

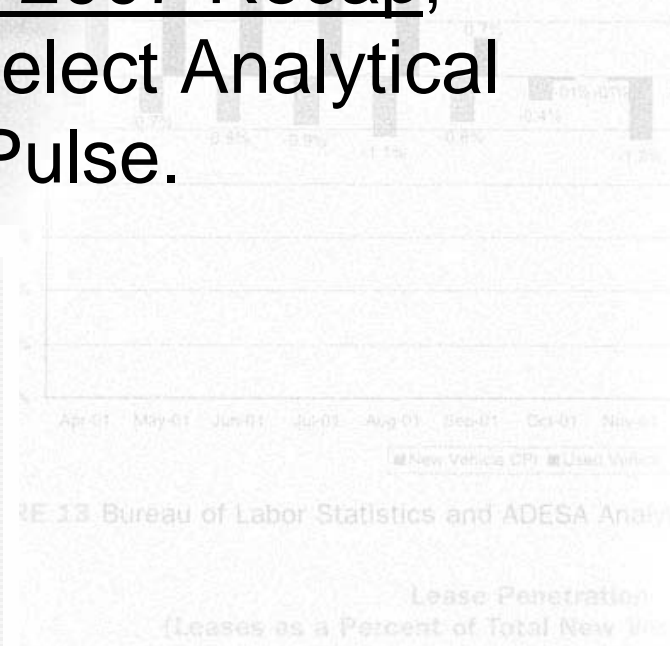
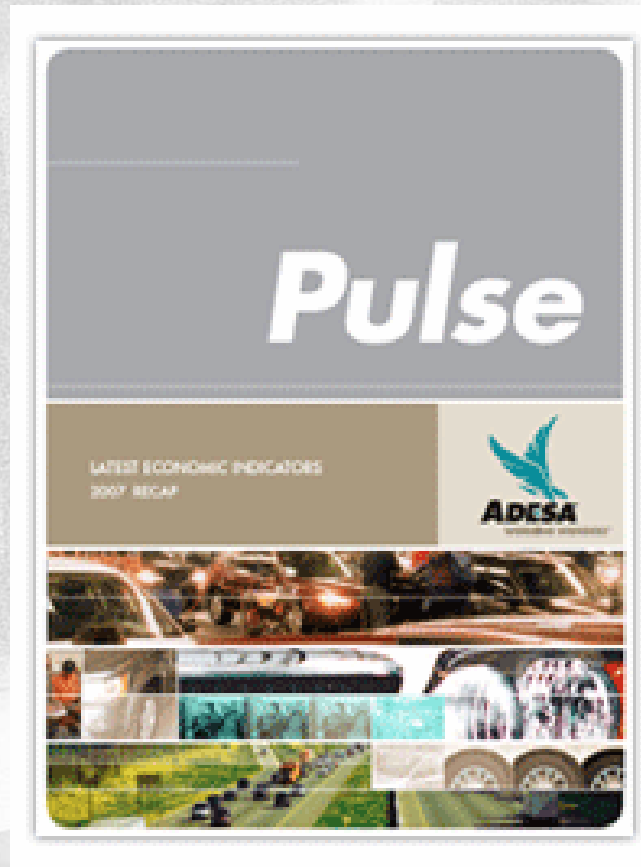


Without Risk There Are No Rewards

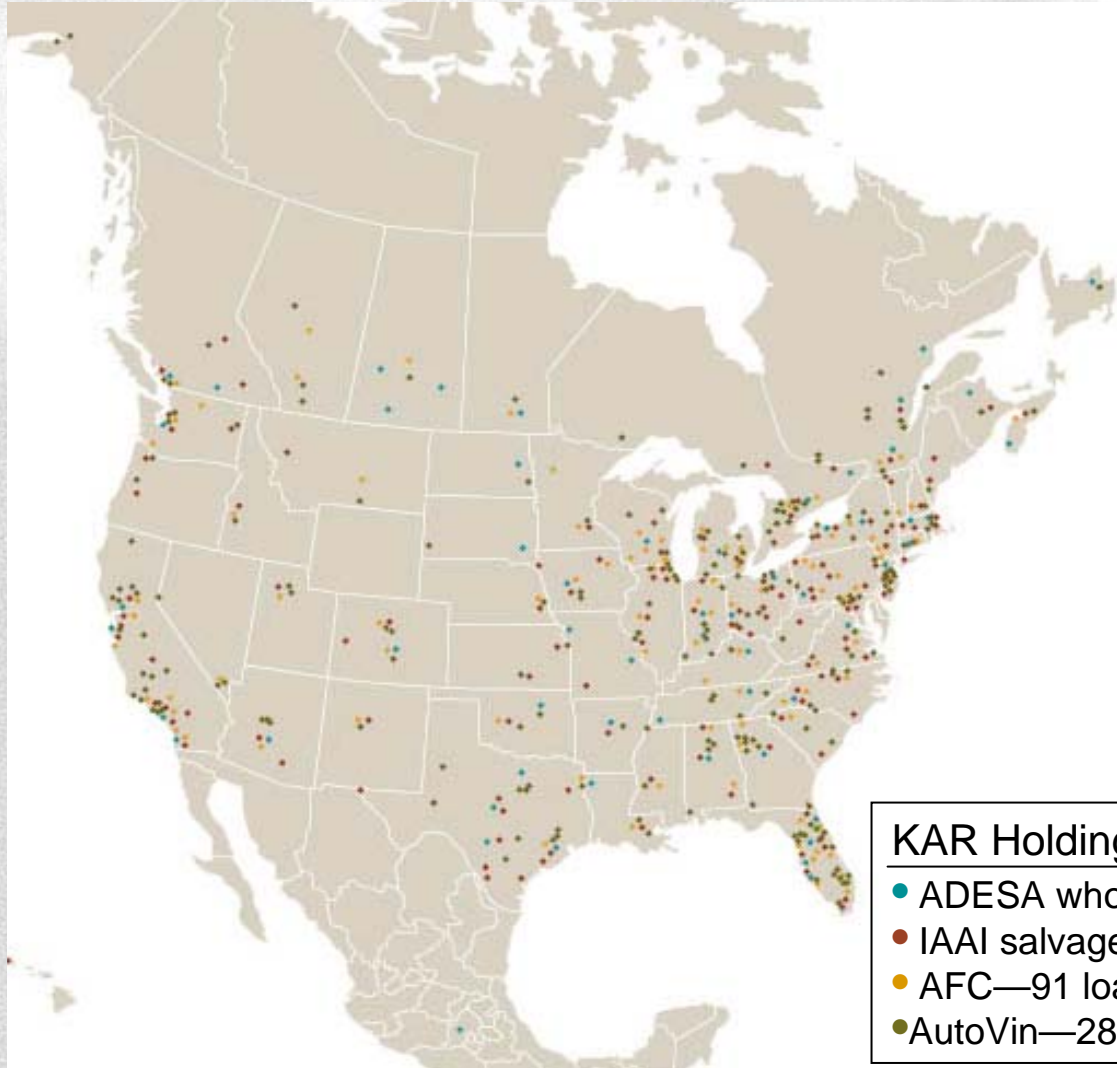
Tom Kontos
Executive Vice-President
Customer Strategies and Analytics
ADESA Auctions



For a PDF copy of the PULSE 2007 Recap, please go to www.adesa.com, select Analytical Services, then select Pulse.

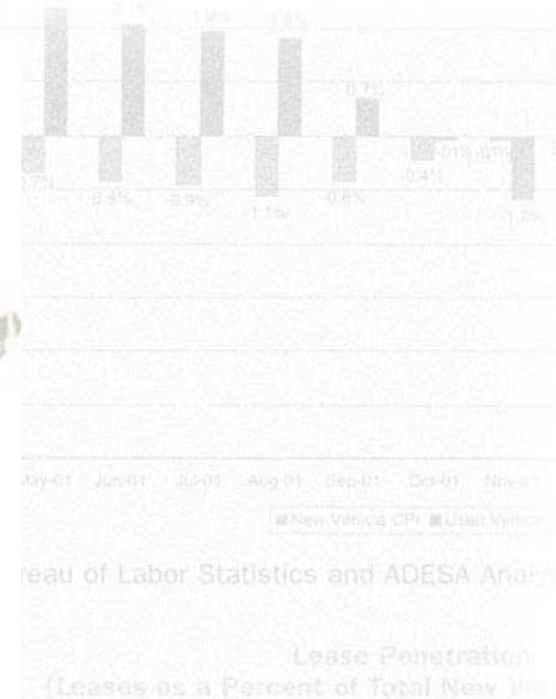


Our geographic footprint positions us as the preferred auction and financing provider



KAR Holdings

- ADESA whole car—59 auction sites
- IAAI salvage—137 auction sites
- AFC—91 loan production offices
- AutoVin—286 professionals and locations



Current Situation



- Rental fleet sales volumes have declined in absolute terms.
- They have also shifted from program to risk.
- And from domestic to import.
- These trends pose problems and opportunities.

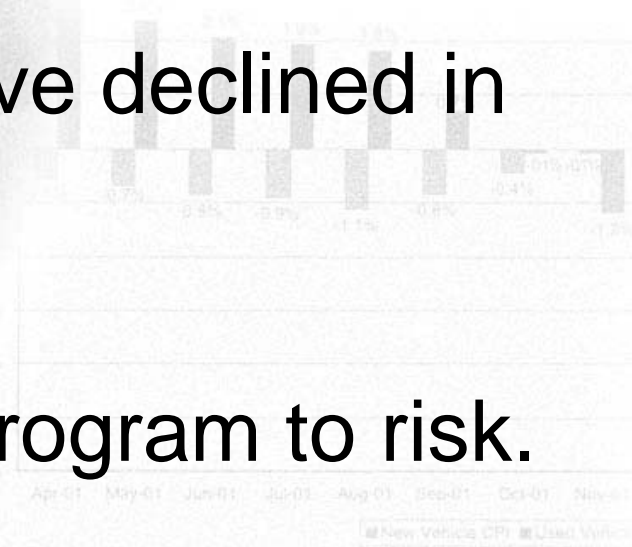


FIGURE 13 Bureau of Labor Statistics and ADESA Analysis
Lease Penetration
(Leases as a Percent of Total New Vehicles)



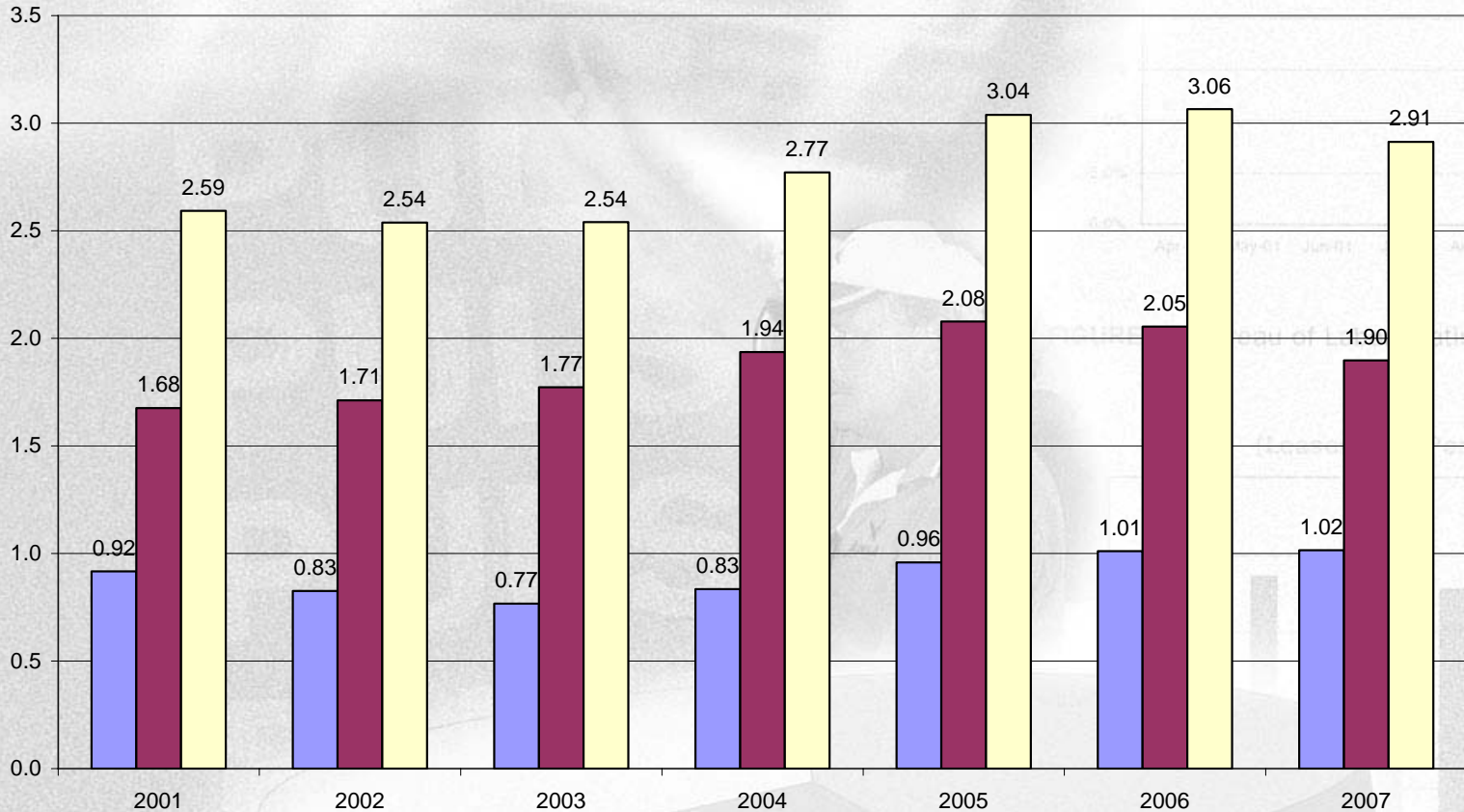
History: 2001 to 2007



Domestics
down ~269K;
Asians up
~112K

**Fleet Sales by Manufacturers
(Millions of Units)**

	'07 vs '06 Variance	
	Units	%
Commercial Fleet	5,113	0.5%
Rental	-156,887	-7.6%
Total	-151,774	-5.0%



(Commercial Fleet figures include government units.)

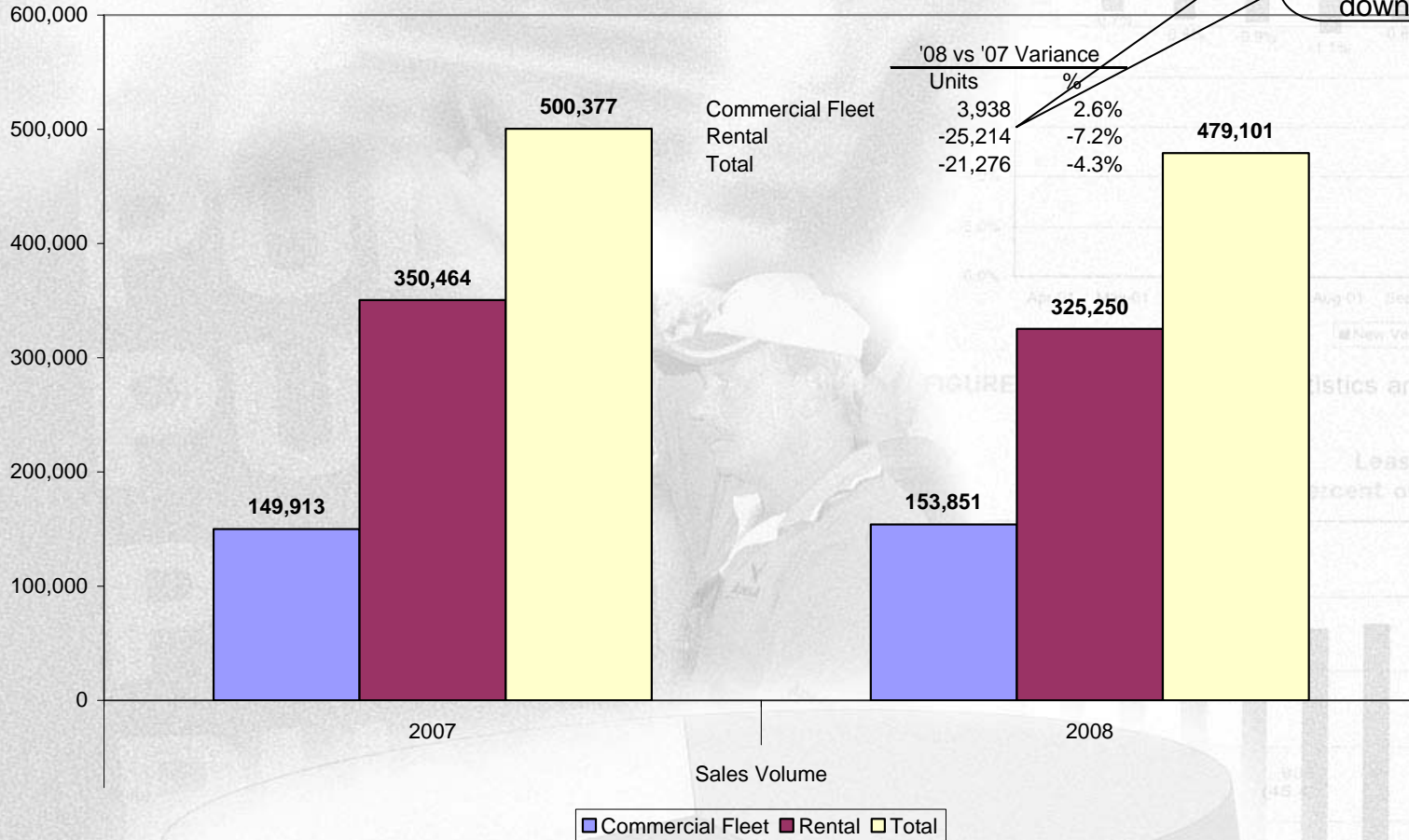
Commercial Fleet Rental Total

Year-to-Date 2008



**Fleet Sales by Manufacturers
- YTD Through February -**

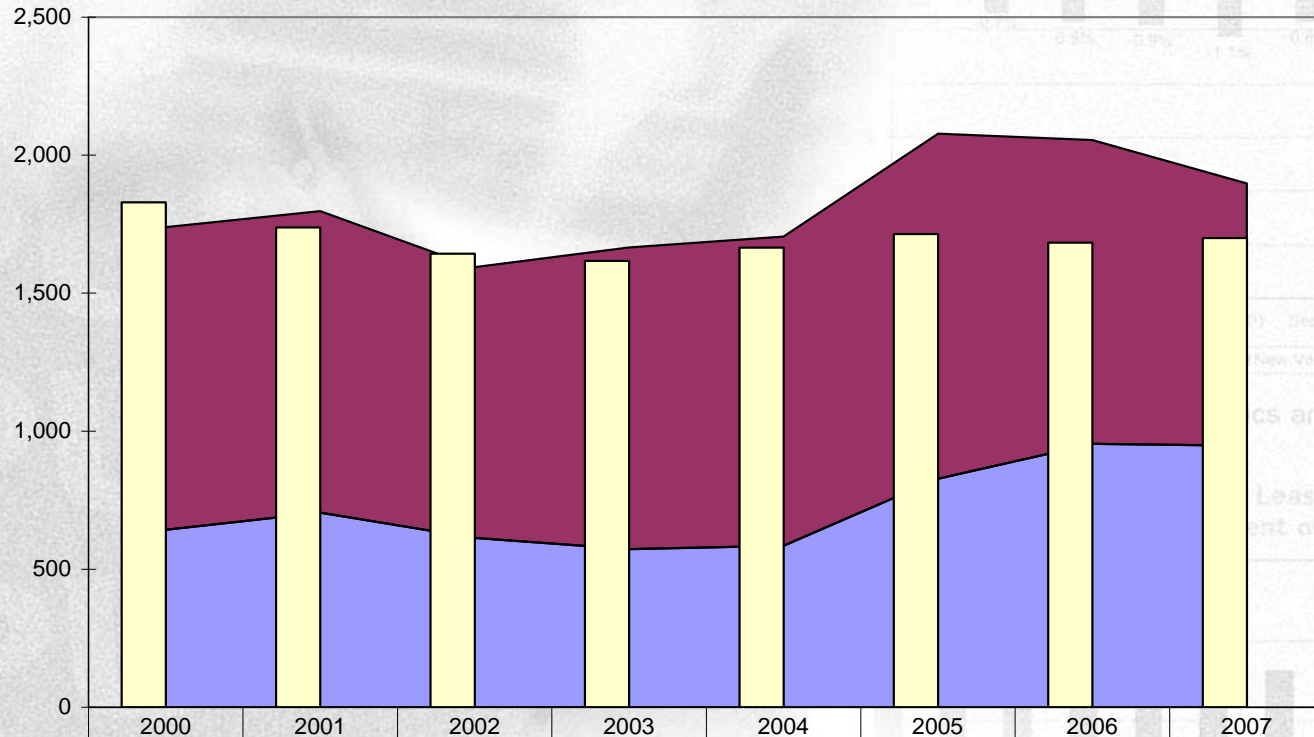
Domestics
down ~20K;
Koreans up
~5K; Japanese
down ~10K



Program and Risk Sales are Now Near Parity.



Comparison of Program and Risk Vehicle Sales to Rental Fleet Size
(000s of Units)

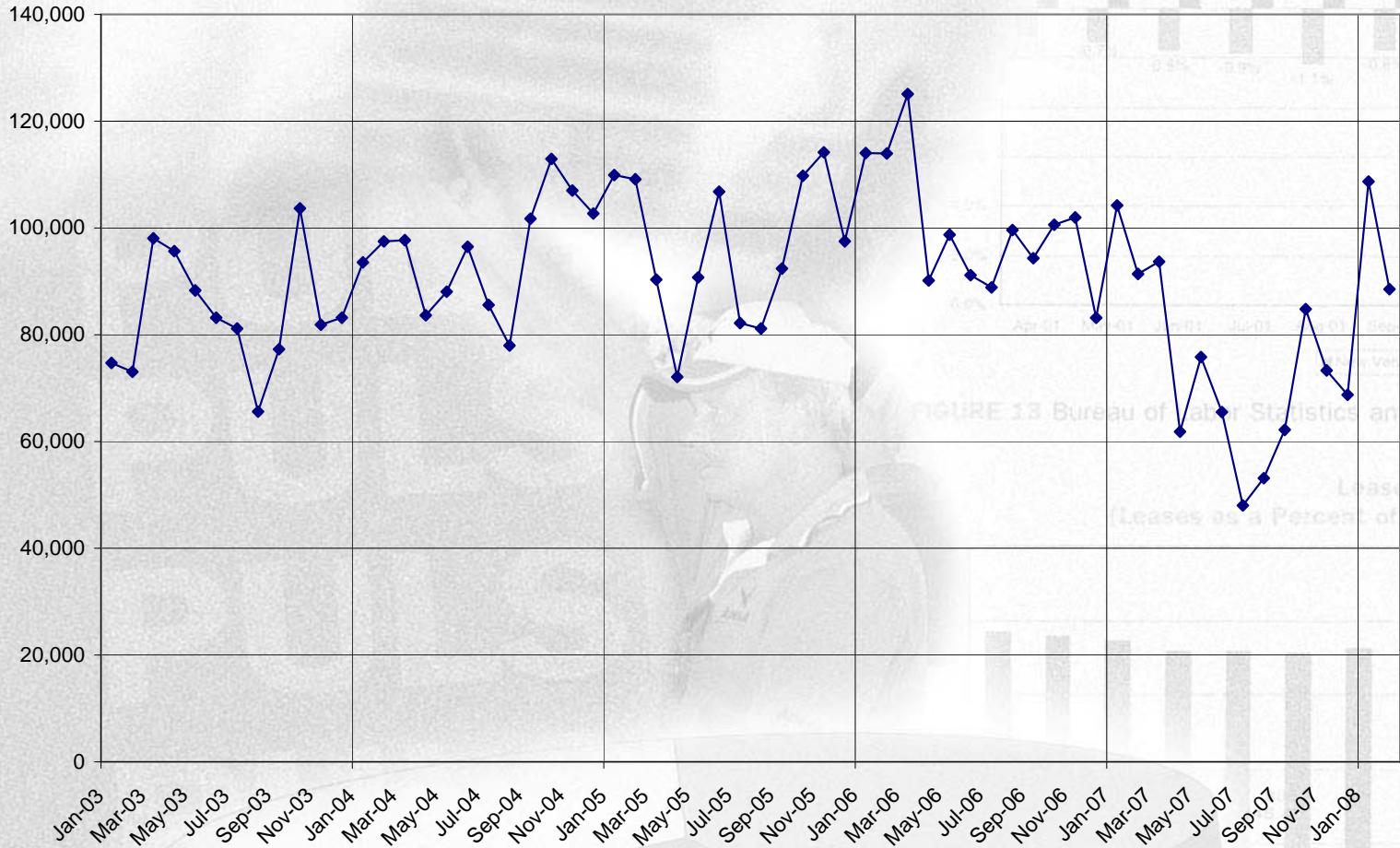


	2000	2001	2002	2003	2004	2005	2006	2007
■ Program	1,096	1,092	980	1,093	1,120	1,250	1,100	950
■ Risk	643	705	614	573	585	828	954	947
Total Program and Risk	1,739	1,798	1,594	1,666	1,705	2,078	2,054	1,897
□ Rental Fleet	1,829	1,738	1,643	1,617	1,665	1,714	1,683	1,700

Low off-rental supply supported values in 2007.



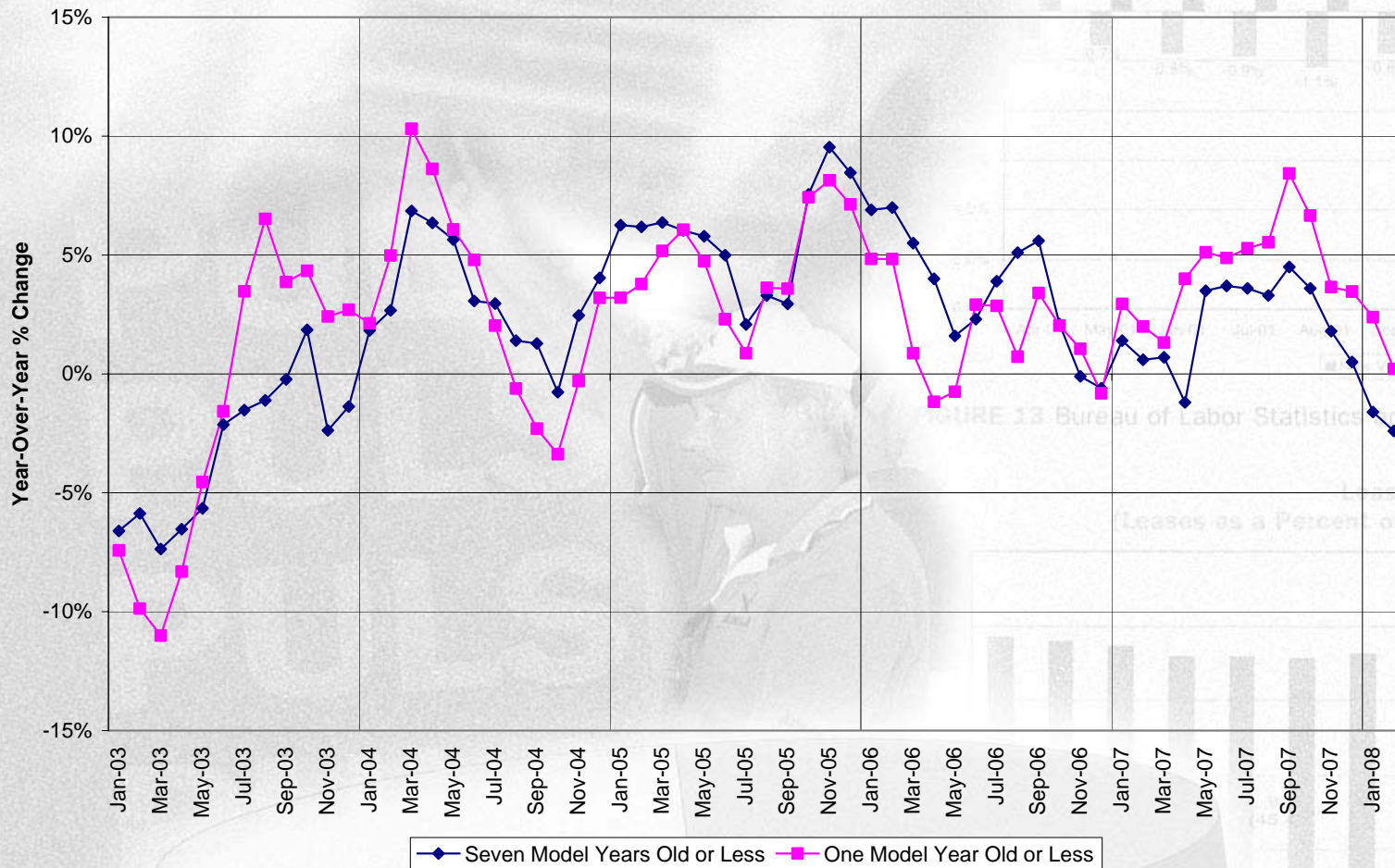
Manufacturer Sales Volumes at Auction



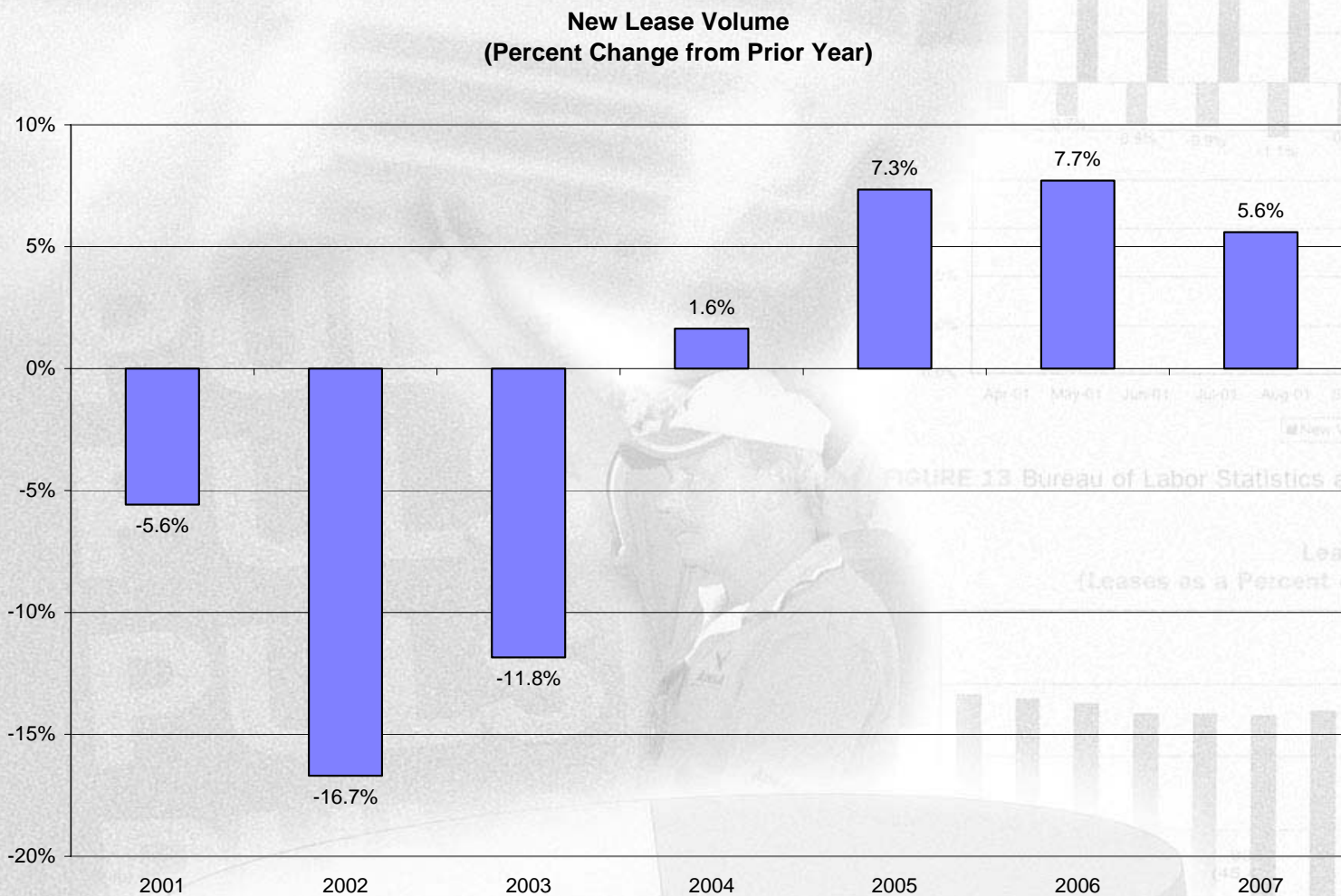
Conversely, rising supply is hurting values in 2008.



Wholesale Used Vehicle Price Trends



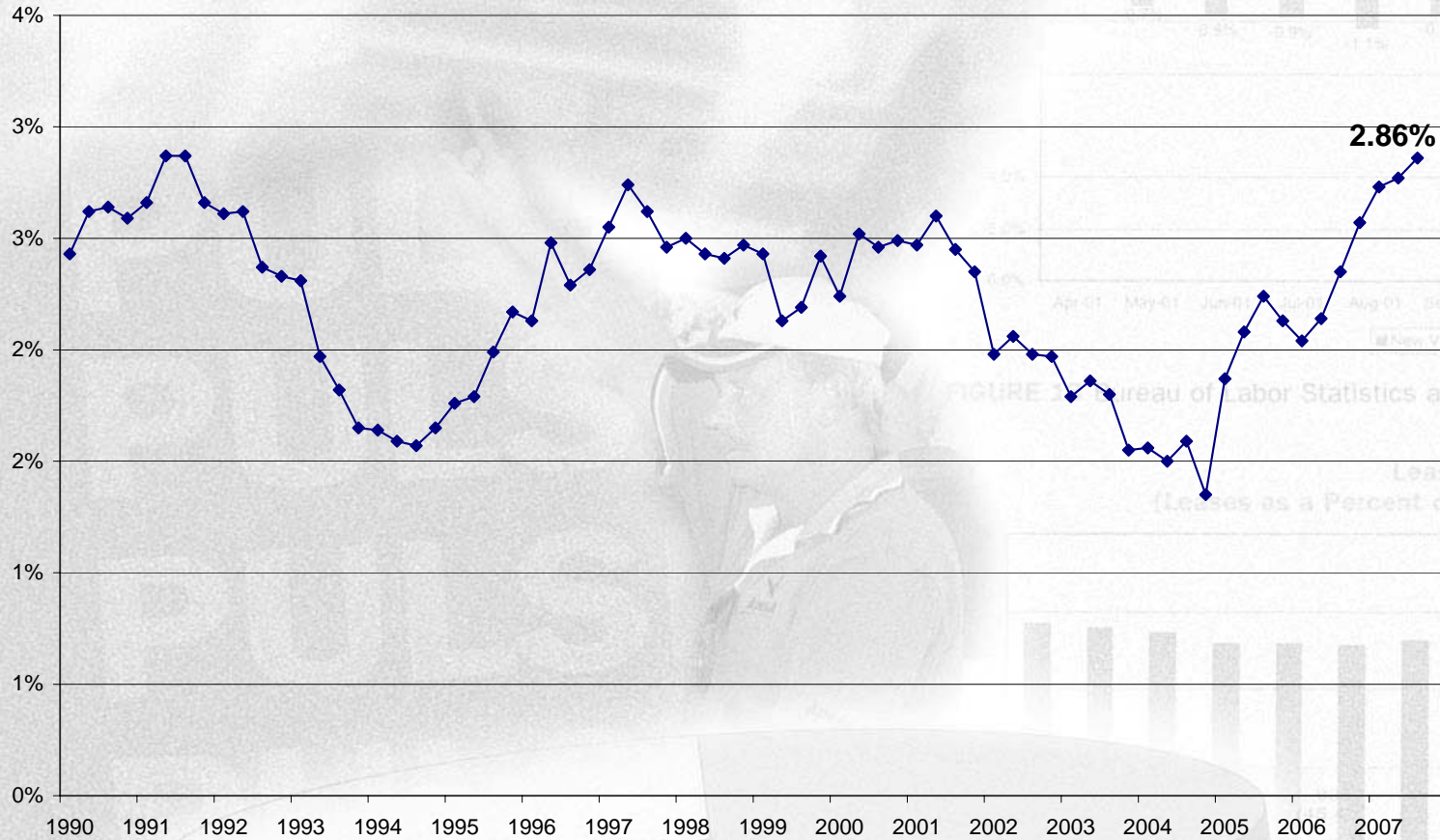
Off-lease vehicles are one source of increased supply.



Repos are another source of increased supply.



Indirect Auto Loan Delinquency Rates
- Quarterly % of Loans 30 Days or More Overdue -



On the demand side, results are mixed.



New and Used Vehicle Sales - U.S. (000s of Units Sold)

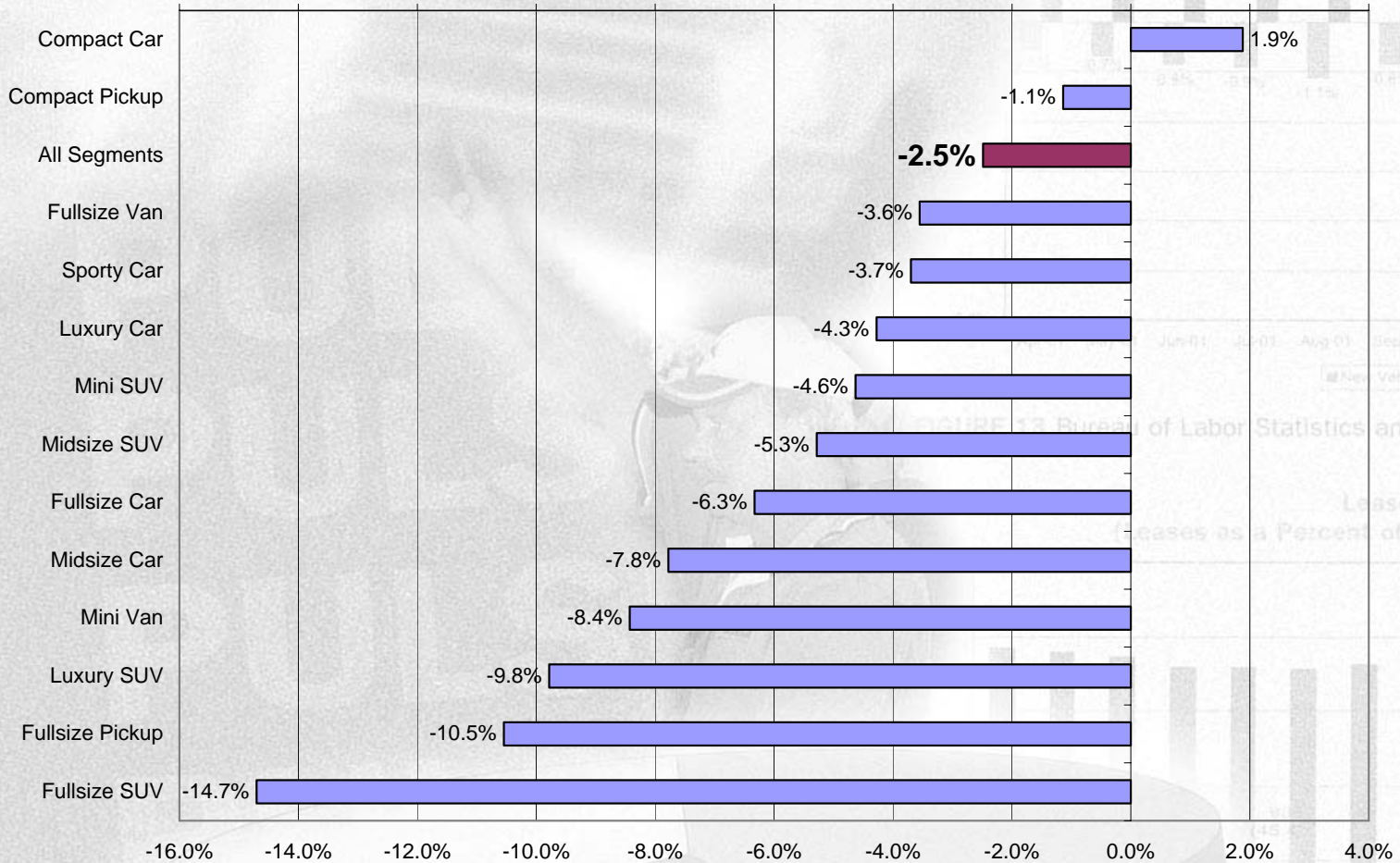
	YTD Through Feb		Increase/(Decrease)	
	2008	2007	Amount	%
New Vehicle Sales	2,221	2,347	(125)	-5.3%
<u>Used Vehicle Sales</u>	3,665	3,861	(196)	-5.1%
Franchised Dealers	1,229	1,165	63	5.4%
Independent Dealers	1,168	1,191	(23)	-1.9%
Private Individuals	1,268	1,505	(237)	-15.7%
Total Vehicle Sales	5,886	6,208	(322)	-5.2%

Source: Automotive News Data Center, CNW Marketing/Research, and ADESA Analytical Services.

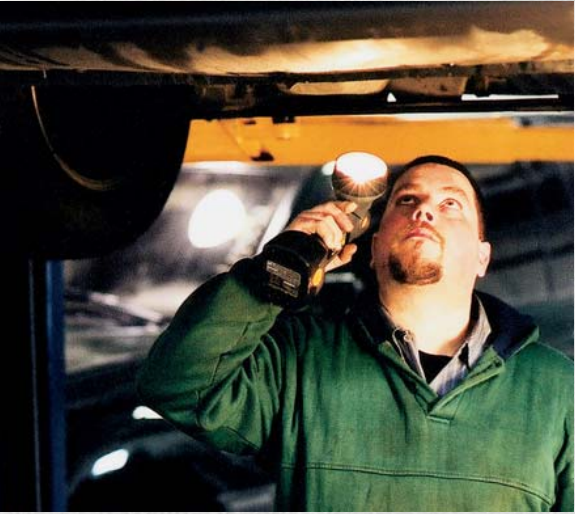
Fuel prices are having an impact as well.



Year-on-Year % Change in Average AuctionNet Price by Model Class - February 2008



Reconditioning is key to improving values for rental risk vehicles.



Recon =

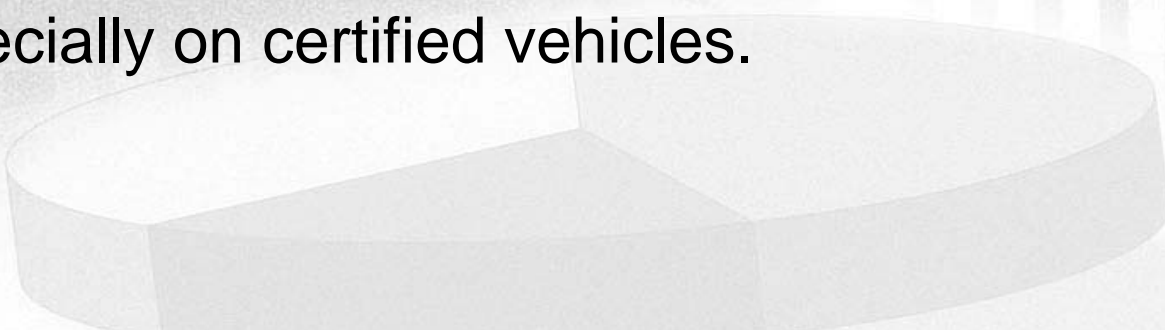
Value Added



Reconditioning and Certification



- Dealers have a limited amount of money to spend at auction and will allocate it economically
 - This usually means on the best vehicles first
 - Reconditioned/certified vehicles conserve dealer working capital (e.g., floorplan oil changes, PDR, etc.)
- Dealers also tend to want retail-ready vehicles
 - Quicker turn (buy today, sell tomorrow)
 - Don't tie up service bays at dealership
- Spending \$100-\$700 on reconditioning pays off -- especially on certified vehicles.





- Methodology -

- Auction Reconditioning (excluding Detailing) consists of:
 - Body & Paint work
 - Mechanical repairs
 - Tire replacement
 - Other services (e.g., upholstery repair, windshields, etc.)
- Assembled reconditioning databases based on market segments, i.e., program, off-lease, commercial fleet, and rental risk vehicles -- Two million vehicles, 4 million items
- Held constant for:
 - Year, make, model, series
 - Mileage (within narrow range)
 - Sale month



- Results -

Value Received from Reconditioning Services

Market Segment	Vehicle Sample Data			Average \$/Unit			
	Total Volume	Volume w/Recon	Percent w/Recon	Recon Investment	Price Gain	Net Gain	Return Per \$ Invested
Program	47,713	35,351	74.1%	\$209	\$259	\$50	\$1.24
Rental Risk	22,068	2,655	12.0%	\$89	\$173	\$83	\$1.93
Off-Lease	58,088	20,535	35.4%	\$190	\$338	\$148	\$1.77
Commercial Fleet	7,518	1,372	18.2%	\$98	\$132	\$34	\$1.34

(Program and off-lease results limited to manufacturers that do significant volumes of recon work; therefore the “Percent w/Recon” column is overstated for these segments)

Reconditioning must be done strategically.



Sample Analysis of Recon Items on Certified Vehicles

Recon Item	% of Vehicles	Incremental Cost	Average Cost
Tires	33%	\$203	\$66
Windshield	6%	\$184	\$11
Brakes	59%	\$140	\$82
Other Body Work	44%	\$129	\$56
Other Mechanical Work	85%	\$104	\$88
PDR	61%	\$93	\$57
Other Recon Items	100%	\$71	\$71
Airbrush	39%	\$59	\$23
Oil Change	90%	\$41	\$37
Air Filter	69%	\$11	\$8
Total Typical Vehicle			<u>\$500</u>

In Summary:



- **Rental companies are in the vehicle remarketing business in a bigger way than they have been for years.**
- **Dealers are used to getting fully reconditioned vehicles from manufacturers.**
- **Auction companies are ready to help.**
- **It's going to take a joint effort. We're all in this together.**