



# avis budget group

## First Quarter 2014 Earnings Call

May 8, 2014

Webcast: [ir.avisbudgetgroup.com](http://ir.avisbudgetgroup.com)  
Dial-in: (630) 395-0021  
Replay: (203) 369-1590  
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-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.

**avis** **budget** group

**Ron Nelson**

Chairman and Chief Executive Officer

## **Strong Start to the Year**

- ▶ **Delivered revenue growth and margin expansion**
- ▶ **Achieved increased pricing and volume in leisure and commercial segments in North America**
- ▶ **Reported record first quarter earnings per share<sup>(a)</sup>**
- ▶ **Repurchased \$75 million of stock and increased our share repurchase authorization**

(a) Excluding certain items

# NORTH AMERICA

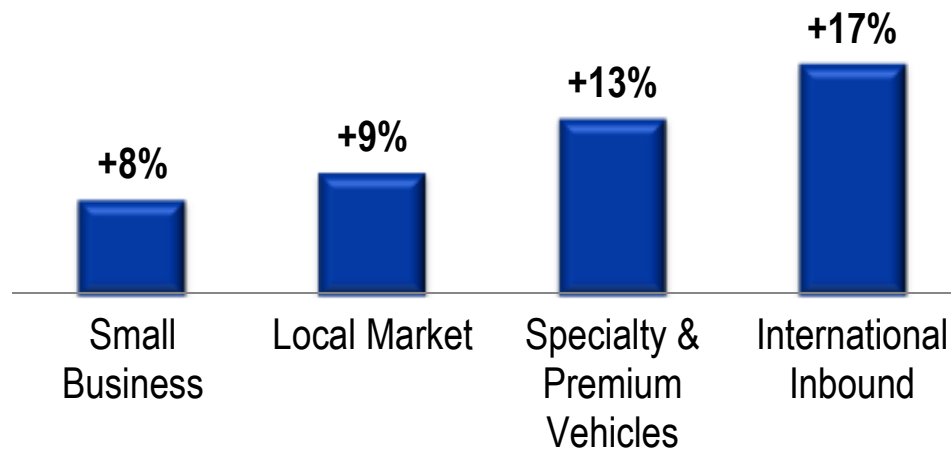
Positive pricing both on- and off-airport and in each brand

Expect yield management system to cover top 100 U.S. markets by the summer

## Positive Revenue Trends Throughout First Quarter

- ▶ **Leisure and commercial pricing increased 2%<sup>(a)</sup>**
  - Low level of commercial travelers “flipping”
  - Yield-management initiative driving meaningful benefits
- ▶ **Ancillary revenue per day increased 4%**

### Strategic Initiatives Driving Growth<sup>(b)</sup>



(a) Excluding Payless  
(b) Year-over-year revenue

Membership up 11%  
year-over-year

## Continue to Grow One Year After Acquisition

- ▶ Expanded Zipcar into new markets and onto airports
- ▶ Renewed our focus on adding and retaining more active members
- ▶ Announced plans to offer one-way reservations later this year
- ▶ Delivered operational efficiencies and expanded margins



Extended partnership  
with British Airways

## Positive Revenue and Profit Growth

- ▶ **EMEA revenue increased 3% in the first quarter despite Easter shift<sup>(a)</sup>**
  - **Budget revenue increased 50%**
  - **Ancillary revenue per day increased 8%**
  - **Record first quarter utilization**
- ▶ **Latin America / Asia-Pacific revenue increased 10%<sup>(b)</sup>**
  - **Positive volume growth and pricing**
  - **Strong growth in our deep-value Apex brand**

(a) Excluding currency effects and Zipcar

(b) Excluding currency effects

## **Uses of Free Cash Flow**

- ▶ **Share repurchases**
  - Repurchased \$140 million of stock since 2013
  - Increased authorization by \$235 million in April
  - Expect to purchase \$200 - \$300 million of outstanding shares in 2014
  
- ▶ **Tuck-in acquisitions**
  - Acquired Budget Edmonton licensee
  - Reacquired rights to operate Budget in Portugal
  - Unlikely to spend more than \$100 million on tuck-in acquisitions in 2014



### North America

- ▶ **Remain optimistic about our business and growth prospects for the remainder of the year**
- ▶ **Expect volume to grow 4-6%**
  - **Strong trends continuing thus far in the second quarter**
- ▶ **Full-year pricing is projected to increase 1%**
  - **Expect commercial pricing to increase this year**

### International

#### ▶ EMEA

- Economy stabilizing but uneven across region
- Expect 4-6% volume growth
- Plan to drive revenue growth through our Budget brand, ancillary sales and digital investments

#### ▶ Latin America / Asia-Pacific

- Expect 4-6% volume growth
- Continued focus on driving inbound and outbound volume and on growing Apex



**David Wyshner**

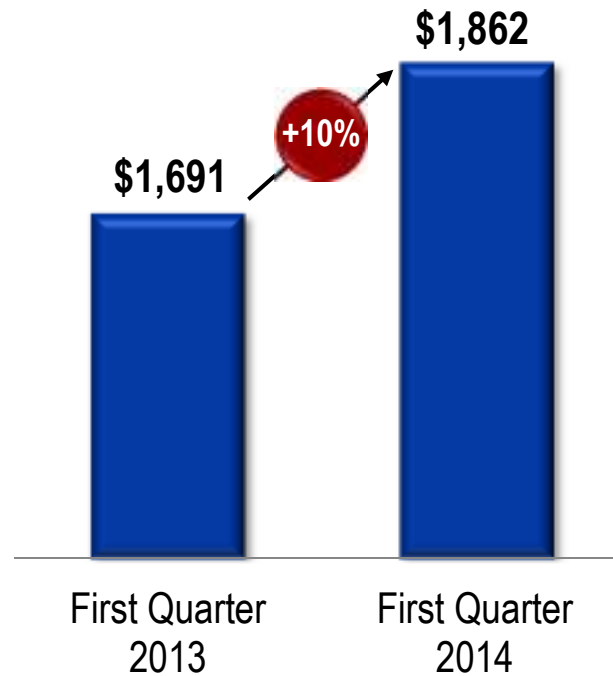
Senior Executive Vice President  
and Chief Financial Officer

# FIRST QUARTER 2014 RESULTS

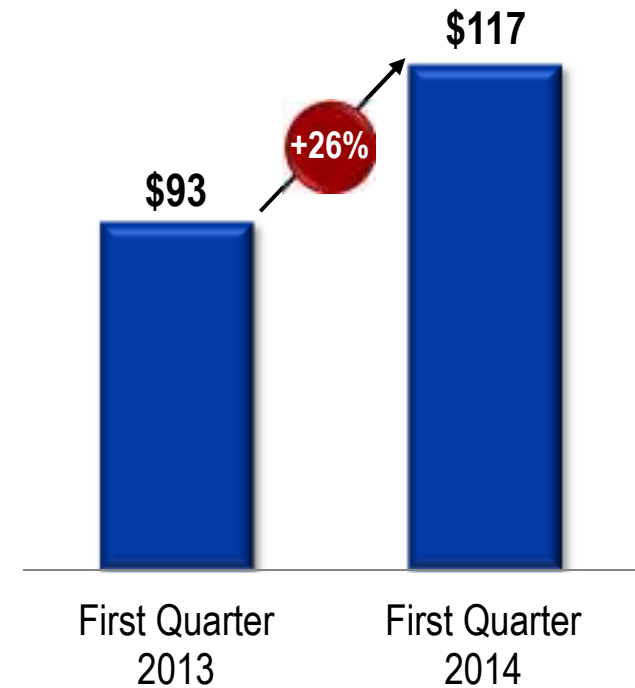
## Increased Adjusted EBITDA Margin

(\$ in millions)

### Revenue



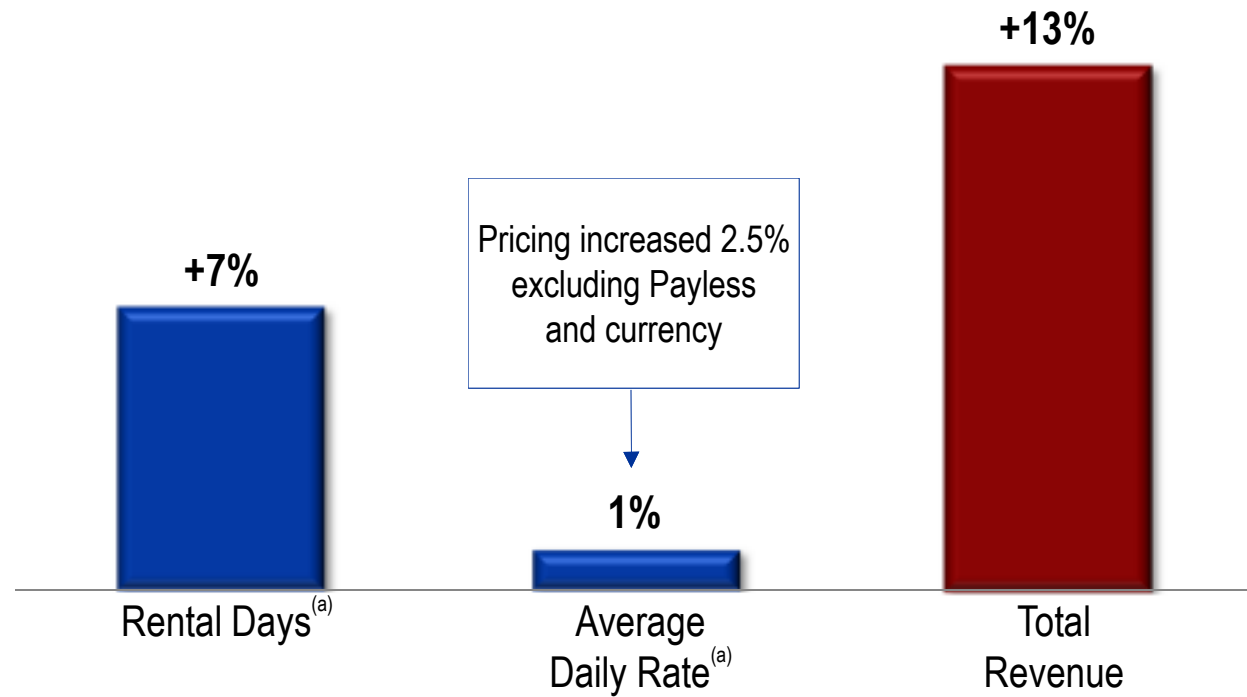
### Adjusted EBITDA



# FIRST QUARTER 2014 RESULTS – NORTH AMERICA

## Volume and Pricing Increased

(year-over-year change)



(a) Excluding Zipcar

# FIRST QUARTER 2014 RESULTS – NORTH AMERICA

Adjusted EBITDA  
increased 23% to  
\$114 million

Payless and Zipcar  
contributed \$85  
million of revenue  
and \$11 million of  
Adjusted EBITDA

Per-unit fleet costs  
increased 7%<sup>(a)</sup>

## Volume and Pricing Increased

	Excluding Payless		Including Payless	
	Rental Days	Average Daily Rate	Rental Days	Average Daily Rate
<i>(year-over-year changes)</i>				
<b>Leisure</b>	+5%	+2%	+11%	+1%
<b>Commercial</b>	+3%	+2%	+3%	+2%
<b>Total</b>	+4%	+2%	+7%	+1%

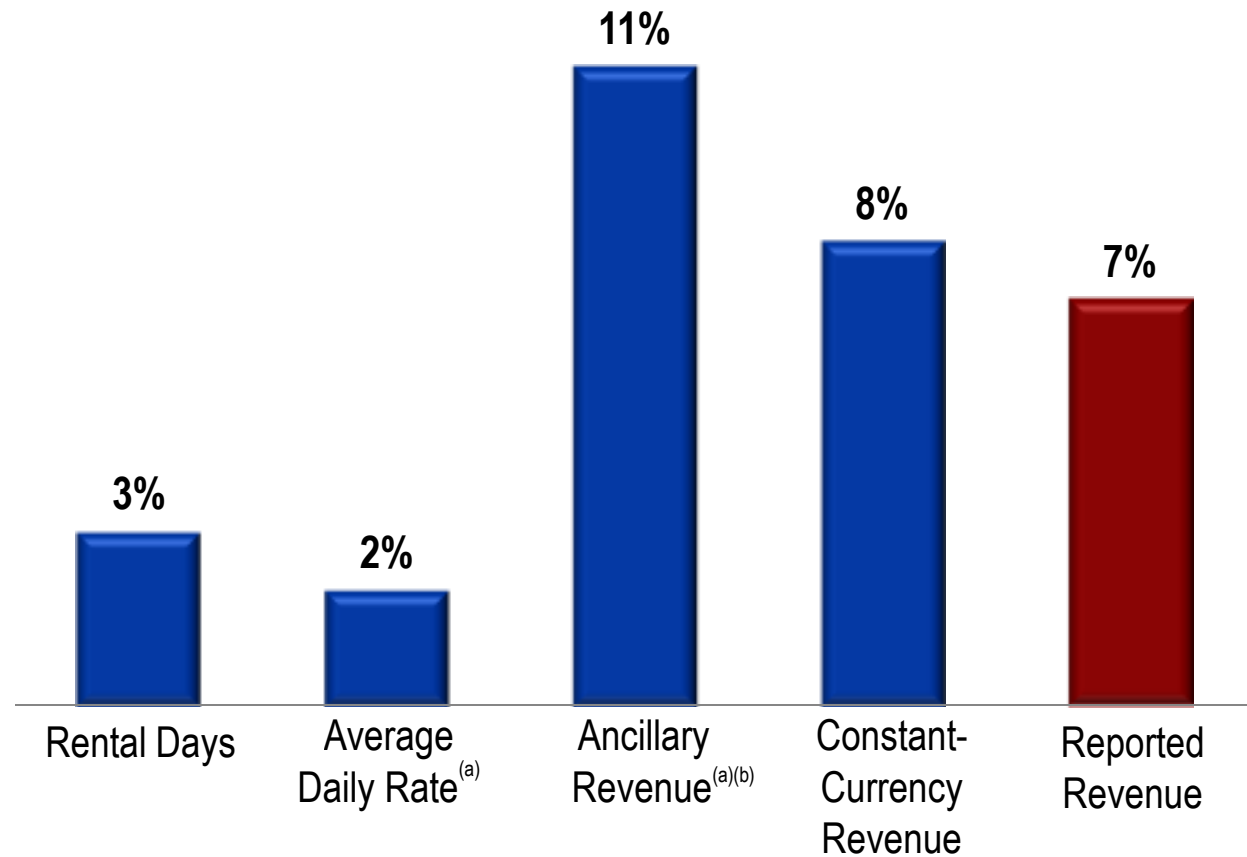
All figures exclude Zipcar and include currency; currency had a small negative impact on pricing

# FIRST QUARTER 2014 RESULTS – INTERNATIONAL

Adjusted EBITDA  
remained constant,  
but increased \$9  
million excluding  
currency effects

## Revenue Increased due to Higher Volumes and Ancillary Revenue

(year-over-year change)



(a) Excluding currency effects

(b) Excluding gas and customer recoveries

# FIRST QUARTER 2014 RESULTS – TRUCK RENTAL

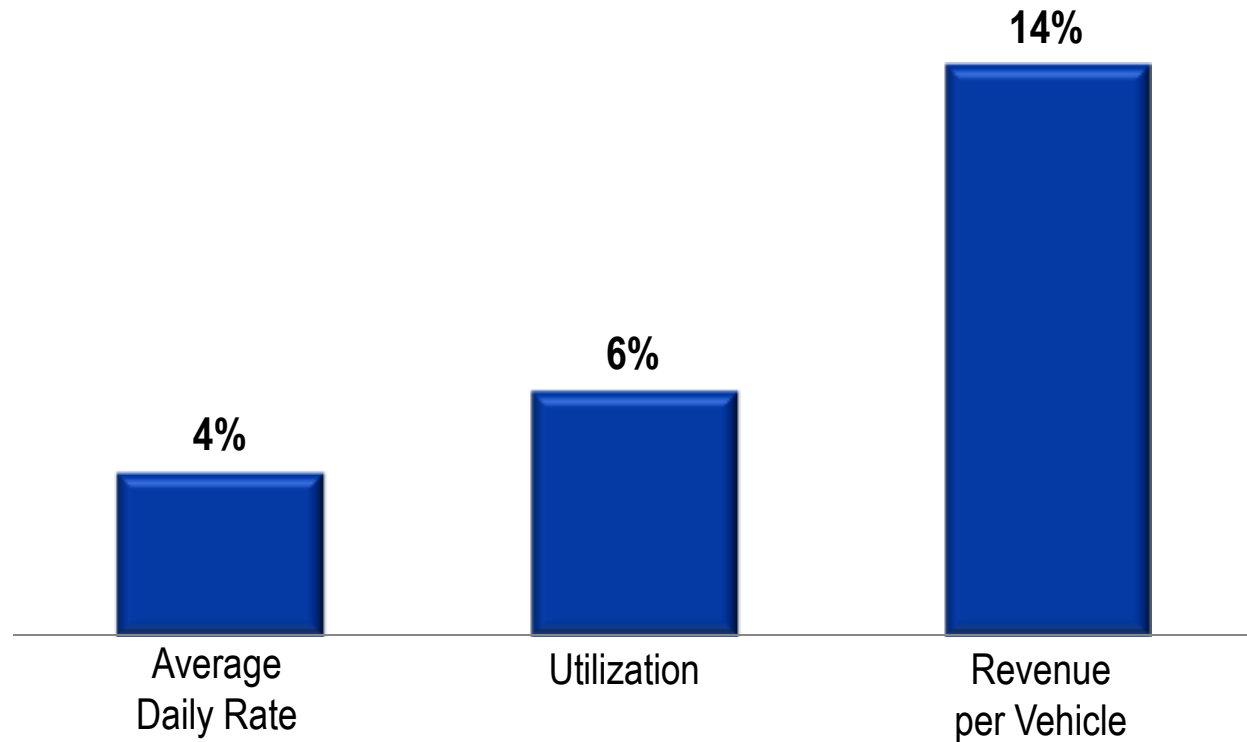
Truck Rental  
restructuring  
completed in late  
2013

Average fleet is 14%  
smaller than a year  
ago

Revenue declined 1%  
due to lower average  
fleet

## Substantial Pricing and Utilization Improvements

*(year-over-year change)*





# FLEET COSTS

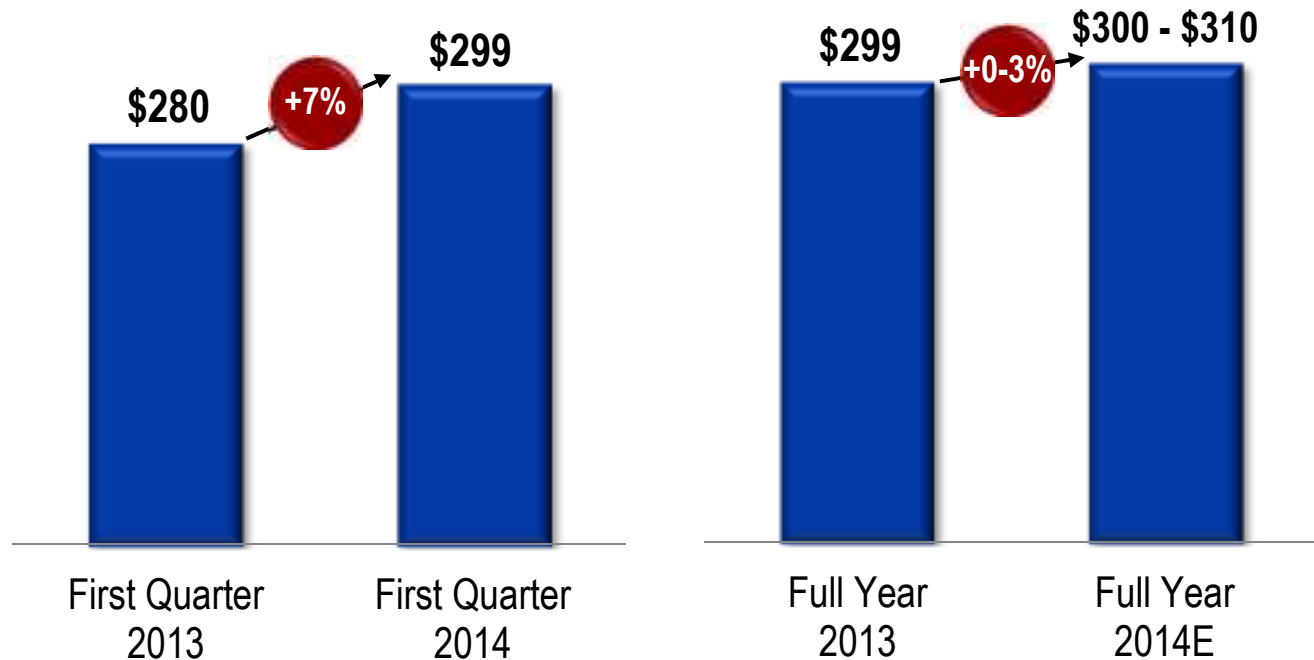
North America fleet expected to be approximately 60-65% risk in 2014

Used car market stable and healthy year-to-date

Selling roughly 25% of our risk vehicles through alternative distribution channels

## Fleet Costs Have Normalized

### Monthly Per-Unit Fleet Costs (North America)



**Expect Per-Unit Fleet Costs  
to be Flat to Up 3%**

## PERFORMANCE EXCELLENCE

Expect incremental  
benefits from  
Performance Excellence  
of \$40 - \$50 million in  
2014

### Continued Focus on Efficiency

- ▶ **Enhancing maintenance procedures at Zipcar**
- ▶ **Improving service processes at Payless**
- ▶ **Standardization and efficiency improvements in our Budapest shared services center**
- ▶ **Helping with roll-out of yield-management changes in North America**
- ▶ **Improved handling of vehicles during disposition to drive fleet cost savings**



## BALANCE SHEET

Quarter-end cash  
balance of \$841 million

### Strong Liquidity Position

- ▶ **\$5.3 billion of available liquidity at quarter-end**
- ▶ **Net corporate leverage of 3.6x<sup>(a)</sup>**
- ▶ **Issued \$275 million of euro-denominated senior notes due 2021 with a yield of 4.85%**
  - **Redeemed similar amount of 8.25% debt in April**
- ▶ **Debt refinancing remains a cost-saving opportunity**
  - **Still over \$600 million of corporate debt at a blended rate of nearly 9%**

(a) Net corporate debt to Adjusted EBITDA

## 2014 OUTLOOK

Expect cash taxes of approximately \$70 million

Expect capital expenditures of approximately \$200 million

Tax rate expected to be approximately 38%

Diluted share count of 111 - 112 million

## 2014 Estimates

<i>(\$ in millions, except EPS)</i>	<u>Projection<sup>(a)</sup></u>	<u>Growth vs. 2013<sup>(b)</sup></u>
<b>Revenue</b>	<b>\$8,400 – \$8,600</b>	<b>7%</b>
<b>Adjusted EBITDA</b>	<b>825 – 900</b>	<b>12%</b>
<b>Non-vehicle D&amp;A</b>	<b>150 – 155</b>	
<b>Interest expense</b>	<b>215</b>	
<b>Pretax income</b>	<b>455 – 535</b>	<b>20%</b>
<b>Net income</b>	<b>\$280 – \$330</b>	<b>20%</b>
<b>Diluted EPS</b>	<b>\$2.50 – \$2.95</b>	<b>24%</b>

**Expect Free Cash Flow of  
Approximately \$400 Million<sup>(c)</sup>**

- (a) Excluding certain items  
 (b) Based on midpoint of guidance  
 (c) Excluding any significant timing differences

### Positioned for Earnings and Margin Growth

- ▶ **Achieved volume and pricing growth in North America in both our commercial and leisure segments in the first quarter**
- ▶ **Significant Adjusted EBITDA contributions from Zipcar and Payless**
- ▶ **Bought back \$75 million of stock in the first quarter**
- ▶ **Expect to repurchase a total of \$200 to \$300 million of common stock this year**

**Focused on Generating \$1 Billion of Adjusted EBITDA in 2015**

**avis** **budget** group

# 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, pretax income and diluted earnings per share, excluding certain items, 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 before non-vehicle related depreciation and amortization, any impairment charge, restructuring expense, early extinguishment of debt costs, transaction-related costs, non-vehicle related interest 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. 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.

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

	Three Months Ended March 31,	
	2014	2013
<b>Adjusted EBITDA</b>	\$ 117	\$ 93
Less: Non-vehicle related depreciation and amortization (excluding acquisition-related amortization expense)	35	30
Interest expense related to corporate debt, net (excluding early extinguishment of debt)	56	58
<b>Income before income taxes, excluding certain items</b>	<b>\$ 26</b>	<b>\$ 5</b>
<b>Less certain items:</b>		
Early extinguishment of debt	-	40
Transaction-related costs	8	8
Restructuring expense	7	10
Acquisition-relation amortization expense	6	4
<b>Income (loss) before income taxes</b>	<b>\$ 5</b>	<b>\$ (57)</b>

# GLOSSARY

## Reconciliation of Net Corporate Debt (in millions):

	March 31, 2014
<b>Corporate debt</b>	<b>\$ 3,696</b>
Less: Cash and cash equivalents	841
<b>Net corporate debt</b>	<b>\$ 2,855</b>

## Reconciliation of Adjusted EBITDA excluding certain items (in millions):

	LTM Ended March 31, 2014
<b>Adjusted EBITDA</b>	<b>\$ 793</b>
Less: Non-vehicle related depreciation and amortization (excluding acquisition-related amortization expense)	133
Interest expense related to corporate debt, net (excluding early extinguishment of debt)	226
<b>Income before income taxes, excluding certain items</b>	<b>\$ 434</b>
<b>Less certain items:</b>	
Early extinguishment of debt	107
Restructuring expense	58
Transaction-related costs	51
Acquisition-related amortization expense	26
Impairment	33
<b>Income before income taxes</b>	<b>\$ 159</b>

## 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.