

KAR Auction Services, Inc.
Form 424B3
December 07, 2012
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Registration No. 333-174038

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED JUNE 22, 2011

13,500,000 Shares
KAR Auction Services, Inc.
Common Stock

The shares of common stock are being sold by the selling stockholder. We will not receive any of the proceeds from the shares of common stock sold by the selling stockholder.

Our common stock is listed on the New York Stock Exchange under the symbol KAR. The closing price on the New York Stock Exchange on December 5, 2012 was \$18.14 per share.

The underwriters have an option to purchase a maximum of 2,025,000 additional shares from the selling stockholder.

Investing in our common stock involves risks. See Risk Factors on page S-13.

	Price to	Underwriting	Proceeds to
	Public	Discounts and	Selling
		Commissions	Stockholder
Per Share	\$17.50	\$0.7875	\$16.7125
Total	\$236,250,000	\$10,631,250	\$225,618,750

Delivery of the shares of common stock will be made on or about December 11, 2012.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Joint Book-Running Managers

Credit Suisse

Goldman, Sachs & Co.

J.P. Morgan

Lead Managers

Barclays

BMO Capital Markets

BofA Merrill Lynch
Senior Co-Managers

Deutsche Bank Securities

Baird

Barrington Research

BB&T Capital Markets

Stephens Inc.

The date of this prospectus supplement is December 5, 2012.

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You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or any related free writing prospectus that we may issue. None of us, the selling stockholder or the underwriters have authorized anyone to provide you with information that is different. The selling stockholder is offering to sell these securities and seeking offers to buy these securities only in jurisdictions where the offers and sales are permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, any related free writing prospectus and the documents incorporated by reference herein and therein is accurate only as of their respective dates. Our business, financial condition, results of operations or prospects may have changed since those dates.

The distribution of this prospectus supplement and the accompanying prospectus and this offering in certain jurisdictions may be restricted by law. Persons who receive this prospectus supplement and the accompanying prospectus should inform themselves about and observe any such restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or

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solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. See the section entitled Underwriting beginning on page S-43 of this prospectus supplement.

You should read this prospectus supplement and the accompanying prospectus carefully before investing in the common stock. This prospectus supplement and the accompanying prospectus contain the terms of this offering of common stock. This prospectus supplement may add, update or change information in the accompanying prospectus. In addition, the information incorporated by reference in the accompanying prospectus may have added, updated or changed information in the accompanying prospectus. If information in this prospectus supplement is inconsistent with any information in the accompanying prospectus, this prospectus supplement will supersede such information.

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In this prospectus supplement, unless otherwise specified or the context otherwise requires, the following terms have the following meanings:

the Company, we, us and our refer to KAR Auction Services, Inc., a Delaware corporation, and its subsidiaries;

ADESA refers, collectively, to ADESA, Inc., a wholly-owned subsidiary of KAR Auction Services, and ADESA, Inc.'s subsidiaries, including OPENLANE, Inc. (OPENLANE);

AFC refers, collectively, to Automotive Finance Corporation, a wholly-owned subsidiary of ADESA, and Automotive Finance Corporation's subsidiaries;

Equity Sponsors refers, collectively, to Kelso Investment Associates VII, L.P., GS Capital Partners VI, L.P., ValueAct Capital Master Fund, L.P. and Parthenon Investors II, L.P.;

IAA refers, collectively, to Insurance Auto Auctions, Inc., a wholly-owned subsidiary of KAR Auction Services, and Insurance Auto Auctions, Inc.'s subsidiaries;

KAR Auction Services refers to KAR Auction Services, Inc. and not to its subsidiaries;

KAR LLC refers to KAR Holdings II, LLC, which is owned by affiliates of the Equity Sponsors, other equity co-investors and management of the Company; and

2007 Transactions refers to the following events: On December 22, 2006, KAR LLC entered into a definitive merger agreement to acquire ADESA. The merger occurred on April 20, 2007. Concurrently with the merger, IAA was contributed by affiliates of Kelso & Company and Parthenon Capital and IAA's management to KAR Auction Services. Both ADESA and IAA became wholly-owned subsidiaries of KAR Auction Services.

This prospectus supplement and the accompanying prospectus contain references to a number of trademarks (including service marks) that are our registered trademarks or trademarks for which we have pending applications or common law rights. These include, among others, OPENLANE, CarsArrive, LiveBlock, DealerBlock® and CSAToday and our logos. Trade names, trademarks and service marks of other companies appearing in this prospectus supplement are the property of their respective holders.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the information incorporated by reference herein and therein contain 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 in this prospectus supplement, the accompanying prospectus and the information incorporated by reference herein and therein that are not historical facts (including, but not limited to, expectations, estimates, assumptions and projections regarding the industry, business, future operating results, potential acquisitions and anticipated cash requirements) may be forward-looking statements. Words such as should, may, will, anticipates, expects, intends, plans, believes, seeks, estimates and expressions identify forward-looking statements. Such statements, including statements regarding our future growth; anticipated cost savings, revenue increases and capital expenditures; dividend declarations and payments; guidance and our estimated results for 2012; strategic initiatives, greenfields and acquisitions; our competitive position and retention of customers; and our continued investment in information technology, 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, but are not limited to, those discussed in the section entitled Risk Factors beginning on page S-13 of this prospectus supplement. Some of these factors include:

fluctuations in consumer demand for and in the supply of used, leased and salvage vehicles and the resulting impact on auction sales volumes, conversion rates and loan transaction volumes;

trends in new and used vehicle sales and incentives, including wholesale used vehicle pricing;

the ability of consumers to lease or finance the purchase of new and/or used vehicles;

the ability to recover or collect from delinquent or bankrupt customers;

economic conditions including fuel prices, foreign exchange rates and interest rate fluctuations;

trends in the vehicle remarketing industry;

changes in the volume of vehicle production, including capacity reductions at the major original equipment manufacturers;

increases in the number of used vehicles purchased on virtual auction platforms;

the introduction of new competitors;

laws, regulations and industry standards, including changes in regulations governing the sale of used vehicles, the processing of salvage vehicles and commercial lending activities;

changes in the market value of vehicles auctioned, including changes in the actual cash value of salvage vehicles;

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competitive pricing pressures;

costs associated with the acquisition of businesses or technologies;

litigation developments;

our ability to successfully implement our business strategies or realize expected cost savings and revenue enhancements;

our ability to maintain our brand and protect our intellectual property;

our ability to develop and implement information systems responsive to customer needs;

business development activities, including acquisitions and integration of acquired businesses;

the costs of environmental compliance and/or the imposition of liabilities under environmental laws and regulations;

weather, including increased expenses as a result of Superstorm Sandy;

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general business conditions;

our substantial amount of debt;

restrictive covenants in our debt agreements;

our assumption of the settlement risk for vehicles sold;

any impairment to our goodwill or other intangible assets;

our self-insurance for certain risks;

any losses of key personnel;

interruptions to service from our workforce;

changes in effective tax rates;

changes to accounting standards; and

other risks described from time to time in our filings with the SEC.

Many of these risk factors are outside of our control, and as such, they involve risks which are not currently known that could cause actual results to differ materially from those discussed or implied herein. The forward-looking statements in this prospectus supplement are made as of the date on which they are made and we do not undertake to update our forward-looking statements.

Our future growth depends on a variety of factors, including our ability to increase vehicle sold volumes and loan transaction volumes, expand our product and service offerings, including information systems development, acquire and integrate additional business entities, manage expansion, control costs in our operations, introduce fee increases, and retain our executive officers and key employees. We cannot predict whether our growth strategy will be successful. In addition, we cannot predict what portion of overall sales will be conducted through online auctions or other remarketing methods in the future and what impact this may have on our auction business.

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SUMMARY

This summary description about us and our business highlights selected information contained elsewhere in this prospectus supplement or incorporated by reference into this prospectus supplement. It does not contain all the information you should consider before purchasing our securities. This summary may not contain all of the information that may be important to you. You should read in their entirety this prospectus supplement, the accompanying prospectus and any other related free writing prospectus, together with the additional information described under the section entitled "Where You Can Find More Information" beginning on page S-49 of this prospectus supplement. You should pay special attention to the "Risk Factors" section beginning on page S-13 of this prospectus supplement to determine whether an investment in our common stock is appropriate for you.

Our Company

We are a leading provider of vehicle auction services in North America. We facilitate an efficient marketplace by providing auction services for sellers of used, or "whole car," vehicles and salvage vehicles through our 229 physical auction locations at September 30, 2012, and multiple proprietary Internet venues. In 2011, we facilitated the sale of over 3.1 million used and salvage vehicles. Our revenues are generated through auction fees from both vehicle buyers and sellers, as well as by providing value-added ancillary services, including transportation, reconditioning, inspections, storage, titling and floorplan financing. We facilitate the transfer of ownership directly from seller to buyer and generally we do not take title to or ownership of vehicles sold at our auctions. For the twelve-month period ended September 30, 2012, our revenues totaled \$1,950 million, and our Adjusted EBITDA was \$492.4 million. For the twelve-month period ended September 30, 2012, our net income was \$83.6 million. For a reconciliation of net income (loss) to Adjusted EBITDA, which is a non-GAAP financial measure, see Summary Consolidated Financial Data.

ADESA, our whole car auction services business, is the second largest provider of used vehicle auction services in North America. Vehicles at ADESA's auctions are typically sold by commercial fleet operators, financial institutions, rental car companies, used vehicle dealers and vehicle manufacturers and their captive finance companies to franchised and independent used vehicle dealers. In 2011, we acquired OPENLANE, the premier upstream online platform focused on private label auction sales for automobile original equipment manufacturers, or OEMs, and their captive finance companies. OPENLANE provides a comprehensive remarketing solution to automobile manufacturers, captive finance companies, lease and daily rental car companies, financial institutions and wholesale automobile auctions. IAA, our salvage auction services business, is one of the two largest providers of salvage auction services in North America. Vehicles at our salvage auctions are typically damaged or low-value vehicles that are predominantly sold by automobile insurance companies, non-profit organizations, automobile dealers, vehicle leasing companies and rental car companies to licensed dismantlers, rebuilders, scrap dealers or qualified public buyers. An important component of ADESA's and IAA's services to their buyers is providing short-term inventory-secured financing, known as floorplan financing, primarily to independent used vehicle dealers through our wholly-owned subsidiary AFC.

At September 30, 2012, we had a network of 68 whole car auction locations and 161 salvage auction locations. Our auction locations are primarily standalone facilities dedicated to either whole car or salvage auctions; however, some of our sites are utilized to service both whole car and salvage customers at the same location. We believe our extensive geographic network and diverse product offerings enable us to leverage relationships with North American providers and buyers of used and salvage vehicles.

Our Industry

Auctions are the hub of the remarketing system for used and salvage vehicles, bringing professional sellers and buyers together and creating a marketplace for the sale of these vehicles. Whole car auction vehicles include vehicles from dealers turning their inventory, off-lease vehicles, vehicles repossessed by financial institutions

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and rental and other program fleet vehicles that have reached a predetermined age or mileage. The salvage vehicle auction industry provides a venue for sellers, primarily automobile insurance companies, to dispose or liquidate damaged or low value vehicles to dismantlers, rebuilders, scrap dealers or qualified public buyers. The following are key industry highlights:

Whole Car Industry Volumes

During the period from 1999 to 2009, approximately 9 to 10 million used vehicles per year were sold in North America through whole car auctions. In 2010 and 2011, this number declined to 8.4 million and 7.7 million units, respectively. We estimate that used vehicle auction volumes in North America during 2012 will be consistent with 2011. The reduction in auction volumes since 2009 is attributable to supply shortages in the North American whole car auction industry caused principally by declines in new vehicle sales and lease originations from 2007 to 2009 and declines in repossessions from 2009 to 2012. We expect the industry to experience an increase in whole car auction volumes as a result of increasing new vehicle sales and lease originations since 2009 and improving credit availability.

Salvage Auction Industry Volumes

We believe that the North American salvage vehicle auction industry volumes are affected primarily by accident rates, the age of the vehicle fleet on the road, miles driven, the increased complexity of vehicles in operation and the increased utilization of after-market recycled parts within the collision repair industry. Vehicles deemed a total loss by automobile insurance companies represent the largest category of vehicles sold in the salvage vehicle auction industry. As vehicle design becomes more complex with additional enhancements, such as airbags and electrical components, vehicles are more costly to repair following an accident and insurance companies are more likely to declare a damaged vehicle a total loss. In addition, the utilization of recycled parts from salvage vehicles by the collision repair industry continues to increase as the quality of these parts gains wider acceptance and insurance companies attempt to reduce their repair claim costs. We believe that salvage volumes will continue to grow over time as the salvage auction industry expands the number of non-insurance vehicles sold, including charity, direct-to-consumer and dealer sales.

Consolidated Whole Car and Salvage Auction Markets

The North American used vehicle auction market is largely consolidated. We estimate that Manheim, a subsidiary of Cox Enterprises, and ADESA together represent approximately 70% of the North American whole car auction market. We estimate that ADESA represents approximately 25% of the North American whole car auction market. The North American salvage vehicle auction market is also largely consolidated with the top two competitors, IAA and Copart, Inc., together representing an estimated 70% of the market, with each representing approximately equivalent shares.

High Barriers to Entry

High barriers to entry make it difficult for new entrants to capture significant market share. The required investment in technology and related infrastructure in addition to ongoing maintenance costs required to meet customers' demands present challenges for new entrants. Large tracts of land and a significant investment in facilities and land improvements are required to build new physical auctions. In addition, the need to comply with regulatory requirements would pose a challenge for new entrants to build a large-scale operation. Larger participants are also able to better develop relationships with many of the major whole car and salvage sellers and buyers, which increases the sellers' flexibility to redistribute vehicles to markets where demand best matches supply in order to maximize proceeds, while also reducing the cost of disposition.

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Our Competitive Strengths

Leading Provider of Both Whole Car and Salvage Vehicle Auctions

We are the second largest provider of whole car auctions and the co-leader of salvage vehicle auctions and related services in North America, with estimated market shares of approximately 25% and 35% in the whole car and salvage auction markets, respectively. At September 30, 2012, we had 68 whole car and 161 salvage auction locations and are the only company in North America with a top two market share position in both the whole car and salvage auction markets. Our market presence, including 12 co-located whole car and salvage facilities, in the 75 largest metropolitan markets in the United States and Canada enables us to attract large whole car and salvage sellers while simultaneously maintaining strong relationships with local franchised and independent automobile dealers. Our auctions attract a high volume of vehicles, thereby ensuring sufficient supply to create the successful marketplaces that buyers and sellers demand. We also have a leading market position in the floorplan financing industry. AFC has 104 branches primarily supporting over 11,000 independent dealers across North America who purchase vehicles primarily from whole car auctions. Our ability to provide floorplan financing facilitates the growth of vehicle sales at auction.

Sophisticated Internet-Based Auction Services Complement Physical Presence

The services that we provide are augmented by state-of-the-art information technology solutions, enabling our buyers and sellers to maximize exposure and salability of inventory at all points in the remarketing lifecycle.

ADESA

For our whole car customers, we complement physical auction with OPENLANE (the premier upstream online platform focused on private label auction sales for automobile manufacturers, captive finance companies and other institutions), LiveBlock™ (real-time simulcast of the physical auction via the Internet, provided by our wholly-owned subsidiary LAI), DealerBlock® (24/7 interactive, virtual auctions) and customized private label solutions that allow our institutional consignors to offer vehicles via the Internet prior to arrival at the physical auction.

IAA

For our salvage buyers, we complement physical auctions with i-Bid LIVE, a real-time simulcast of the physical auction via the Internet, which allows both a live and Internet buyer to participate in the auctions. i-Bid LIVE's feature rich user interface allows buyers to search inventory, review photos, set up alerts, shop for and purchase vehicles, bid and buy all from one platform. i-Bid LIVE is also mobile-compatible, providing buyers the added flexibility to participate in IAA auctions from a smart phone or tablet, and is available as a mobile application.

Suppliers, including insurance companies and other participants, can also better process and manage their salvage inventory with IAA's technology. Specific to insurance company suppliers, IAA's patent-pending title procurement tools provide an efficient method of procuring titles and tracking a vehicle's title in the process. This helps reduce cycle time for insurance companies and provides for faster sales of total loss vehicles through IAA's auctions. In addition, IAA's proprietary Internet-based salvage management tool, CSAToday, provides transparency to suppliers' inventory, as well as provides tools, such as salvage return analysis and electronic assignment interfaces. CSAToday is also mobile-compatible, which provides added efficiency to suppliers.

Provider of High Value Added, Integrated Vehicle Auction Services

We offer a full range of integrated pre- and post-auction services aimed at assisting our customers in the redistribution of their vehicles in an efficient and cost-effective manner. Our services are provided by ADESA at

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its physical auction locations and wholly-owned brands such as AFC, CarsArrive, Professional Auto Remarketing (PAR), AutoVIN and Dent Demon. For the twelve months ended September 30, 2012, we generated a combined total of more than \$600 million of revenue from pre- and post-auction services. Pre-auction services include transportation, reconditioning (such as detailing, body repairs and light mechanical repairs), inspections, storage, titling and other administrative services. Post-auction services include post-sale inspections, reconditioning, the clearing of auction proceeds and collections, floorplan financing, ownership transfer, storage, vehicle delivery and customized reporting and analyses. The combination of our physical auction locations, Internet-based solutions and ancillary services offers our customers a single vendor solution to meet all of their vehicle redistribution needs.

Longstanding Customer Relationships and Diversified Customer Base

We have established long-term customer relationships with franchised and independent vehicle dealers, institutional customers and automobile insurance companies. Our combined whole car and salvage buyer base exceeds 150,000 registered buyers in over 100 countries. No single customer accounted for more than 3% of our consolidated revenue in 2011, and our average relationship is more than ten years with our top ten vehicle suppliers. We believe this diversity allows us to better withstand changes in the economy and market conditions. ADESA enjoys long-term relationships with major vehicle manufacturers, vehicle finance companies, vehicle fleet companies and rental car companies in North America, including, but not limited to, GM Financial, Capital One Auto Finance, Avis, Chase Auto Finance, Enterprise Rent-A-Car, Ford, GE Capital, General Motors, Hertz, Honda, HSBC, Mercedes-Benz, Santander Consumer, Toyota and Wells Fargo. Furthermore, OPENLANE operates private label platforms for many leading OEMs, including Ford, Honda, Volkswagen, Hyundai, Chrysler, GM Financial, BMW and others. IAA enjoys long-term relationships with top automobile insurers, including, but not limited to, American Family Insurance, GEICO, Progressive, State Farm, USAA and Zurich Financial Services.

Low Capital Intensity and Resilient Financial Model

Our low maintenance capital expenditures and working capital requirements enable the business to generate consistently strong cash flows through a diversified mix of operations. Our business segments are complementary to each other and create a resilient platform for future growth. We generally do not take title to or bear the risk of loss for vehicles sold at whole car or salvage auctions. Furthermore, customers do not receive title or possession of vehicles after purchase until payment is received, proof of floorplan financing is provided or credit is approved. These requirements contribute to limited inventory and accounts receivable exposure. We expect our low capital intensity financial model to allow us to produce significant free cash flow in the future enabling us to continue to reduce debt and return capital to shareholders.

Strong Management Team with Track Record of Driving Growth and Improving Efficiency

Our senior management team continues to implement and execute on various growth initiatives that have resulted in increasing revenue and gross profit expansion during the past five years. Through a better coordination of corporate sales efforts and local auction operations, in addition to numerous strategic Internet initiatives, we have organically grown our revenues at auction while facing decreasing trends in industry volumes. Furthermore, the management team has implemented a disciplined expansion strategy, acquiring or building numerous auction locations and offering more services since 2009. We believe our management team's integration experience and cost discipline will continue to be a competitive advantage as we grow both organically and across the remarketing lifecycle through selective acquisitions. In addition, we have reduced costs through the integration of operating systems and introduction of standard operating practices across all auction sites, resulting in improved operating efficiencies, reduced headcount and improved operating profit at existing and acquired sites.

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Our Business Strategy

We continue to focus on growing our revenues and profitability through the execution of the following key operating strategies:

Expand Opportunities for Customers to Buy and Sell Online

We are focused on enhancing our Internet solutions in all of the key channels, and we will continue to invest in our technology platforms to capitalize on new opportunities and attract new customers. Online vehicle remarketing solutions provide the opportunity to improve the customer experience, expand our volume of transactions and potentially increase proceeds for sellers through greater buyer participation at auctions. In October 2011, we acquired OPENLANE in order to better capitalize on the increasing use of the Internet as a means to purchase wholesale vehicles. OPENLANE offers comprehensive private label remarketing solutions to automobile manufacturers, captive finance companies, lease and daily rental car companies, financial institutions and wholesale automobile auctions throughout the United States and Canada. IAA is the only national salvage auction company that offers buyers both live and Internet purchasing opportunities. ADESA provides online solutions to sell vehicles directly from a dealership or other interim storage location (upstream selling), online solutions to offer vehicles for sale while in transit to auction locations (midstream selling) and broadcasting video and audio of the physical auctions to online bidders (simulcast).

Grow Our Dealer Consignment Business

The dealer consignment business is a highly market-specific business that requires local auction sales representatives who have experience in the used vehicle business and an intimate knowledge of their local market. We have augmented our local auction teams with the addition of corporate-level resources focused on growing the number of dealer vehicles sold at our physical and online auctions. The corporate team assists the local sales representatives in developing and implementing standard best practices for building and maintaining relationships with dealers to increase our market share. Our sales representatives also utilize proprietary technology solutions to maintain and grow the dealer consignment business by strategically matching the supply of vehicles with prospective buyers at auction. We believe this combination of a standard centralized approach with decentralized resources close to large populations of dealers will enhance our relationships with the dealer community and increase dealer volumes at our whole car auctions. On a same store basis, our dealer consignment sales volumes were up approximately 12% and 13% for the nine months ended September 30, 2012 and for the twelve months ended December 31, 2011, respectively, compared with the same periods in prior years.

Continue to Grow Revenue per Vehicle

From 2008 through September 30, 2012, our whole car (excluding OPENLANE) and salvage revenue per vehicle grew at compound annual growth rates of 1.7% and 3.4%, respectively. Revenue per vehicle generally consists of auction fees and fees from ancillary services. Increased utilization of ancillary services, selective fee increases, higher used vehicle prices and the introduction of new product offerings were key components of this growth. We believe these services provide economic benefits to our customers who are willing to utilize our products and services that improve their ability to manage their remarketing efforts and increase their returns. We plan to grow revenue by increasing customer utilization of these existing products and by enhancing our core auction services through such initiatives as increasing the number of vehicles offered both online and at physical auctions.

Leverage AFC's Products and Services at ADESA and IAA

We intend to selectively grow AFC while using enhanced credit analysis and risk management techniques to mitigate risk. We will continue to focus on expanding dealer coverage and improving coordination with ADESA

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and IAA to capitalize on cross-selling opportunities with AFC. By encouraging a collaborative marketing effort between AFC, ADESA and IAA, we believe we can market an enterprise solution more effectively to used vehicle dealers and tailor AFC's financing products to individual dealer needs. We will maintain our focus on generating additional revenues by expanding our suite of floorplan financing and related products and services and leveraging our market position, broad infrastructure and diversified business relationships to capitalize on current market opportunities.

Grow Our Non-Insurance Salvage Auction Customer Base

More than 12 million vehicles are de-registered annually, but only approximately 3.5 million are sold through salvage auctions, mostly by automobile insurance companies. In order to capture a greater portion of the total unit volume, we are increasingly focused on growing our vehicle supplier base, with a particular focus on non-insurance company customers, which includes charitable organizations, rental car, captive finance and fleet companies, as well as the general public. ADESA's strong customer relationships with used vehicle dealers as well as rental car, captive finance and fleet companies provide an advantage in accessing the rental car, captive finance and fleet company segments, as these customers already use ADESA's whole car auction services.

Continue to Improve Operating Efficiency

We continue to focus on reducing costs by optimizing efficiency at each of our auction locations and consolidating certain management functions. Since 2007, a number of initiatives have been implemented, which have streamlined operations and improved operating efficiencies. As part of these initiatives, we introduced a management operating system to actively monitor and manage staffing levels and, as a result, have realized additional labor efficiency gains. Additional efficiencies have been gained through two of our wholly-owned subsidiaries, AuctionTrac, a vehicle tracking system at ADESA, and CarsArrive, an Internet-based system that allows customers to review instantly price quotes, delivery times, available transportation loads and also to receive instant notification of available shipments.

Use Excess Cash Flow to Reduce Debt and Return Capital to Shareholders

We generate strong cash flows as a result of our attractive gross margins, the ability to leverage our corporate infrastructure across our multiple auction locations, low maintenance capital expenditures and limited working capital requirements. Management plans to utilize a significant portion of excess cash generated by the business for debt reduction and return capital to shareholders for the foreseeable future. We generated \$238.0 million and \$305.8 million of cash flow from operations for the nine months ended September 30, 2012 and the twelve months ended December 31, 2011, respectively. On November 30, 2012, we announced that our board of directors approved the initiation of a quarterly cash dividend on our common stock and declared an initial quarterly cash dividend of \$0.19 per share, representing an annualized dividend of \$0.76 per share, to be paid in December 2012. After paying any future dividends to shareholders (subject to prior declaration by our board of directors), we expect that significant cash flow will remain to support further de-leveraging and future growth.

Selective Acquisitions and Greenfield Expansion

Increased demand for single source solutions by our customers and other factors may increase our opportunities to acquire smaller, less geographically diverse competitors. Both ADESA and IAA have a strong record of acquiring and integrating independent auction operations and improving profitability. We will continue to evaluate opportunities to open and acquire new sites in selected markets in order to effectively leverage our sales and marketing capabilities and expand our geographic presence for both ADESA and IAA.

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Increase Our International Presence

In both our whole car and salvage vehicle businesses, we have experience managing a global buyer base with relationships in over 100 countries. We believe we are well positioned to grow internationally through both technology-based and physical auction expansion. We continue to identify opportunities to expand certain of our service offerings globally. We specifically plan to extend our OPENLANE technology. We expect that our ability to efficiently layer in the OPENLANE product and technology licensing will allow us to conveniently enter mature auction markets.

Recent Developments

New Dividend Policy and First Dividend Payment in 2012

On November 30, 2012, we announced that our board of directors has approved the initiation of a quarterly cash dividend on our common stock. The initial quarterly dividend of \$0.19 per share will be paid on December 28, 2012 to stockholders of record at the close of business on December 19, 2012, representing an annualized dividend of \$0.76 per share.

The declaration and payment of any future dividend will be subject to the discretion of our board of directors and will depend on a variety of factors, including our financial condition and results of operations, contractual restrictions, including restrictive covenants contained in our credit agreement, AFC's securitization facilities and the indenture governing our outstanding debt securities, capital requirements and other factors that our board of directors deems relevant. Therefore, no assurance can be given as to whether any future dividends may be declared by our board of directors or the amount thereof.

We obtained an amendment to our credit agreement to increase the amount of restricted payments that we are permitted to make thereunder.

Superstorm Sandy

On October 29, 2012, a severe storm, Superstorm Sandy, made landfall on the East Coast causing catastrophic flooding and damage, particularly in New Jersey and New York. An extreme weather event such as Superstorm Sandy adversely affects the overall economic environment. Specifically, in our industry, Superstorm Sandy may result in a sharp influx in the available supply of salvage vehicles. Salvage revenues, however, generated as a result of the total loss of vehicles associated with such a catastrophe are typically recognized subsequent to the incurrence of incremental costs. See Risk Factors Risks Related to Our Business Weather-related and other events beyond our control may adversely impact operations.

2012 Outlook

We continue to expect 2012 Adjusted EBITDA of \$500 million \$510 million. We also continue to expect 2012 net income per share of \$0.63 \$0.68 and adjusted net income per share of \$1.00 \$1.05, both assuming an effective tax rate of approximately 43%. Adjusted net income per share is a non-GAAP financial measure and represents GAAP net income per diluted share excluding excess depreciation and amortization and stock-based compensation, both resulting from the 2007 Transactions, net of taxes, and contingent consideration adjustment, net of tax. Additionally, we continue to expect 2012 cash taxes of approximately \$70 million, cash interest expense on corporate debt of approximately \$95 million and capital expenditures of approximately \$90 million. This would result in 2012 free cash flow of approximately \$245 million \$255 million.

We also expect 2012 total operating revenues of \$1.925 billion \$1.965 billion.

These estimated results are forward-looking statements based on preliminary data and management's estimates, and our actual results may be materially different from these estimated results. These estimated results

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are preliminary, unaudited and subject to completion, reflect management's current views with respect to future results and may change as a result of developments through year-end 2012, management's review of our results and other factors. Accordingly, you should not place undue reliance on these estimated results. Our independent registered public accounting firm has not audited, reviewed or performed any procedures with respect to these estimated results and does not express any opinion or any other form of assurance with respect thereto.

Our Corporate Information

Our principal executive offices are located at 13085 Hamilton Crossing Boulevard, Carmel, Indiana 46032, and our telephone number is (800) 923-3725. Our website is located at www.karauctionservices.com. The information on, or accessible through, the website is not a part of, or incorporated by reference into, this prospectus supplement. This reference to our website is an inactive textual reference only and is not a hyperlink. You should not consider the contents of our website in making an investment decision with respect to our securities.

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The Offering

Common stock offered by the selling stockholder 13,500,000 shares

Option to purchase additional shares from the selling stockholder 2,025,000 shares

Common stock outstanding before and after this offering(1) 136,648,020 shares

Use of proceeds We will not receive any proceeds from the sale of shares of common stock by the selling stockholder in this offering. The selling stockholder will receive all net proceeds from this offering.

NYSE symbol KAR

Risk Factors Investing in our common stock involves risks. See Risk Factors beginning on page S-13 to read about factors you should consider before buying our common stock.

Conflict of Interest Because affiliates of Goldman, Sachs & Co. beneficially own more than 10% of our outstanding common stock, Goldman, Sachs & Co. is deemed to be an affiliate of the Company within the meaning of Rule 5121 of the Financial Industry Regulatory Authority, or Rule 5121, and is deemed to have a conflict of interest under Rule 5121. In addition, KAR LLC, the selling stockholder and an affiliate of Goldman, Sachs & Co., will receive all of the net proceeds of this offering. Accordingly, this offering will be made in compliance with the applicable provisions of Rule 5121 as required by Rule 5121. Because there is a bona fide public market (as defined in Rule 5121) for our common stock, the Rule 5121 requirement for the participation of a qualified independent underwriter does not apply to this offering.

(1) Based on 136,648,020 shares of our common stock outstanding as of November 15, 2012. Does not include 3,540,593 shares of common stock reserved for future issuance under our equity incentive plans or 9,612,121 shares of common stock issuable upon the exercise of stock options outstanding as of November 15, 2012, at a weighted average exercise price of \$11.51 per share.

Except as otherwise indicated, the information in this prospectus supplement assumes no exercise of the underwriters' option to purchase additional shares.

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The following table sets forth our summary consolidated financial data as of the dates and for the periods indicated. The summary consolidated financial data as of and for the years ended December 31, 2011, 2010 and 2009 have been derived from our audited consolidated financial statements and the related notes incorporated by reference in this prospectus supplement. The summary consolidated financial data as of and for the nine months ended September 30, 2012 and 2011 have been derived from our unaudited interim consolidated financial statements and the related notes incorporated by reference in this prospectus supplement and includes all adjustments (consisting of normal recurring adjustments) that we consider necessary for a fair presentation of the financial position and the results of operations for these periods. The results presented below are not necessarily indicative of the results to be expected for any future period.

The following summary consolidated financial data should be read in conjunction with Risk Factors, our audited consolidated financial statements and related notes, and other financial information incorporated by reference in this prospectus supplement.

(Dollars in millions except per share amounts)	Twelve Months Ended September 30,		Nine Months Ended September 30,		Years Ended December 31,		
	2012	2012	2011	2011	2010	2009	
Operations:							
Operating revenues							
ADESA	\$ 1,041.7	\$ 791.4	\$ 767.1	\$ 1,017.4	\$ 1,075.9	\$ 1,088.5	
IAA	720.4	534.1	513.8	700.1	610.4	553.1	
AFC(1)	187.4	144.2	125.6	168.8	136.3	93.9	
Total operating revenues	\$ 1,949.5	\$ 1,469.7	\$ 1,406.5	\$ 1,886.3	\$ 1,822.6	\$ 1,735.5	