

avis budget group

Third Quarter 2012 Earnings Call

November 2, 2012

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Replay: (203) 369-3102
Passcode: Avis Budget

FORWARD- LOOKING STATEMENTS

Statements about future results made in this presentation constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include projections.

These statements are based on current expectations and the current economic environment. Forward-looking statements and projections are inherently subject to significant economic, competitive and other uncertainties and contingencies, many of which are beyond the control of management. The Company cautions that these statements are not guarantees of future performance. Actual results may differ materially from those expressed or implied in the forward-looking statements.

Important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements and projections are specified in the Company's most recently filed Form 10-Q and Form 10-K.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated, or if no date is stated, the date of our last earnings conference call.

This presentation includes certain non-GAAP financial measures as defined under SEC rules. Important information regarding such measures is contained within this presentation, including in the Glossary section.

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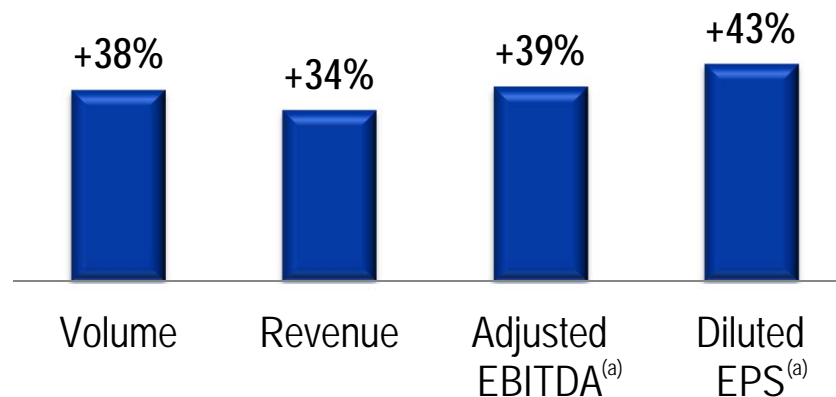
Ron Nelson

Chairman and Chief Executive Officer

Strongest Quarter in Our History

- ▶ **Successfully managed summer peak**
- ▶ **Made progress on our strategic initiatives**
- ▶ **Continued to successfully integrate Avis Europe**
- ▶ **Strengthened our balance sheet**

Year-over-Year Growth



(a) Excluding certain items

THIRD QUARTER 2012 HIGHLIGHTS

Expect 2012 to be our
most profitable year
ever

Overcoming Challenges

- ▶ **European economic climate impacting both demand and residual values**
- ▶ **Modestly tougher pricing environment than expected**
 - **Implemented price increase effective October 1**
- ▶ **Residual values in North America continued to normalize**

INTERNATIONAL— EUROPE, THE MIDDLE EAST AND AFRICA (EMEA)

Expect to reach run-rate
of \$40 million in annual
synergies by the end of
2012

Licensee royalties held
steady in constant
currency

Executing Well on What We Can Control

- ▶ **Experienced strong summer leisure demand**
 - Budget volume more than tripled
 - Avis leisure volume increased nearly 10%
- ▶ **Corporate volume declined 6%**
- ▶ **Soft used car market, particularly in southern Europe**
- ▶ **Executing on items we can control**
 - Budget growth
 - New and expanded corporate agreements
 - Integration and synergies

Expanding Our Presence

- ▶ **Volume increased 2%**
- ▶ **Launched Budget in Singapore**
- ▶ **Avis became the first international car rental brand in Taiwan**
- ▶ **Avis China opened its 80th location**
- ▶ **Acquired New Zealand-based Apex Car Rentals**
 - **Gives us a presence in the fast-growing deep-value leisure market**

NORTH AMERICA

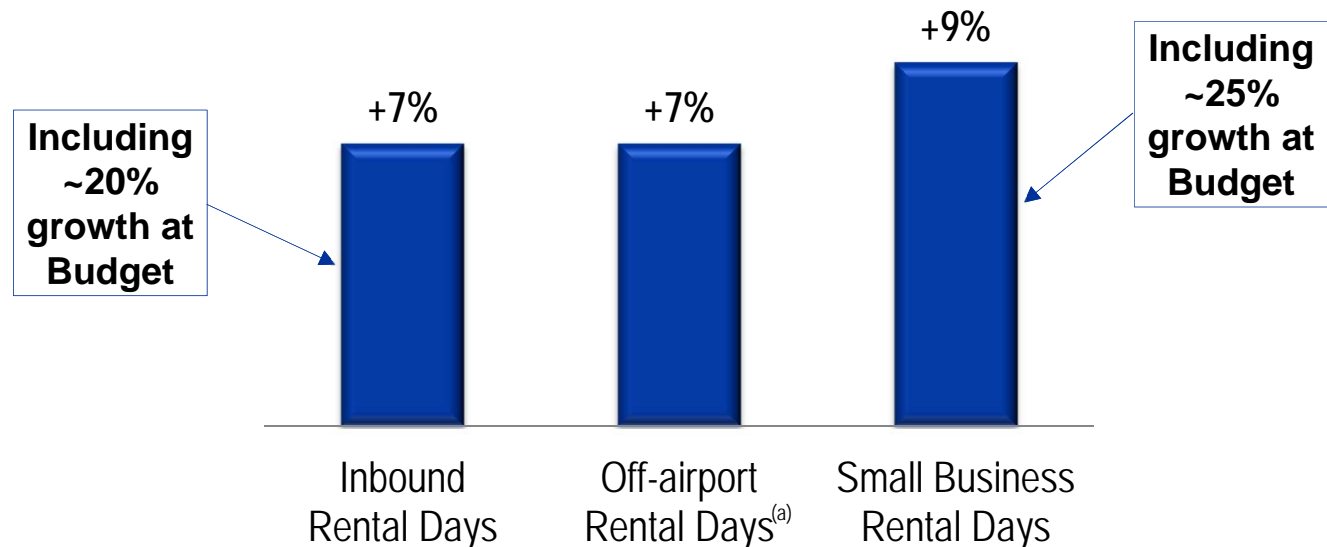
Nearly 600 co-branded local market stores, up more than 25% from the beginning of the year

Expanded *Ultimate Test Drive*[®] car sales program to six states

Record Third Quarter

- ▶ Volume increased 4%
- ▶ Strategic initiatives to accelerate profitable growth are delivering

Year-over-Year Growth



(a) Excluding insurance replacement

Fourth Quarter Outlook

- ▶ **Recent demand and price trends likely to continue**
- ▶ **Expect North America per-unit fleet costs to decline a few points**
- ▶ **Strategic initiatives expected to drive profitable growth**
- ▶ **Macro environment projected to remain a headwind in Europe**

CURRENT OUTLOOK

Diluted share count will benefit from the \$215 million of convertible debt repurchases that we completed during 2012

2013 Considerations

- ▶ **Expect demand trends in North America will be similar to 2012**
 - **Strategic initiatives to supplement growth**
- ▶ **Rapid Budget growth targeted in Europe**
 - **Anticipate soft corporate demand in Europe**
- ▶ **Full-year benefit from synergies implemented in 2012 will add \$15 to \$20 million to Adjusted EBITDA**
 - **Will also begin to realize some Phase II integration benefits**
- ▶ **Asia-Pacific will benefit from the Apex acquisition**
- ▶ **Corporate and vehicle interest costs should decline**

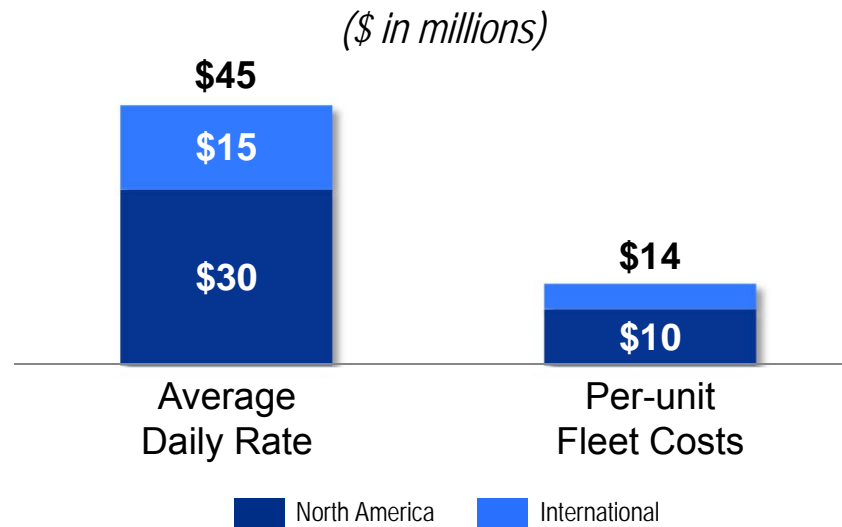
PRICING ENVIRONMENT

Our North America pricing, including ancillaries, is up several hundred basis points from 2008

Maximizing Pricing Opportunities

- ▶ Pricing has historically risen during periods of cost-push
- ▶ The used car market appears to have peaked
- ▶ Not satisfied with our current pricing

Adjusted EBITDA Impact of a 1% Change in Driver





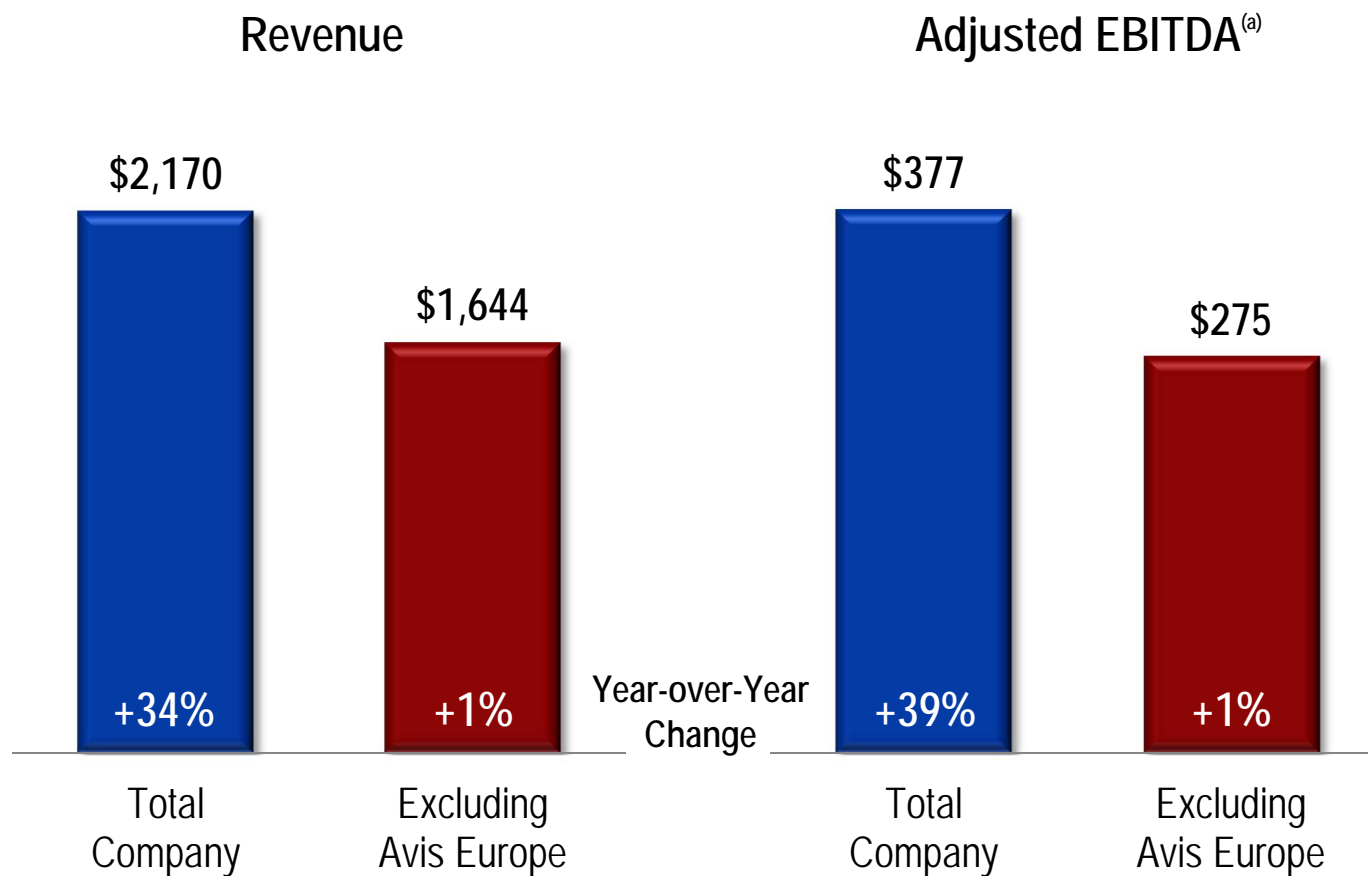
David Wyshner

Senior Executive Vice President
and Chief Financial Officer

THIRD QUARTER 2012 RESULTS

Growth in Revenue and Earnings

(\$ in millions)



(a) Excluding certain items

Driving Margin Expansion

- ▶ **Carefully controlling costs**
- ▶ **Direct operating costs declined 40 basis points as a percentage of revenue**
- ▶ **SG&A costs down 50 basis points as a percentage of revenue**
- ▶ **Fleet costs^(b) up 140 basis points as percentage of revenue**
- ▶ **Fleet interest down 100 basis points**

Adjusted EBITDA margin up 60 basis points^(a)

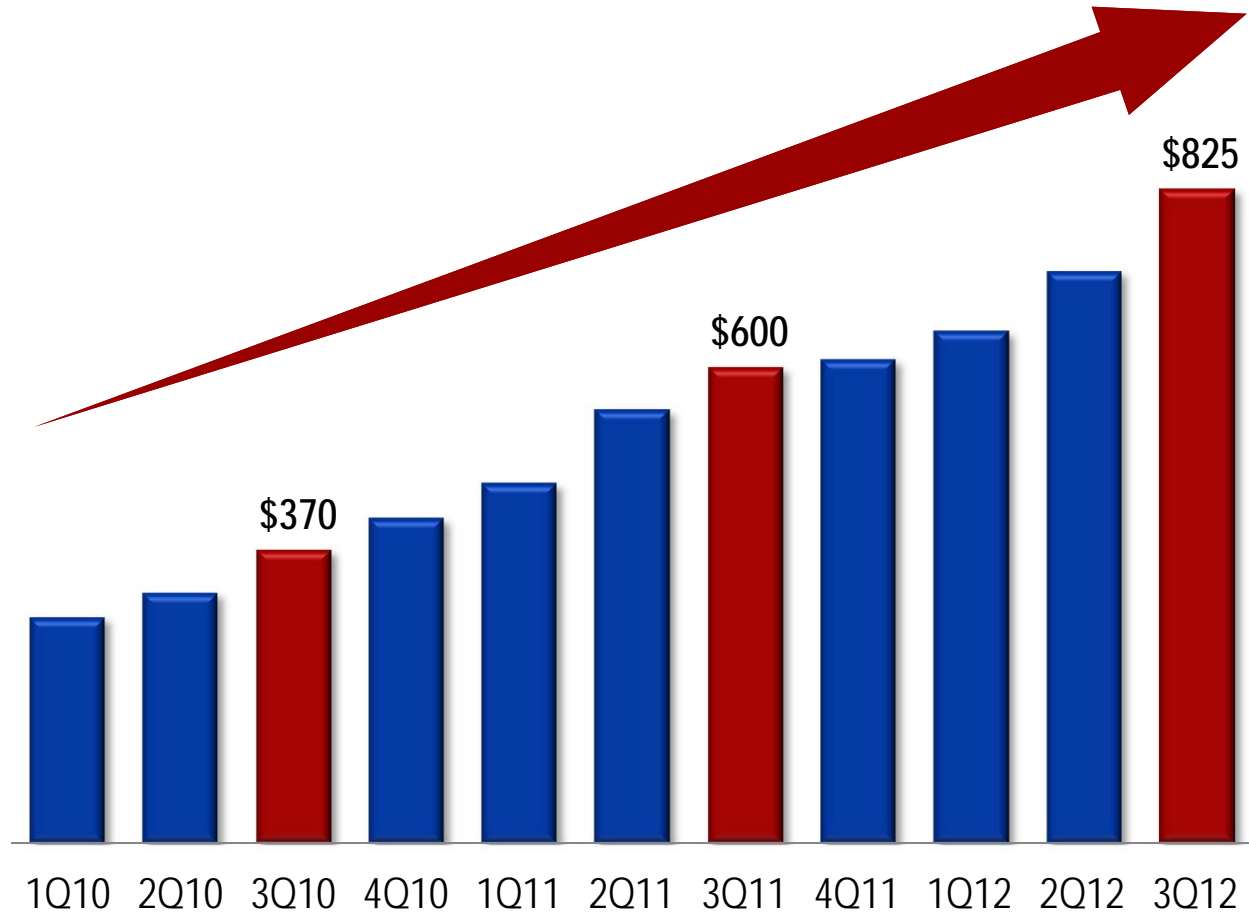
(a) Excluding certain items
(b) Vehicle depreciation and lease charges, net

THIRD QUARTER 2012 RESULTS

LTM Adjusted EBITDA^(a)
of \$869 million
excluding financing fees
and stock-based
compensation expense

Trailing 12-Month Adjusted EBITDA^(a)

(\$ in millions)



(a) Excluding certain items

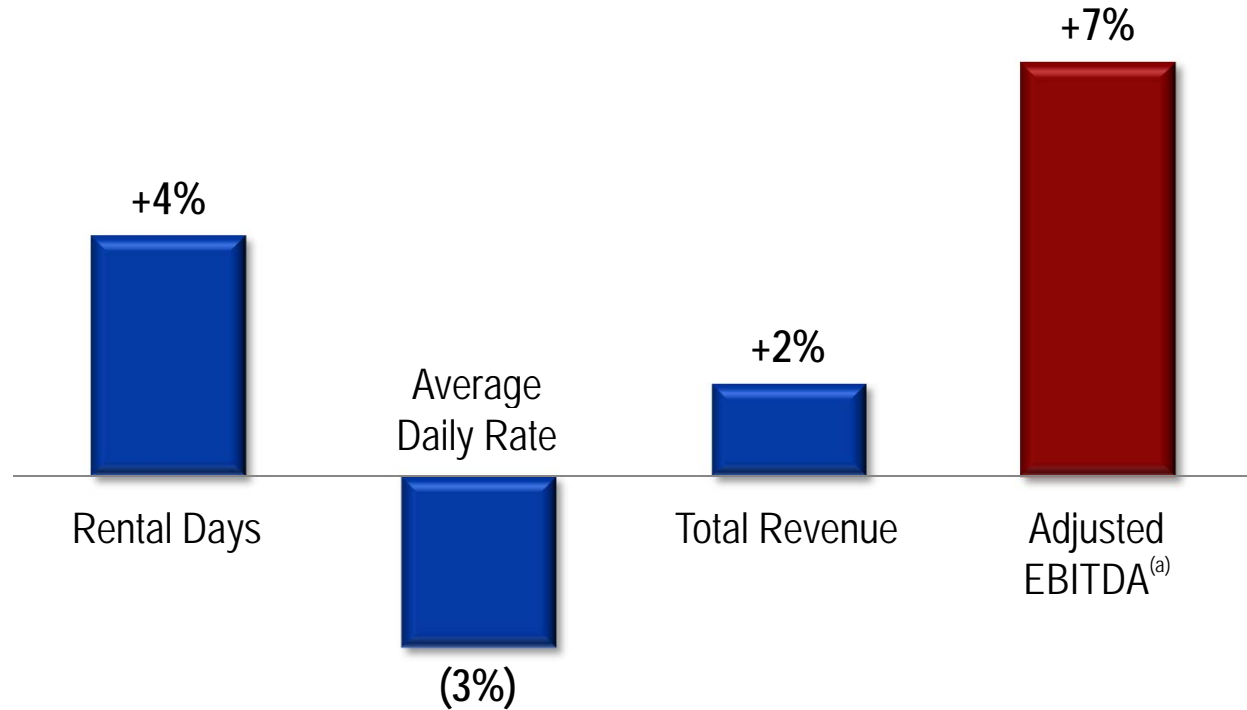
NORTH AMERICA

Ancillary revenue grew 7%^(b)

Margins expanded despite a 3% increase in per-unit fleet costs and lower pricing

Significant Improvement in Adjusted EBITDA^(a)

(year-over-year change)



Adjusted EBITDA margin increased 90 basis points^(a)

(a) Excluding certain items
(b) Excluding gas and customer recoveries

INTERNATIONAL

Strong Revenue Growth

(year-over-year change)

Currency movements negatively impacted Adjusted EBITDA by \$13 million on a pro forma basis year-over-year

Ancillary revenues grew nearly 15% across Europe^(c)

	Reported	Excluding Avis Europe	Avis Europe ^(a)
Rental days	+447%	+2%	+9%
Pricing (<i>constant-currency</i>)	(22%)	(1%)	(6%)
Revenue	+302%	+1%	(6%)
Revenue (<i>constant-currency</i>)	+303%	+4%	+5%
Adjusted EBITDA ^(b)	+268%	(8%)	(15%)
Adjusted EBITDA ^(b) (<i>constant-currency</i>)	+276%	0%	(7%)

(a) Pro forma

(b) Excluding certain items

(c) Excluding gas and customer recoveries

Expect Phase II synergies to generate \$55 to \$75 million of incremental annual profit by 2015

Avis Europe Integration Proceeding as Planned

- ▶ **Relocated more than 200 positions to our shared service center in Budapest**
- ▶ **Expanding ancillary product sales training**
- ▶ **Accelerated Performance Excellence initiative**
- ▶ **Expect \$40 million synergies run-rate by year-end 2012**
- ▶ **Laid the groundwork to drive Phase II synergies**

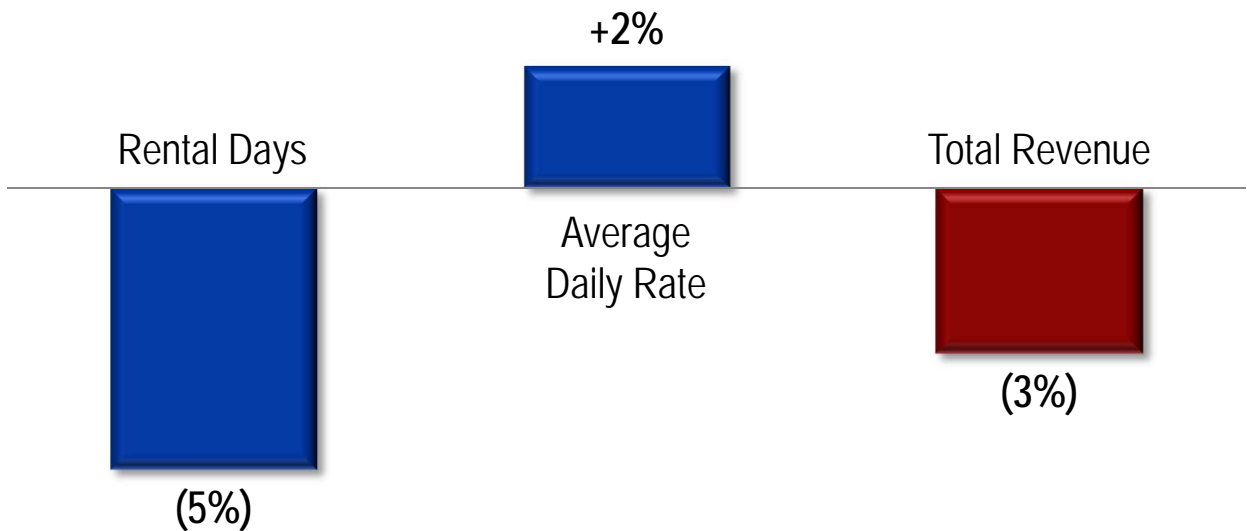
TRUCK RENTAL

EBITDA declined \$8 million primarily due to lower revenue and higher maintenance costs to increase truck availability

Expect approximately \$20 million of incremental expense by the end of 2013 to reposition the business

Revenue Declined 3%

(year-over-year change)



U.S. and European fleet
to remain well-diversified

Expect Per-unit Fleet Costs to Decline 6-8% in 2012 in North America

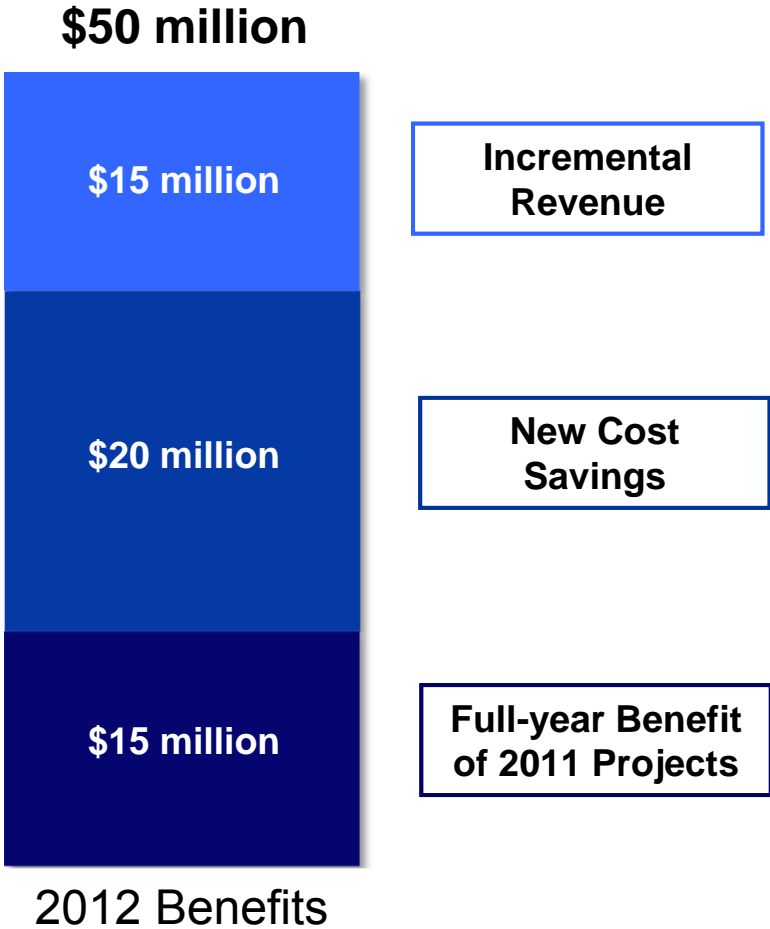
- ▶ **Expect low single-digit cost increases for program vehicles in 2013**
 - **Purchase price for risk cars expected to increase low-to-mid single digits**
- ▶ **Expect the risk component of our North America fleet to increase 3-5 points in 2013 to around 65%**
- ▶ **Off-lease vehicles 25% below pre-recession levels in 2013**
- ▶ **Used-car market continued to normalize, as expected, at levels below first-half 2012 peak**
 - **Expect fleet costs to increase at least \$100 million in 2013**

PERFORMANCE EXCELLENCE

More than 900 active or completed process improvement projects

More than 90 active or completed projects in Europe

Poised to Deliver \$50 Million of Incremental Benefits in 2012



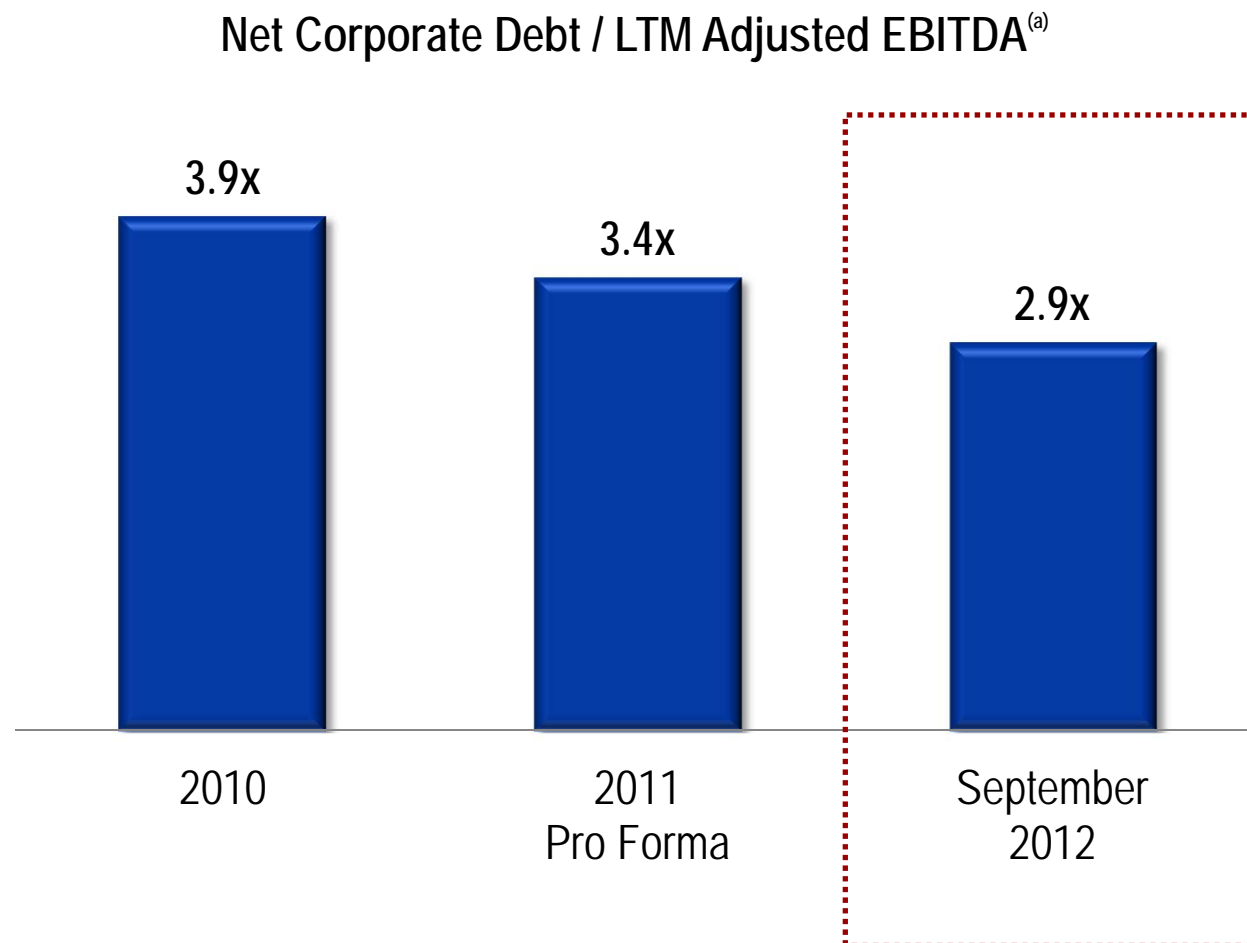
STRENGTHENING THE BALANCE SHEET

Cash balance of \$554 million

Corporate debt balance of \$3.0 billion, down nearly \$240 million from year-end primarily due to convertible debt repurchases

Diluted share count down almost 10% from year-end

Leverage Continues to Decline



(a) Excluding certain items

2012 GUIDANCE

Expect diluted share count of 121 million

Expect Significant Growth in Revenue and Earnings

<i>(\$ in millions, except EPS)</i>	Projection ^(a)	Growth vs. 2011 ^(b)
Revenue	\$7,300	24%
Adjusted EBITDA	825 – 840	36%
Non-vehicle D&A	110	
Interest expense	265	
Pretax income	450 – 465	41%
Income taxes ^(b)	167 – 172	
Net income	\$283 – \$293	40%
Diluted EPS	\$2.35 – \$2.45	45%

Expect Free Cash Flow of at least \$375 Million

(a) Excluding certain items

(b) Based on midpoint of range; expect tax rate of 36% to 38%

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GLOSSARY

This presentation includes certain non-GAAP (generally accepted accounting principles) financial measures as defined under SEC rules. We have provided below reasons we present these non-GAAP financial measures, a description of what they represent and a reconciliation to the most comparable financial measure calculated and presented in accordance with GAAP.

Adjusted EBITDA

Adjusted EBITDA represents income (loss) before non-vehicle related depreciation and amortization, any impairment charge, transaction-related costs, non-vehicle related interest and income taxes.

Adjusted EBITDA excluding certain items represents Adjusted EBITDA excluding restructuring-related expenses, costs related to early extinguishment of debt and other certain items as such items are not representative of the results of operations of our business. We believe that Adjusted EBITDA and Adjusted EBITDA excluding certain items are useful as supplemental measures in evaluating the aggregate performance of our operating businesses. Adjusted EBITDA is the measure that is used by our management, including our chief operating decision maker, to perform such evaluation. It is also a component of our financial covenant calculations under our credit facilities, subject to certain adjustments. Adjusted EBITDA should not be considered in isolation or as a substitute for net income (loss) or other income statement data prepared in accordance with GAAP and our presentation of Adjusted EBITDA may not be comparable to similarly-titled measures used by other companies. We believe that the measures referred to above are useful as supplemental measures in evaluating the aggregate performance of the Company.

Reconciliation of Adjusted EBITDA to income before income taxes (in millions):

	Year Ended December 31,		Quarter Ended September 30,	
	2010	2011	2011	2012
Total Revenue	\$ 5,185	\$ 5,900	\$ 1,623	\$ 2,170
Adjusted EBITDA excluding certain items	\$ 410	\$ 610	\$ 272	\$ 377
Less: Non-vehicle related depreciation and amortization	90	91	21	26
Interest expense related to corporate debt, net (excluding pre-closing interest related to acquisition financing)	162	195	41	67
Income before income taxes, excluding certain items	\$ 158	\$ 324	\$ 209	\$ 284
Less certain items:				
Transaction-related costs	14	255	66	11
Acquisition-related interest	8	24	7	-
Restructuring charges	11	5	-	7
Acquisition-related amortization expense	-	4	-	4
Early extinguishment of debt	52	-	-	2
Litigation costs	1	-	-	-
Avis Budget Group, Inc. income (loss) before income taxes	\$ 72	\$ 36	\$ 136	\$ 260

GLOSSARY

Reconciliation of Net Corporate Debt (in millions):

	Year Ended December 31,		Quarter Ended
	2010	2011	September 30,
Corporate debt	\$ 2,502	\$ 3,205	\$ 2,967
Less: Cash and cash equivalents	911	534	554
Net corporate debt	\$ 1,591	\$ 2,671	\$ 2,413

Reconciliation of Adjusted EBITDA excluding certain items, amortization of deferred financing fees and stock-based compensation (in millions):

	Year Ended December 31,		LTM Ended
	2010	2011	September 30,
Pro forma Adjusted EBITDA excluding certain items	\$ 410	\$ 781	\$ 825
Avis Europe pro forma EBITDA	-	171	-
Adjusted EBITDA excluding certain items	\$ 410	\$ 610	\$ 825
Less: Non-vehicle related depreciation and amortization	90	91	106
Interest expense related to corporate debt, net (excluding pre-closing interest related to acquisition financing)	162	195	282
Income before income taxes, excluding certain items	\$ 158	\$ 324	\$ 437
Less certain items:			
Transaction-related expenses	14	255	174
Acquisition-related interest	8	24	2
Restructuring charges	11	5	30
Acquisition-relation amortization expense	-	4	16
Early extinguishment of debt	52	-	52
Litigation costs	1	-	-
Income before income taxes	\$ 72	\$ 36	\$ 163

Reconciliation of net income, excluding certain items to net income:

	Quarter Ended September 30,	
	2011	2012
Earnings per share, excluding certain items (diluted)	\$ 1.02	\$ 1.46
Shares used to calculate Earnings per share, excluding certain items (diluted)	128.9	118.0
Net income, excluding certain items	\$ 129	\$ 171
Less certain items, net of tax:		
Transaction-related expenses	43	10
Acquisition-related interest	4	-
Restructuring charges	-	5
Acquisition-relation amortization expense	-	3
Early extinguishment of debt	-	1
Non-cash benefit from income taxes for pre-Separation taxes	-	(128)
Net income	\$ 82	\$ 280