avis budget group

Second Quarter 2016 Earnings Call

August 3, 2016

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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-K and other SEC filings.

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 reconciliation of such measures is contained within this presentation, including in the Glossary section.

Larry De Shon

Chief Executive Officer

SECOND QUARTER 2016 HIGHLIGHTS

Investing for Long-Term Success

- Launched Avis Now
  - App-based technology puts the traveler in control of the entire rental process
  - Fundamentally changing the car rental experience
- Further progress on manpower planning and shuttling initiatives
- Expanded Zipcar's one-way solution to more cities
- Invested in our brands with new advertising campaigns

AMERICAS – PRICING TRENDS

Pricing Trends Improved Dramatically

- Pricing increased 2% year-over-year[a]
- Used our Demand-Fleet-Pricing system to take advantage of yielding opportunities
- Focused on higher-margin channels and segments
- Carefully managed our fleet levels
  - Our utilization increased 100 basis points
  - Fleets seemed to be tighter industry-wide

Year-over-year pricing increased by 650 basis points from the first quarter to the second

(a) In constant currency

AMERICAS ACHIEVEMENTS

Commercial account retention continues to exceed 99%

Leisure Demand Drove Volume Growth

- Leisure volume benefited from increased brand advertising and marketing partnerships
- Inbound volume stabilized
- Prepaid volumes grew 8%, and prepaid rentals are now available on our mobile apps
- Signed numerous new commercial accounts

Strong International Volume Growth

- Rental days grew 8%
  - Leisure volume increased 8%
  - Commercial volume was up 6%
- Robust European inbound growth
  - Trend continuing into summer
- New Avis and Budget websites driving higher conversion rates

Minimal impact on summer demand seen from Brexit or other news

Encouraged by Summer Trends Worldwide

- Americas
  - Seeing positive year-over-year pricing
  - Volume growth driven by leisure demand
- International
  - Demand remains strong
  - Pricing likely to continue to be challenged, but mitigated by growth in ancillary revenue

Consumers are traveling this summer!

INVESTING IN OUR BUSINESS

Labor productivity increased 10% in the quarter

Shuttling costs per transaction declined 8% in the quarter

Investments in Technology Will Drive Higher Margins

- ***Demand-Fleet-Pricing*** **– rolling out fully integrated yield-management system in the Americas beginning early next year**
- ***Manpower Planning*** **– leveraging technology to improve labor productivity and customer experience**
  - **Increasing part-time component of our workforce**
- ***Shuttling*** **– reducing vehicle shuttling costs within locations and between them**
- ***Data Visualization*** **– analyzing data to optimize customer and channel mix**

INVESTING IN OUR BUSINESS

More than 145,000 customers have downloaded the app

Can be used at nearly 60 airports

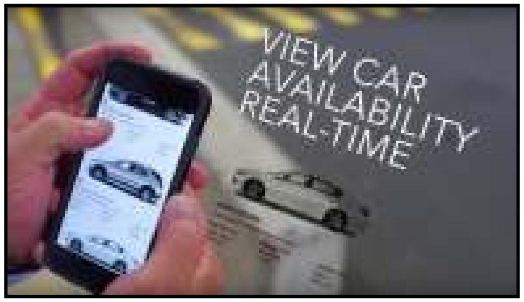
More than 40,000 rentals completed to date

Users expect to rent from Avis more often

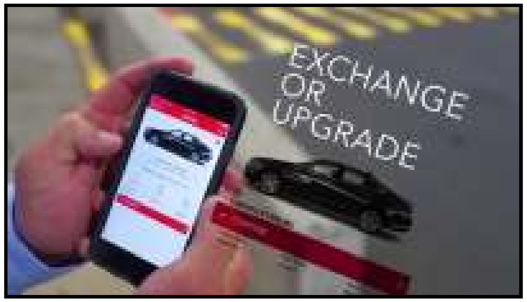
To sign up, visit www.avis.com/preferred

Avis Now – The Future of the Car Rental Experience

"Avis' new app is a giant leap forward for the rental industry."
– *Fortune*



"Could the Avis Now app actually make renting a car ... easy?"
– *Mashable*



"Ten Travel Innovations That Are Changing the Game"
– *Bloomberg*

Focused on the Future of Our Business

- Investing in technology to drive efficiencies, lower costs and improve margins
- Encouraging second quarter metrics
  - Improved Americas pricing
  - Volume growth globally
  - Increased fleet utilization
- Summer off to a good start

Raising the midpoint of our full-year earnings forecast

David Wyshner

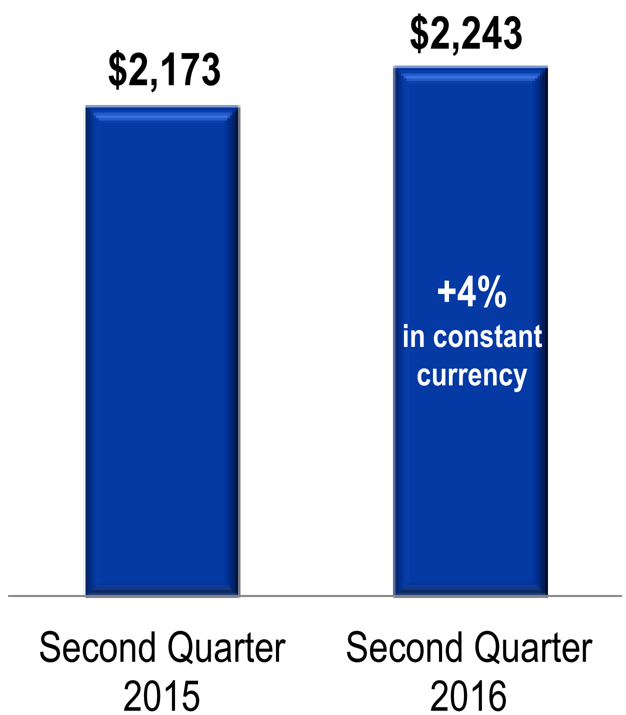
President and Chief Financial Officer

SECOND QUARTER 2016 RESULTS

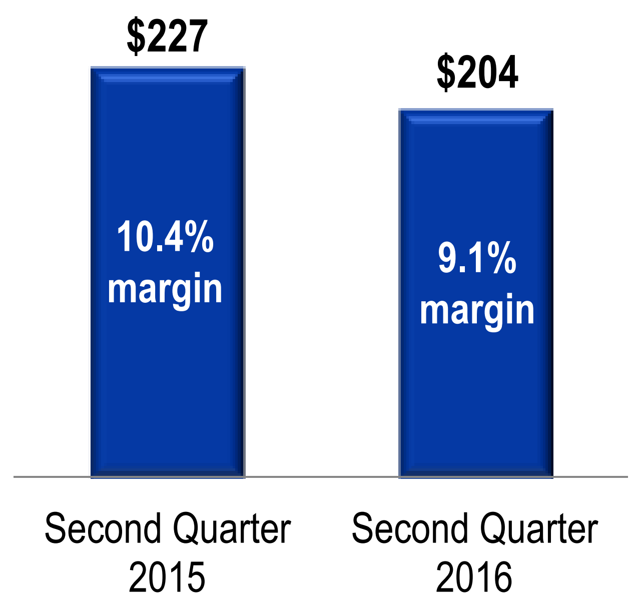
Record Second Quarter Revenue

($ in millions)

Revenue



Adjusted EBITDA



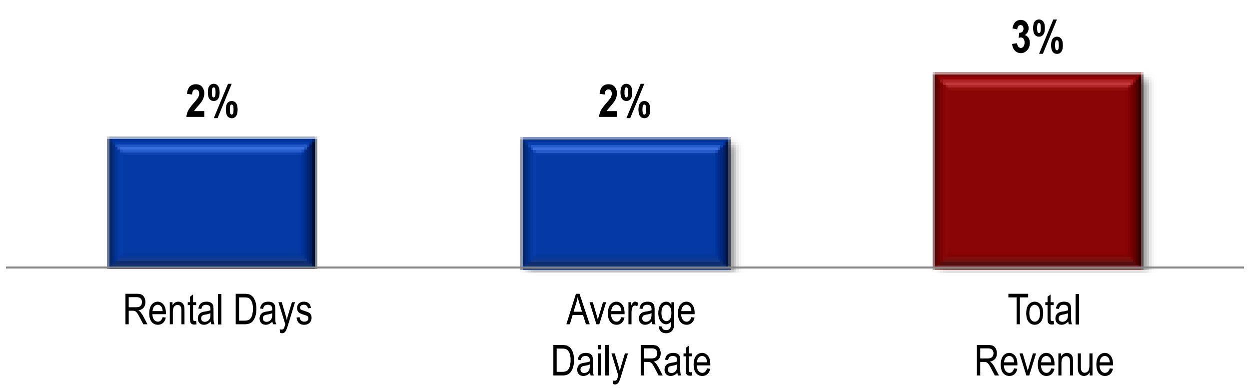
AMERICAS

Americas Adjusted EBITDA declined 8% due to higher per-unit fleet costs and increased marketing expenses and commissions

Second Quarter Growth Driven by Higher Pricing and Increased Leisure Demand

- Pricing <u>increased</u> 2% in constant currency
- Rental days grew 2%
  - Leisure volumes increased 3%
  - Commercial volumes declined 1%
- Pricing is expected to increase 1-2% in the second half of the year

Americas Revenue Drivers[(a)]



(a) Year-over-year growth excluding currency effects; rental days and average daily rate exclude Zipcar and Truck

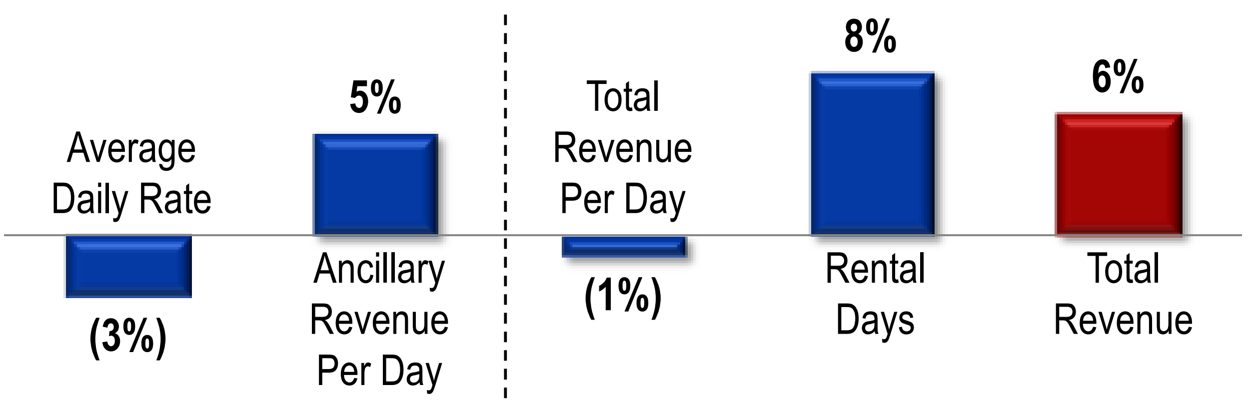
INTERNATIONAL

Currency movements had a $6 million negative impact on revenue and a $3 million positive impact on Adjusted EBITDA in the quarter

Increased Revenue Driven by Organic Volume Growth

- Strong volume growth throughout the quarter
- Robust inbound volumes continuing into summer
- Competitive pricing environment
- International Adjusted EBITDA declined due to a $6 million increase in brand marketing

International Revenue Drivers[a]



(a) Year-over-year growth excluding currency effects; rental days and average daily rate exclude Zipcar

FLEET COSTS

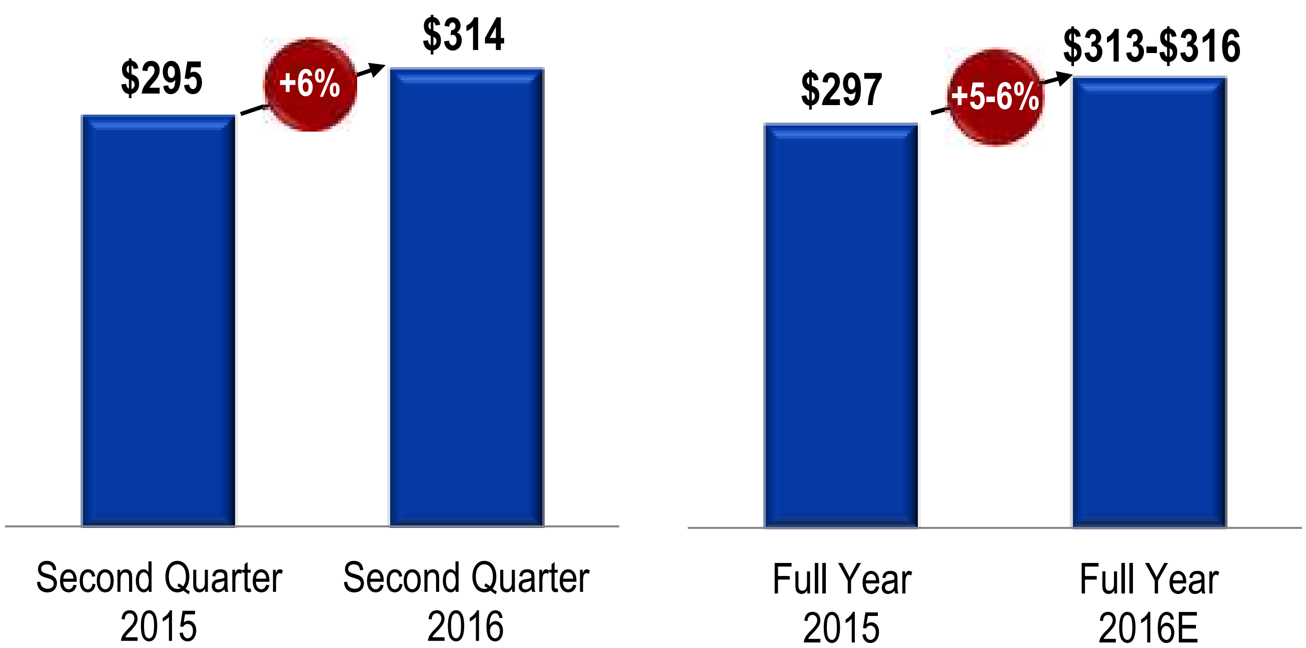
Americas fleet expected to be 65% risk in 2016 and at least 70% in 2017

International 2016 per-unit fleet costs continue to be better than initially expected

Americas Per-Unit Fleet Costs Now Expected to Increase 5% to 6%

Monthly Per-Unit Fleet Costs[(a)]

(Americas)



(a) Including Zipcar, excluding Truck

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ZIPCAR

Zipcar's fleet totaled more than 14,000 cars in the second quarter

Zipcar Continues to be the World's Leading Car Sharing Network

- **Successfully rolled out "Instant Join & Drive" nationwide**
  - **Enabling new customers to initiate their first transaction in minutes**
- **ONE>WAY offering now available in Baltimore, Boston, Los Angeles, Seattle and Washington, D.C.**
- **Approaching the one-million-member milestone**

BALANCE SHEET

Extended the maturity date for $825 million of our corporate term loan from 2019 to 2022

Strong Liquidity Position

- More than $3.5 billion of available liquidity worldwide
- Net corporate leverage of 3.7x
  - Expect our net leverage will be in the range of 3.0x to 3.5x by year-end
- Less than 15% of our corporate debt matures before 2021
- Vehicle-backed debt is well-laddered and low-cost

CAPITAL ALLOCATION

No significant acquisitions thus far in 2016

Have reduced our shares outstanding by 11% over the last twelve months

Consistent Use of Free Cash Flow

- Our priorities for free cash flow continue to be share repurchases and tuck-in acquisitions
- Repurchased $180 million of stock in first half 2016, a 55% increase compared to first half 2015
- Continue to expect to generate $450 to $500 million of free cash flow in 2016[(a)]

Expect to spend $350 to $400 million on stock repurchases in 2016

(a) Excluding any significant timing differences

2016 OUTLOOK

Currency movements reducing Adjusted EBITDA by $23 million year-over-year

Expecting Significant Second-Half Earnings Growth

Americas

- Full-year pricing now projected to be unchanged[a]
- Volume expected to grow 2% to 3%
- Per-unit fleet costs expected to increase 5% to 6%

International

- Strong leisure demand continues
- Expect revenue to increase 7% to 10%[a]
- Per-unit fleet costs projected to decrease slightly

Increased the midpoint of our 2016 earnings expectations

(a) In constant currency

2016 OUTLOOK

Diluted share count of approximately 93 to 95 million, a reduction of roughly 11% year-over-year

Expect capital expenditures of approximately $210 million

Non-GAAP effective tax rate expected to be approximately 39%

2016 Estimates

($ in millions, except EPS)	Projection
Revenue	$8,750 – $8,900
Adjusted EBITDA	850 – 900
Non-vehicle D&A[a]	195
Interest expense	205
Adjusted pretax income	$450 – $500
Adjusted net income	$275 – $305
Adjusted diluted EPS	$2.90 – $3.30

(a) Excluding acquisition-related amortization expense

FREE CASH FLOW

Free cash flow has exceeded $450 million every year since 2012

Free Cash Flow

($ in millions)	2016E	2015
Adjusted pretax income[(a)]	$450 – $500	$546
Plus: Non-vehicle D&A[(b)]	195	163
Less: Capital expenditures	(210)	(201)
Less: Cash taxes	(50) – (60)	(29)
Plus: Vehicle programs	50	78
Plus: Working capital and other[(c)]	15 – 25	(32)
Free Cash Flow	$450 – $500	$525

Expect to repurchase $350 to $400 million of stock in 2016

(a) Excluding certain items
(b) Excluding acquisition-related amortization expense
(c) Including restructuring expense

CURRENCY EFFECTS

No Material Exchange-Rate Impact Expected for Remainder of the Year

Year-over-Year Effect of Currency Movements[a]

(in millions)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Revenue	($32)	($12)	($9)	$3	($50)
Adjusted EBITDA	($33)[b]	$3	$1	$6	($23)

Estimating a $23 million negative year-over-year impact on Adjusted EBITDA

(a) Based on exchange rates as of July 1, 2016 and assuming no further changes to exchange rates
(b) Primarily due to hedging gains in 2015 and hedging losses in 2016

SUMMARY

Raised the Midpoint of Our Earnings Estimates

- Pricing trend improved dramatically in the Americas
- Managed fleet to deliver higher utilization
- Global volume growth
- Investing in technology and process improvement to drive future margin growth
- Generating significant free cash flow and returning cash to stockholders via share repurchases

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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. Because of the forward-looking nature of the Company's forecasted non-GAAP Adjusted EBITDA, free cash flow, adjusted pretax income and adjusted diluted earnings per share, specific quantifications of the amounts that would be required to reconcile forecasted net income, net cash provided by operating activities, pretax income and diluted earnings per share are not available. The Company believes that there is a degree of volatility with respect to certain of the Company's GAAP measures which preclude the Company from providing accurate forecasted GAAP to non-GAAP reconciliations. Based on the above, the Company believes that providing estimates of the amounts that would be required to reconcile the range of the non-GAAP measures to forecasted GAAP measures would imply a degree of precision that would be confusing or misleading to investors for the reasons identified above.

Adjusted EBITDA

Adjusted EBITDA represents income from continuing operations before non-vehicle related depreciation and amortization, any impairment charge, restructuring expense, early extinguishment of debt costs, non-vehicle related interest, transaction-related costs and income taxes. We believe that Adjusted EBITDA is useful as a supplemental measure 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. Adjusted EBITDA should not be considered in isolation or as a substitute for net income 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.

Reconciliation of Adjusted EBITDA to net income (in millions):

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015
Adjusted EBITDA	**$ 204**	**$ 227**
Less: Non-vehicle related depreciation and amortization (excluding acquisition-related amortization expense)	50	40
Interest expense related to corporate debt, net (excluding early extinguishment of debt)	56	45
Adjusted pretax income	**$ 98**	**$ 142**
Less certain items:		
Acquisition-related amortization expense	15	16
Early extinguishment of debt	10	23
Restructuring expense	5	3
Transaction-related costs, net	5	18
Income before income taxes	**$ 63**	**$ 82**
Provision for (benefit from) income taxes	**27**	**(61)**
Net income	**$ 36**	**$ 143**

GLOSSARY

Reconciliation of Net Corporate Debt (in millions):

	June 30, 2016
Corporate debt	**$ 3,530**
Less: Cash and cash equivalents	527
Net corporate debt	**$ 3,003**

Reconciliation of Adjusted EBITDA to net Income (in millions):

	Twelve Months Ended June 30,	
	2016	**2015**
Adjusted EBITDA	**$ 807**	**$ 890**
Less: Non-vehicle related depreciation and amortization (excluding acquisition-related amortization expense)	180	155
Interest expense related to corporate debt, net (excluding early extinguishment of debt)	203	195
Adjusted pretax income	**$ 424**	**$ 540**
Less certain items:		
Acquisition-relation amortization expense	59	44
Restructuring expense	34	22
Early extinguishment of debt	10	23
Transaction-related costs, net	28	46
Income before income taxes	**$ 293**	**$ 405**
Provision for income tax	**129**	**56**
Net income	**$ 164**	**$ 349**

GLOSSARY

Reconciliation of adjusted net income to net income (in millions, except per-share amounts):

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015
Adjusted net income	**$ 60**	**$ 90**
Less certain items, net of tax:		
Acquisition-related amortization expense	10	10
Early extinguishment of debt	6	14
Restructuring expense	4	3
Transaction-related costs, net	4	18
Resolution of a prior-year income tax matter	-	(98)
Net income	**$ 36**	**$ 143**
Adjusted diluted earnings per share	**$ 0.63**	**$ 0.84**
Earnings per share – Diluted	**$ 0.38**	**$ 1.34**
Shares used to calculate adjusted diluted earnings per share	**95.1**	**106.7**

Free Cash Flow

Represents Net Cash Provided by Operating Activities adjusted to reflect the cash inflows and outflows relating to capital expenditures and GPS navigational units, the investing and financing activities of our vehicle programs, asset sales, if any, and to exclude debt extinguishment costs and transaction-related costs. We believe that Free Cash Flow is useful to management and investors in measuring the cash generated that is available to be used to repurchase stock, repay debt obligations, pay dividends and invest in future growth through new business development activities or acquisitions. Free Cash Flow should not be construed as a substitute in measuring operating results or liquidity, and our presentation of Free Cash Flow may not be comparable to similarly-titled measures used by other companies.