

KAR Auction Services, Inc.

Form 10-Q

May 06, 2015

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended March 31, 2015

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

Commission File Number: 001-34568

KAR Auction Services, Inc.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or
organization) 20-8744739
(I.R.S. Employer
Identification No.)

13085 Hamilton Crossing Boulevard
Carmel, Indiana 46032
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (800) 923-3725

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer
(Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 30, 2015, 141,762,051 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

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KAR Auction Services, Inc.

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

KAR Auction Services, Inc.

Consolidated Statements of Income

(In millions, except per share data)

(Unaudited)

	Three Months Ended	
	March 31,	
	2015	2014
Operating revenues		
ADESA Auction Services	\$328.0	\$298.1
IAA Salvage Services	238.0	225.0
AFC	66.4	60.7
Total operating revenues	632.4	583.8
Operating expenses		
Cost of services (exclusive of depreciation and amortization)	352.1	324.5
Selling, general and administrative	121.5	126.8
Depreciation and amortization	50.9	48.1
Total operating expenses	524.5	499.4
Operating profit	107.9	84.4
Interest expense	21.0	24.1
Other income, net	(2.2) (0.5
Loss on extinguishment of debt	—	30.3
Income before income taxes	89.1	30.5
Income taxes	34.6	9.8
Net income	\$54.5	\$20.7
Net income per share		
Basic	\$0.39	\$0.15
Diluted	\$0.38	\$0.15
Dividends declared per common share	\$0.27	\$0.25

See accompanying notes to consolidated financial statements

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KAR Auction Services, Inc.

Consolidated Statements of Comprehensive Income

(In millions)

(Unaudited)

	Three Months Ended	
	March 31,	
	2015	2014
Net income	\$54.5	\$20.7
Other comprehensive loss, net of tax		
Foreign currency translation loss	(18.3) (8.5
Total other comprehensive loss, net of tax	(18.3) (8.5
Comprehensive income	\$36.2	\$12.2

See accompanying notes to consolidated financial statements

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KAR Auction Services, Inc.
 Consolidated Balance Sheets
 (In millions)
 (Unaudited)

	March 31, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	\$178.4	\$152.9
Restricted cash	14.2	17.0
Trade receivables, net of allowances of \$6.7 and \$6.3	525.3	401.2
Finance receivables, net of allowances \$8.3 and \$8.0	1,347.5	1,363.1
Deferred income tax assets	41.0	41.0
Other current assets	110.8	99.7
Total current assets	2,217.2	2,074.9
Other assets		
Goodwill	1,715.4	1,705.2
Customer relationships, net of accumulated amortization of \$565.0 and \$551.1	465.2	484.4
Other intangible assets, net of accumulated amortization of \$233.1 and \$221.2	299.6	306.2
Unamortized debt issuance costs	15.0	16.7
Other assets	35.6	36.2
Total other assets	2,530.8	2,548.7
Property and equipment, net of accumulated depreciation of \$519.4 and \$507.2	728.4	727.9
Total assets	\$5,476.4	\$5,351.5

See accompanying notes to consolidated financial statements

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KAR Auction Services, Inc.

Consolidated Balance Sheets

(In millions, except share and per share data)

(Unaudited)

March 31,
2015

December 31,