%	43.0%	
SG&A	\$370.2	\$312.0	\$32.8M acquired SG&A
EBITDA	\$470.8	\$403.5	
Adjusted EBITDA	\$471.6	\$434.1	
Net Income	\$183.2	\$126.4	
Net income per share - diluted	\$1.35	\$0.91	
Operating adjusted net income per share - diluted	\$1.64	\$1.28	
Weighted average diluted shares	135.8	138.4	Repurchased 0.9M shares 2Q18
Dividends declared per common share	\$0.70	\$0.64	
Effective tax rate	25.2%	35.0%	
Capital expenditures	\$80.2	\$75.4	

* 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 six months ended June 30, 2018.

** Exclusive of depreciation and amortization

ADESA Six Months Ended June 30, 2018 Highlights



(\$ in millions, except RPU)

ADESA	YTD 2018	YTD 2017	Highlights*
Revenue	\$1,066.4	\$987.2	+\$15.7M acquisitions
Gross profit**	\$453.2	\$417.6	
<i>% of revenue</i>	42.5%	42.3%	
SG&A	\$217.1	\$172.5	7% growth excluding \$32.8M of acquired SG&A
EBITDA	\$228.5	\$240.0	
Adjusted EBITDA	\$246.9	\$255.6	3% decrease
<i>% of revenue</i>	23.2%	25.9%	
Vehicles sold	1,785,000	1,648,000	8% growth; 5% excluding acquisitions
Physical vehicles sold	1,130,000	1,188,000	-5% growth
Online only volume	655,000	460,000	42% growth; 31% excluding acquisitions (52,000)
Dealer consignment mix % (physical only)	42%	45%	Continued off-lease increase displaced dealer consignment
Conversion rate (N.A. physical)	62.5%	61.4%	Increased commercial mix
Physical RPU	\$829	\$751	Excludes purchased vehicles
Online only RPU	\$117	\$108	Excludes ADESA Assurance

* 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 six months ended June 30, 2018.

** Exclusive of depreciation and amortization

IAA Six Months Ended June 30, 2018 Highlights



(\$ in millions)

IAA	YTD 2018	YTD 2017	Highlights*
Revenue	\$670.5	\$596.1	
Gross profit**	\$262.7	\$225.5	
<i>% of revenue</i>	39.2%	37.8%	Excluding HBC 39.7% vs 38.8% prior year
SG&A	\$59.2	\$53.4	
EBITDA	\$204.3	\$173.0	
Adjusted EBITDA	\$206.8	\$174.3	
<i>% of revenue</i>	30.8%	29.2%	
Vehicles sold	1,266,000	1,171,000	+8% volume
Inventory growth (N.A.)	2%	9%	
% Purchased contract vehicles	4%	5%	Reduced HBC purchase vehicles

* 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 six months ended June 30, 2018.

** Exclusive of depreciation and amortization

AFC Six Months Ended June 30, 2018 Highlights

(\$ in millions, except for revenue per loan transaction)

AFC	YTD 2018	YTD 2017	Highlights*
Interest and fee income	\$162.4	\$141.3	
Other revenue	\$6.2	\$5.9	
Provision for credit losses	(\$14.8)	(\$22.5)	
Other service revenue	\$16.4	\$16.6	PWI revenue
Total AFC revenue	\$170.2	\$141.3	+20% revenue per LTU
Gross profit**	\$124.9	\$98.6	
<i>% of revenue</i>	73.4%	69.8%	
SG&A	\$15.5	\$15.2	
EBITDA	\$109.3	\$83.4	
Adjusted EBITDA	\$86.3	\$68.3	26% increase
Loan transactions	899,000	872,000	
Revenue per loan transaction unit (LTU)***	\$171	\$143	\$188 vs \$169 prior year excluding provision for credit losses
Provision for credit losses % of finance receivables	1.5%	2.6%	
Managed receivables	\$1,958.6	\$1,736.5	Increasing vehicle values
Obligations collateralized by finance receivables	\$1,358.0	\$1,224.9	

* 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 six months ended June 30, 2018.

** Exclusive of depreciation and amortization

*** Excludes "Other service revenue"

HISTORICAL DATA

ADESA Metrics - Annual

	2017	2016	2015	2014	2013
Revenue²	\$1,937.5	\$1,765.3	\$1,427.8	\$1,271.0	\$1,165.5
Total Volume	3,180	2,885	2,465	2,198	2,055
Online Only Volume	938	743	592	495	407
Total Online Volume %	46%	42%	40%	38%	35%
Physical Conversion % (N.A.)	60.4%	58.0%	58.3%	58.2%	56.9%
Dealer Consignment Mix % (Physical)	45%	48%	50%	51%	51%
Physical RPU¹	\$775	\$753	\$701	\$685	\$649
Online RPU¹	\$113	\$110	\$102	\$104	\$119
Gross Margin²	42.0%	41.3%	41.4%	41.3%	41.9%

¹ Excluding Acquired Vehicles

² Includes purchased vehicles

ADESA Metrics - Quarter

	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16
Revenue²	\$538.3	\$528.1	\$473.2	\$477.1	\$489.2	\$498.0	\$442.3	\$457.4	\$450.8
Total Volume	907	878	744	788	830	818	700	732	750
Online Only Volume	346	309	237	241	245	215	177	180	198
Total Online Volume %	54%	52%	49%	46%	46%	44%	43%	41%	41%
Physical Conversion % (N.A.)	62.4%	62.6%	57.3%	61.3%	61.1%	61.8%	54.9%	57.2%	59.1%
Dealer Consignment Mix % (Physical)	43%	41%	44%	47%	46%	44%	45%	50%	49%
Physical RPU¹	\$839	\$820	\$822	\$781	\$748	\$755	\$773	\$758	\$742
Online RPU¹	\$118	\$117	\$122	\$112	\$105	\$111	\$115	\$108	\$109
Gross Margin²	42.9%	42.1%	40.5%	42.9%	43.0%	41.6%	39.1%	41.1%	42.5%

¹ Excluding Acquired Vehicles

² Includes purchased vehicles

Used Vehicle Value Indices - Quarterly

YoY Index Change	Age	2Q17	3Q17	4Q17	1Q18	2Q18
Industry	All	+3.7%	+1.9%	+2.3%	+0.0%	-0.6%
JCP/NADA	0-8 yrs	-4.5%	-2.6%	-0.1%	+0.8%	+3.3%
Black Book	2-6 yrs	-5.1%	-3.5%	-0.8%	-0.9%	-0.1%
RVI	2-5 yrs	-5.6%	-2.7%	+0.1%	+0.1%	+2.4%

- Increased industry (commercial) volumes drive average industry transaction wholesale prices higher (ADESA)
- Revenue per unit sold increased as a result of increased commercial mix (ADESA)
- Declining used car values increase likelihood of total losses (IAA)

IAA Metrics - Annual

	2017	2016	2015	2014	2013
Revenue	\$1,219.2	\$1,098.0	\$994.4	\$895.9	\$830.0
Total Volume	2,369	2,184	1,970	1,732	1,616
Inventory Growth (North America)	3%	25%	14%	20%	-3%
Purchased Vehicle Mix %	5%	7%	7%	6%	7%
Gross Profit	\$441.1	\$390.0	\$360.8	\$340.2	\$284.1
Gross Margin (IAA)	36.2%	35.5%	36.3%	38.0%	34.2%
Gross Margin (North America)	36.9%	36.7%	37.0%	38.0%	34.2%

IAA Six Months Ended June 30, 2018 Gross Profit

(\$ in millions)

	Six Months Ended June 30, 2018			Six Months Ended June 30, 2017		
	IAA	HBC	Total	IAA	HBC	Total
Revenue	\$652.5	\$18.0	\$670.5	\$573.1	\$23.0	\$596.1
Cost of Services**	\$393.4	\$14.4	\$407.8	350.8	19.8	370.6
Gross Profit**	\$259.1	\$3.6	\$262.7	\$222.3	\$3.2	\$225.5
% of Revenue	39.7%	20.0%	39.2%	38.8%	13.9%	37.8%

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** Exclusive of depreciation and amortization

IAA Metrics - Quarter

	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16
Revenue	\$333.2	\$337.3	\$335.4	\$287.7	\$298.7	\$297.4	\$302.6	\$261.0	\$264.8
Total Volume	623	643	635	562	580	592	610	516	523
Inventory Growth (North America)	2%	4%	3%	12%	9%	17%	25%	22%	11%
Purchased Vehicle Mix %	4%	4%	4%	5%	5%	5%	6%	7%	6%
Gross Profit	\$132.1	\$130.6	\$112.7	\$102.9	\$117.2	\$108.3	\$103.9	\$92.5	\$97.5
Gross Margin (IAA)	39.6%	38.7%	33.6%	35.8%	39.2%	36.4%	34.3%	35.4%	36.8%
Gross Margin (North America)	40.2%	39.2%	33.9%	36.3%	40.2%	37.4%	35.1%	36.6%	38.4%

IAA Q2 2018 Gross Profit

(\$ in millions)

	Three Months Ended June 30, 2018			Three Months Ended June 30, 2017		
	IAA	HBC	Total	IAA	HBC	Total
Revenue	\$324.9	\$8.3	\$333.2	\$288.5	\$10.2	\$298.7
Cost of Services**	\$194.3	\$6.8	\$201.1	172.6	8.9	181.5
Gross Profit**	\$130.6	\$1.5	\$132.1	\$115.9	\$1.3	\$117.2
% of Revenue	40.2%	18.1%	39.6%	40.2%	12.7%	39.2%

* 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 three months ended June 30, 2018.

** Exclusive of depreciation and amortization

AFC Metrics - Annual

	2017	2016	2015	2014	2013
Revenue	\$301.3	\$286.8	\$268.4	\$250.1	\$224.7
Loan Transaction Units (LTU)	1,688	1,718	1,607	1,445	1,355
Revenue per Loan Transaction, Excluding "Other Service Revenue"	\$159	\$148	\$150	\$155	\$157
Ending Managed Finance Receivables	\$1,912.6	\$1,792.2	\$1,641.0	\$1,371.1	\$1,107.6
Ending Obligations Collateralized by Finance Receivables	\$1,358.1	\$1,280.3	\$1,189.0	\$859.3	\$763.3
% Vehicles Purchased at Auction	85%	83%	84%	84%	83%
Active Dealers	12,400	12,200	11,300	10,100	9,300
Vehicles per active dealer	15	15	16	16	14
Average Credit Line	\$250,000	\$260,000	\$230,000	\$219,000	\$185,000
Avg Value Outstanding per Vehicle	\$9,900	\$9,500	\$9,100	\$8,630	\$8,360

AFC Metrics - Quarter

	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16
Revenue	\$85.1	\$85.1	\$81.8	\$78.2	\$70.1	\$71.2	\$68.8	\$71.2	\$72.9
Loan Transaction Units (LTU)	435	464	414	402	416	456	417	426	422
Revenue per Loan Transaction, Excluding "Other Service Revenue"	\$177	\$166	\$178	\$174	\$148	\$138	\$145	\$148	\$154
Ending Managed Finance Receivables	\$1,958.6	\$1,933.2	\$1,912.6	\$1,809.2	\$1,736.5	\$1,760.7	\$1,792.2	\$1,785.4	\$1,738.6
Ending Obligations Collateralized by Finance Receivables	\$1,358.0	\$1,354.2	\$1,358.1	\$1,259.3	\$1,224.9	\$1,241.8	\$1,280.3	\$1,275.1	\$1,231.2

AFC Provision for Credit Losses - Annual

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Ending Managed Receivables	\$1,912.6	\$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	\$1,802.2	\$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	\$33.9	\$30.7	\$16.0	\$12.3	\$9.6	\$7.2	\$6.1	\$11.2	\$17.1	\$44.7	\$25.0
% of Managed Receivables	1.9%	1.8%	1.1%	1.0%	0.9%	0.8%	0.8%	1.6%	3.3%	6.0%	3.0%

AFC Provision for Credit Losses - Quarterly

	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16
Ending Managed Receivables	\$1,958.6	\$1,933.2	\$1,912.6	\$1,809.2	\$1,736.5	\$1,760.7	\$1,792.2	\$1,785.4	\$1,738.6
Average Managed Receivables	\$1,945.9	\$1,922.9	\$1,860.9	\$1,772.9	\$1,748.6	\$1,776.5	\$1,788.8	\$1,762.0	\$1,722.1
Provision for Credit Losses	\$7.1	\$7.7	\$6.4	\$5.0	\$11.4	\$11.1	\$11.7	\$8.0	\$5.5
% of Managed Receivables	1.5%	1.6%	1.4%	1.1%	2.6%	2.5%	2.6%	1.8%	1.3%

APPENDIX

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.

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 non-compete 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, 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.

Q2 2018 Adjusted EBITDA Reconciliation

(\$ in millions)

Three Months ended June 30, 2018

	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	\$60.0	\$52.4	\$27.7	(\$46.9)	\$93.2
Add back:					
Income taxes	23.5	17.6	9.3	(15.2)	32.5
Interest expense, net of interest income	0.4	-	14.7	32.4	47.5
Depreciation and amortization	31.3	24.7	3.5	7.4	66.9
Intercompany interest	4.3	9.5	(0.7)	(13.1)	-
EBITDA	\$119.5	\$104.2	\$54.5	(\$35.4)	\$242.8
Intercompany charges	3.3	-	-	(3.3)	-
Non-cash stock-based compensation	2.3	0.9	0.6	1.5	5.3
Acquisition related costs	1.0	-	-	0.5	1.5
Securitization interest	-	-	(12.7)	-	(12.7)
Severance	0.9	0.1	-	-	1.0
IAA separation costs	-	-	-	3.6	3.6
Other	0.8	(0.1)	-	-	0.7
Total Addbacks	8.3	0.9	(12.1)	2.3	(0.6)
Adjusted EBITDA	\$127.8	\$105.1	\$42.4	(\$33.1)	\$242.2
Revenue	\$538.3	\$333.2	\$85.1	-	\$956.6
Adjusted EBITDA % margin	23.7%	31.5%	49.8%		25.3%

Q2 2017 Adjusted EBITDA Reconciliation

(\$ in millions)

Three Months ended June 30, 2017

	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	\$53.7	\$37.3	\$20.3	(\$54.1)	\$57.2
Add back:					
Income taxes	33.8	20.6	12.5	(33.0)	33.9
Interest expense, net of interest income	(0.1)	–	10.5	29.5	39.9
Depreciation and amortization	26.9	22.9	7.8	6.9	64.5
Intercompany interest	9.0	9.4	(9.8)	(8.6)	–
EBITDA	\$123.3	\$90.2	\$41.3	(\$59.3)	\$195.5
Intercompany charges	2.5	–	–	(2.5)	–
Non-cash stock-based compensation	1.7	0.9	0.6	2.2	5.4
Loss on extinguishment of debt	–	–	–	27.5	27.5
Acquisition related costs	0.8	–	–	0.7	1.5
Securitization interest	–	–	(8.2)	–	(8.2)
Minority interest	1.0	–	–	–	1.0
Severance	0.7	–	0.1	–	0.8
Other	0.6	(0.6)	–	–	–
Total Addbacks	7.3	0.3	(7.5)	27.9	28.0
Adjusted EBITDA	\$130.6	\$90.5	\$33.8	(\$31.4)	\$223.5
Revenue	\$489.2	\$298.7	\$70.1	–	\$858.0
Adjusted EBITDA % margin	26.7%	30.3%	48.2%		26.0%

YTD 2018 Adjusted EBITDA Reconciliation

(\$ in millions)

Six Months ended June 30, 2018

	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	\$114.2	\$102.7	\$53.4	(\$87.1)	\$183.2
Add back:					
Income taxes	39.0	33.9	17.7	(29.0)	61.6
Interest expense, net of interest income	0.8	-	28.1	59.9	88.8
Depreciation and amortization	62.5	48.8	11.3	14.6	137.2
Intercompany interest	12.0	18.9	(1.2)	(29.7)	-
EBITDA	\$228.5	\$204.3	\$109.3	(\$71.3)	\$470.8
Intercompany charges	7.7	-	-	(7.7)	-
Non-cash stock-based compensation	4.4	1.9	1.1	4.6	12.0
Acquisition related costs	2.4	-	-	1.3	3.7
Securitization interest	-	-	(24.1)	-	(24.1)
Severance	2.4	0.1	-	-	2.5
IAA separation costs	-	-	-	4.7	4.7
Other	1.5	0.5	-	-	2.0
Total Addbacks	18.4	2.5	(23.0)	2.9	0.8
Adjusted EBITDA	\$246.9	\$206.8	\$86.3	(\$68.4)	\$471.6
Revenue	\$1,066.4	\$670.5	\$170.2	-	\$1,907.1
Adjusted EBITDA % margin	23.2%	30.8%	50.7%		24.7%

YTD 2017 Adjusted EBITDA Reconciliation

(\$ in millions)

Six Months ended June 30, 2017

	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	\$105.0	\$69.5	\$41.2	(\$89.3)	\$126.4
Add back:					
Income taxes	62.8	38.6	24.3	(57.7)	68.0
Interest expense, net of interest income	–	–	20.8	59.3	80.1
Depreciation and amortization	54.0	46.1	15.6	13.3	129.0
Intercompany interest	18.2	18.8	(18.5)	(18.5)	–
EBITDA	\$240.0	\$173.0	\$83.4	(\$92.9)	\$403.5
Intercompany charges	5.1	–	–	(5.1)	–
Non-cash stock-based compensation	3.2	1.8	1.1	5.3	11.4
Loss on extinguishment of debt	–	–	–	27.5	27.5
Acquisition related costs	2.5	–	–	1.1	3.6
Securitization interest	–	–	(16.3)	–	(16.3)
Minority interest	2.7	–	–	–	2.7
Severance	1.2	0.2	0.1	–	1.5
Other	0.9	(0.7)	–	–	0.2
Total Addbacks	15.6	1.3	(15.1)	28.8	30.6
Adjusted EBITDA	\$255.6	\$174.3	\$68.3	(\$64.1)	\$434.1
Revenue	\$987.2	\$596.1	\$141.3	–	\$1,724.6
Adjusted EBITDA % margin	25.9%	29.2%	48.3%		25.2%

Operating Adjusted Net Income per Share Reconciliation

(\$ in millions, except per share amounts), (unaudited)

	Three Months ended June 30,		Six Months ended June 30,	
	2018	2017	2018	2017
Net income	\$93.2	\$57.2	\$183.2	\$126.4
Acquired amortization expense	22.0	25.7	48.9	50.9
IAA separation costs	3.6	–	4.7	–
Loss on extinguishment of debt	–	27.5	–	27.5
Income taxes ⁽¹⁾	(7.0)	(19.8)	(13.5)	(27.4)
Operating adjusted net income	\$111.8	\$90.6	\$223.3	\$177.4
Net income per share – diluted	\$0.69	\$0.41	\$1.35	\$0.91
Acquired amortization expense	0.16	0.19	0.36	0.37
IAA separation costs	0.03	–	0.03	–
Loss on extinguishment of debt	–	0.20	–	0.20
Income taxes	(0.06)	(0.15)	(0.10)	(0.20)
Operating adjusted net income per share – diluted	\$0.82	\$0.65	\$1.64	\$1.28
Weighted average diluted shares	135.6	138.4	135.8	138.4

(1) 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.

Q2 2018 ADESA Incremental Operating Profit Margin Analysis

Incremental Operating Profit %

(\$ in millions)

	REPORTED	IMPACT OF ACQUISITIONS	ADESA EXCLUDING ACQUISITIONS
Q2 2018			
Revenue	\$538.3	\$8.7	\$529.6
Operating Profit	\$91.5	(\$14.8)	\$106.3
Operating Profit %	17.0%	(170.1%)	20.1%
Q2 2017			
Revenue	\$489.2		
Operating Profit	\$98.4		
Operating Profit %	20.1%		
Q2 2018 Reported Growth			
Reported Revenue Growth	\$49.1		
Reported Operating Profit Growth	(\$6.9)		
Incremental Operating Margin	(14.1%)		
Q2 2018 Excluding Acquisitions			
Revenue Growth	\$40.4		
Operating Profit Growth	\$7.9		
Incremental Operating Margin	19.6%		

YTD 2018 ADESA Incremental Operating Profit Margin Analysis

Incremental Operating Profit %

(\$ in millions)

	REPORTED	IMPACT OF ACQUISITIONS	ADESA EXCLUDING ACQUISITIONS
YTD 2018			
Revenue	\$1,066.4	\$15.7	\$1,050.7
Operating Profit	\$173.6	(\$30.8)	\$204.4
Operating Profit %	16.3%	(196.2%)	19.5%
YTD 2017			
Revenue	\$987.2		
Operating Profit	\$191.1		
Operating Profit %	19.4%		
YTD 2018 Reported Growth			
Reported Revenue Growth	\$79.2		
Reported Operating Profit Growth	(\$17.5)		
Incremental Operating Margin	(22.1%)		
YTD 2018 Excluding Acquisitions			
Revenue Growth	\$63.5		
Operating Profit Growth	\$13.3		
Incremental Operating Margin	20.9%		

Q2 2018 IAA Incremental Operating Profit Margin Analysis

Incremental Operating Profit %

(\$ in millions)

REPORTED

Q2 2018

Revenue	\$333.2
Operating Profit	\$78.7
Operating Profit %	23.6%

Q2 2017

Revenue	\$298.7
Operating Profit	\$66.8
Operating Profit %	22.4%

Q2 2018 Reported Growth

Reported Revenue Growth	\$34.5
Reported Operating Profit Growth	\$11.9
Incremental Operating Margin	34.5%

YTD 2018 IAA Incremental Operating Profit Margin Analysis

Incremental Operating Profit %

(\$ in millions)

REPORTED

YTD 2018

Revenue	\$670.5
Operating Profit	\$154.7
Operating Profit %	23.1%

YTD 2017

Revenue	\$596.1
Operating Profit	\$126.0
Operating Profit %	21.1%

YTD 2018 Reported Growth

Reported Revenue Growth	\$74.4
Reported Operating Profit Growth	\$28.7
Incremental Operating Margin	38.6%

Q2 2018 AFC Incremental Operating Profit Margin Analysis

Incremental Operating Profit %

(\$ in millions)

REPORTED

Q2 2018	
Revenue	\$85.1
Operating Profit	\$51.1
Operating Profit %	60.0%

Q2 2017	
Revenue	\$70.1
Operating Profit	\$33.5
Operating Profit %	47.8%

Q2 2018 Reported Growth	
Reported Revenue Growth	\$15.0
Reported Operating Profit Growth	\$17.6
Incremental Operating Margin	117.3%

YTD 2018 AFC Incremental Operating Profit Margin Analysis

Incremental Operating Profit %

(\$ in millions)

REPORTED

YTD 2018

Revenue	\$170.2
Operating Profit	\$98.1
Operating Profit %	57.6%

YTD 2017

Revenue	\$141.3
Operating Profit	\$67.8
Operating Profit %	48.0%

YTD 2018 Reported Growth

Reported Revenue Growth	\$28.9
Reported Operating Profit Growth	\$30.3
Incremental Operating Margin	104.8%