

KAR Auction Services, Inc.

Form 10-Q

November 05, 2013

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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 September 30, 2013

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 October 31, 2013, 138,830,992 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

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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		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Operating revenues				
ADESA Auction Services	\$275.4	\$257.0	\$844.3	\$791.4
IAA Salvage Services	198.8	167.4	623.2	534.1
AFC	59.5	50.5	165.2	144.2
Total operating revenues	533.7	474.9	1,632.7	1,469.7
Operating expenses				
Cost of services (exclusive of depreciation and amortization)	296.2	264.1	926.5	796.7
Selling, general and administrative	120.3	102.3	333.3	319.9
Depreciation and amortization	49.6	46.8	145.9	143.4
Total operating expenses	466.1	413.2	1,405.7	1,260.0
Operating profit	67.6	61.7	227.0	209.7
Interest expense	26.0	29.9	79.3	89.8
Other income, net	(0.8)	(1.2)	(2.5)	(1.6)
Loss on modification/extinguishment of debt	—	—	5.4	—
Income before income taxes	42.4	33.0	144.8	121.5
Income taxes	19.6	13.8	59.5	52.4
Net income	\$22.8	\$19.2	\$85.3	\$69.1
Net income per share				
Basic	\$0.16	\$0.14	\$0.62	\$0.51
Diluted	\$0.16	\$0.14	\$0.61	\$0.50
Dividends declared per common share	\$0.19	\$—	\$0.57	\$—

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		Nine Months Ended		
	September 30,		September 30,		
	2013	2012	2013	2012	
Net income	\$22.8	\$19.2	\$85.3	\$69.1	
Other comprehensive income (loss), net of tax					
Foreign currency translation gain (loss)	4.6	8.7	(9.7) 9.8	
Unrealized gain (loss) on interest rate derivatives, net of tax of \$0 for the three months ended September 30, 2013 and 2012, and \$(0.1) and \$0.2 for the nine months ended September 30, 2013 and 2012	0.1	—	0.2	(0.4)
Total other comprehensive income (loss), net of tax	4.7	8.7	(9.5) 9.4	
Comprehensive income	\$27.5	\$27.9	\$75.8	\$78.5	

See accompanying notes to consolidated financial statements

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