avis budget group

Fourth Quarter 2015 Earnings Call

February 24, 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, its current report on Form 8-K filed May 6, 2015 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

FULL-YEAR 2015 HIGHLIGHTS

Record Revenue and Adjusted EBITDA

- Acquired Maggiore and licensees in Scandinavia and Poland
- Completed integration of Budget licensee for Southern California
- Generated more than $500 million of free cash flow
- Repurchased nearly $400 million of stock
- Leveraging technology to improve customers' experience and drive higher margins

AVIS Budget Payless apex car rentals zipcar

David Wyshner

President and Chief Financial Officer

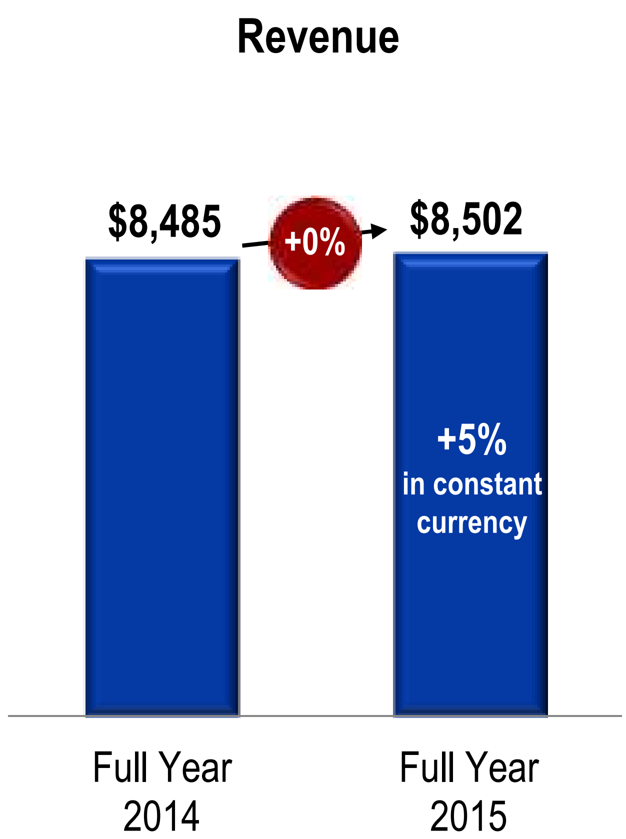
FULL-YEAR 2015 RESULTS

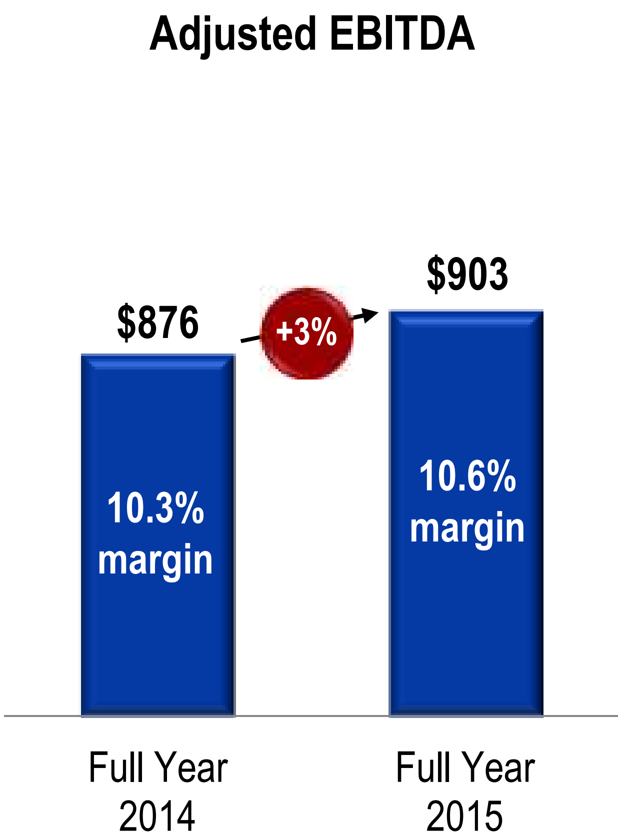
Adjusted EBITDA increased 9% in constant currency

Adjusted diluted earnings per share grew approximately 15% in constant currency

Record Revenue and Adjusted EBITDA

($ in millions)





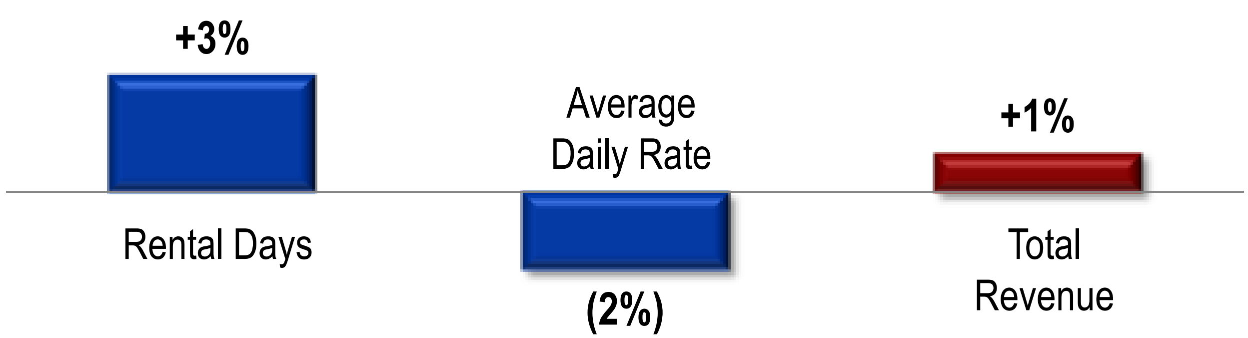
AMERICAS – REVENUE

Reservations through mobile apps grew more than 30% at Avis and nearly 60% at Budget

Fourth Quarter Volume Growth Driven by Strong Leisure Demand

- Rental days grew 3% in the fourth quarter
  - Leisure volumes increased 7%
- Demand for non-core and "Signature" vehicles grew 10%
- International-inbound volume increased 4%
- High-margin ancillary revenue grew 5%[b]

Americas Revenue Drivers[a]

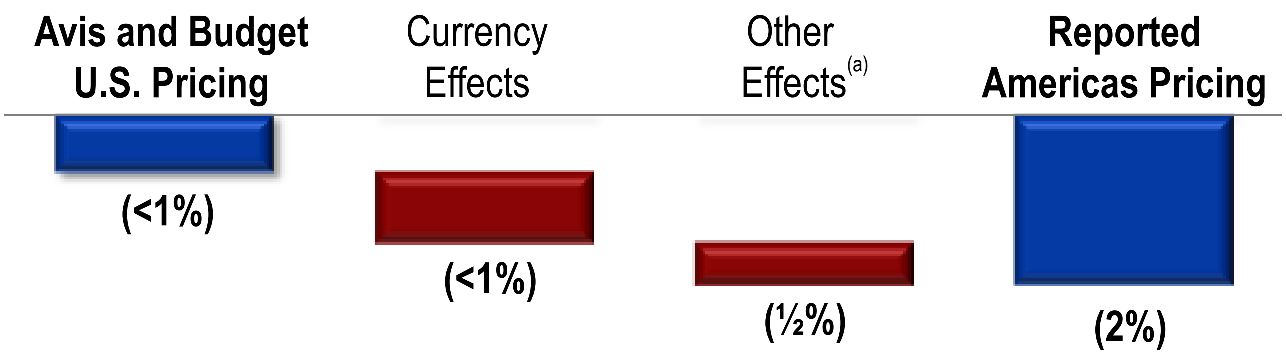


(a) Year-over-year growth, excluding Zipcar and Truck
(b) Excluding gas and customer recoveries

AMERICAS – PRICING

Pricing Trends Remained Challenging

- Mix effect from lower commercial volume negatively impacted pricing by 40 basis points



(a) Primarily Payless, Canada and Latin America

INTERNATIONAL

Currency movements had a $64 million negative impact on revenue and a $6 million negative impact on Adjusted EBITDA in the quarter

International per-unit fleet costs declined 7% in constant currency

Revenue Grew 12% in Constant Currency in the Fourth Quarter

International Revenue Drivers[a]

	Total	Excluding Maggiore
Total revenue	+12%	+6%
Rental days[b]	+21%	+10%
Pricing	(6%)	(4%)
Ancillary revenue per day	+0%	+3%
Total revenue per day	(5%)	(3%)

(a) Year-over-year change, excluding Zipcar, in constant currency
(b) Rental days include five points of growth from Scandinavia acquisition

INTERNATIONAL

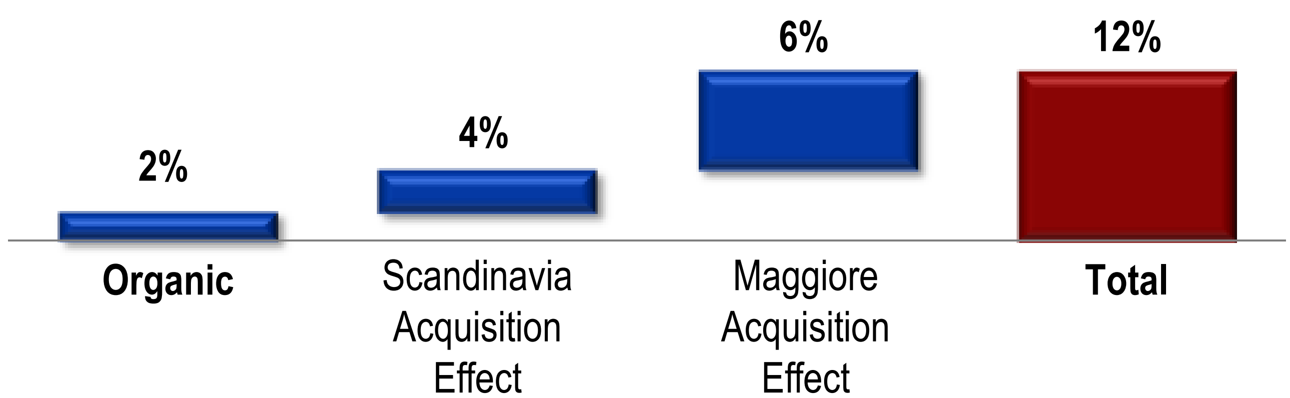
Second-half Adjusted EBITDA increased 13% in constant currency

Full-year Adjusted EBITDA grew 14% in constant currency

Adjusted EBITDA Declined in the Quarter

- **Positive organic volume growth in most markets in the fourth quarter**
- **Currency movements and timing differences negatively affected fourth quarter results**
- **Pricing remains competitive throughout the region**

Fourth Quarter Revenue Growth[a]

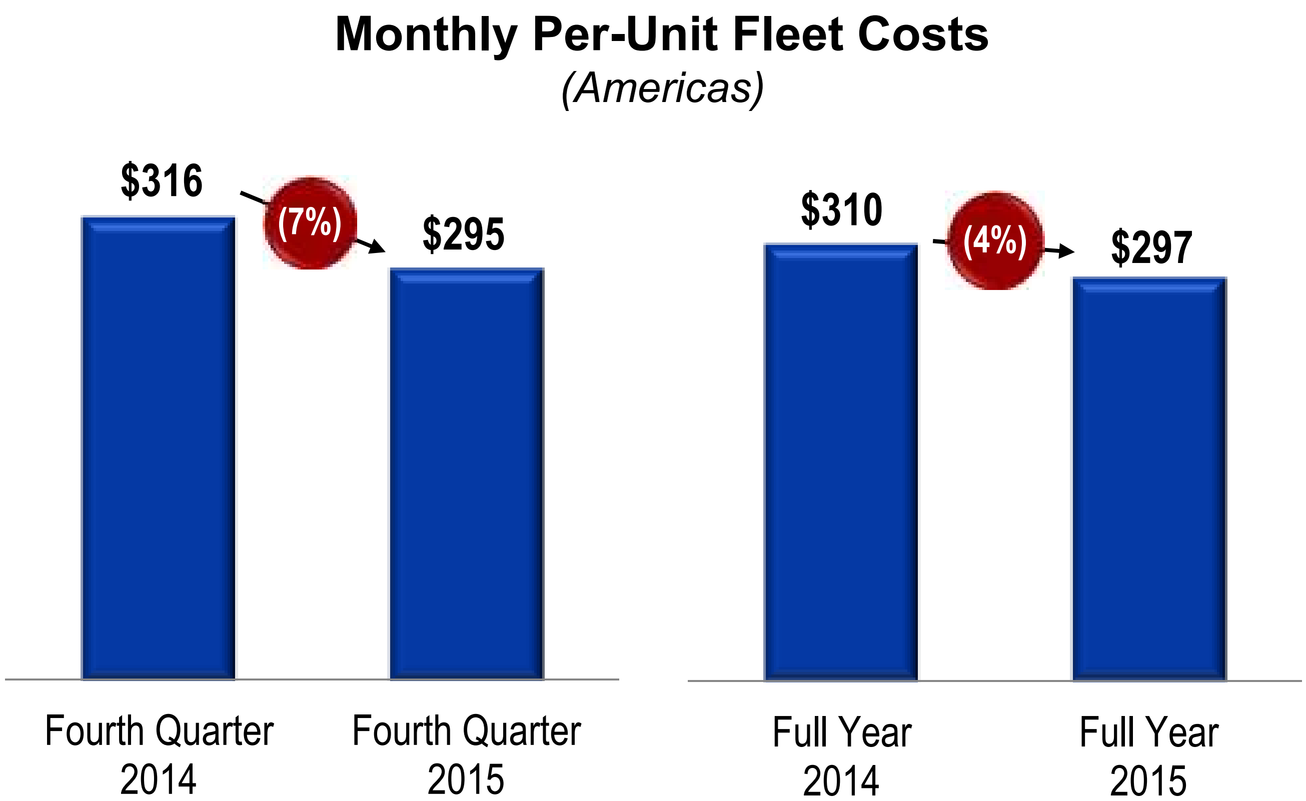


(a) Excluding Zipcar In constant currency

FLEET COSTS

- Total Company 2016 per-unit fleet costs expected to be $280-$290 per month
- Americas 2016 per-unit fleet costs expected to be $305-$313 per month
- Americas fleet expected to be approximately 60% risk in 2016
- International 2016 per-unit fleet costs expected to be $225-$235 per month

Fleet Costs Have Been Better than Anticipated



Note: Including Zipcar, excluding Truck fleet

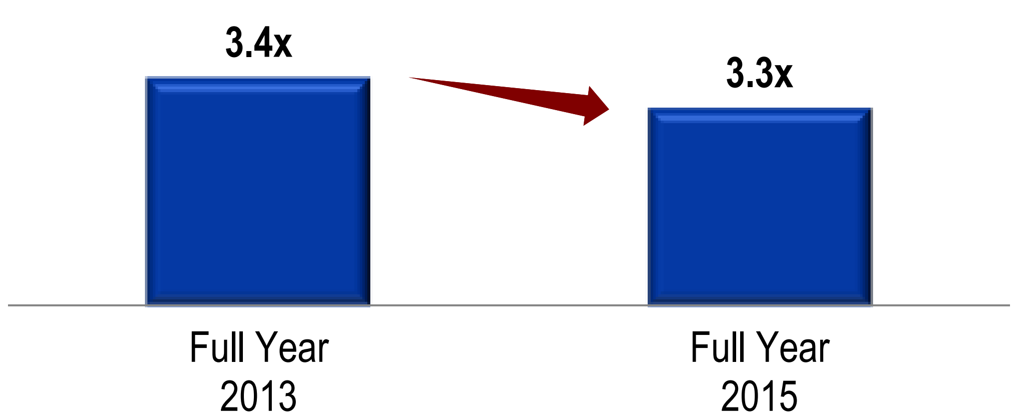
BALANCE SHEET

Year-end cash balance of $452 million

Strong Liquidity Position

- Nearly $5 billion of available liquidity worldwide
- Net corporate leverage of 3.3x[a]
- No corporate debt maturities until fourth quarter 2017

Net Corporate Leverage[a]



(a) Net corporate debt to Adjusted EBITDA

CAPITAL ALLOCATION

Have now deployed more than $1 billion for share repurchases and convertible debt retirement, reducing our diluted share count by 22%

Consistent Use of Free Cash Flow

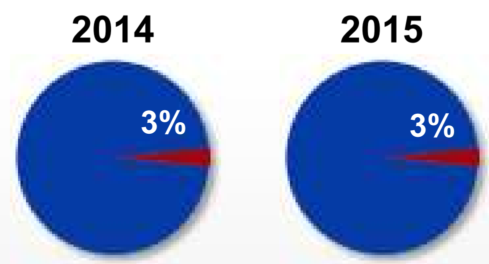
- 2015 free cash flow of $525 million
- Our priorities for free cash flow continue to be share repurchases and tuck-in acquisitions
- Repurchased a record $394 million of stock in 2015
  - Repurchased $117 million in the fourth quarter
- Board of Directors increased repurchase authorization by $300 million in January

Expect to spend $300 to $400 million on stock repurchases in 2016

Corporate travel managers continue to view car rental as best value for their travelers

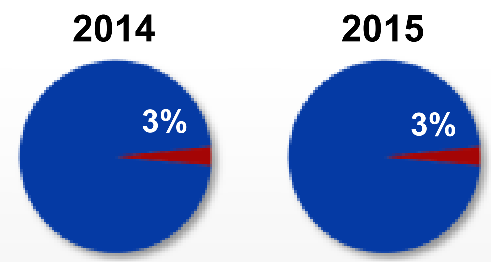
Car Rental and Ride-Hailing Primarily Serve Different Use Cases

One-Day Rentals as a % of Volume



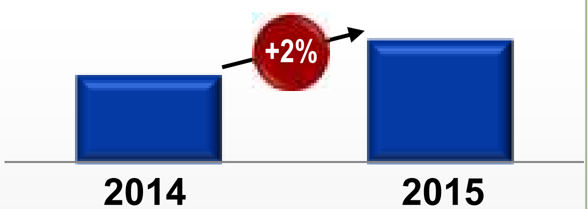
Unchanged year over year

Low-Mileage Rentals[a] as a % of Volume



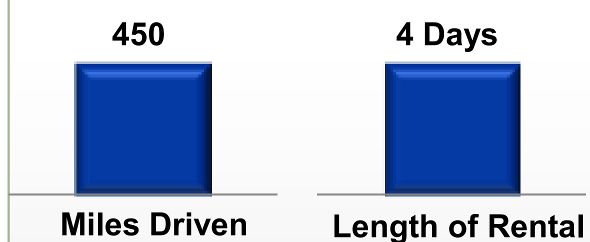
Unchanged year over year

Rental Volume in Major Ride-Hailing Cities[b]



Consistent with overall organic growth

Avis/Budget Average Transaction



Over 110 miles per rental day

(a) 50 miles driven or less
(b) San Francisco, Chicago, New York, Boston and Washington D.C.

ZIPCAR

Zipcar's fleet totaled more than 13,000 cars in the fourth quarter

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

- Zipcar has just under a million members
- Grew membership in established markets and new ones
- Zipcar available at over 500 colleges and universities
- Expect to expand ONE>WAY and to launch "Instant Drive" in 2016

Currency movements impacting revenue growth by 2% and Adjusted EBITDA by $30 million

Investing to Capture Growth and Margin Opportunities in Years Ahead

Americas

- Full-year pricing projected to be largely unchanged[a]
- Volume expected to grow 2% to 4%
- Per-unit fleet costs expected to increase 3% to 5%

International

- Macroeconomic conditions have stabilized
- Expect revenue to increase 7% to 10%[a]
- Per-unit fleet costs expected to increase 1% to 6%[a]

Earnings outlook reflects more than $50 million of incremental investments

(a) In constant currency

2016 OUTLOOK

Diluted share count of approximately 94 to 97 million, a decline of 9% year-over-year[(b)]

Expect capital expenditures of approximately $210 million

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

2016 Estimates

($ in millions, except EPS)	Projection[(a)]
Revenue	$8,700 - $8,850
Adjusted EBITDA	820 – 900
Non-vehicle D&A	190
Interest expense	200
Adjusted pretax income	430 – 510
Adjusted net income	$260 – $310
Adjusted diluted EPS	$2.70 – $3.30

Expect free cash flow of $450 to $500 million[(c)]

(a) Adjusted amounts, which exclude certain items
(b) Based on midpoint of projections
(c) Excluding any significant timing differences

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]	$430 – $510	$546
Plus: Non-vehicle D&A[b]	190	163
Less: Capital expenditures	(210)	(201)
Less: Cash taxes	(40) – (60)	(29)
Plus: Vehicle programs	30	78
Plus: Working capital and other[c]	50 – 40	(32)
Free Cash Flow	$450 – $500	$525

Adjusted pretax income continues to be a good estimate of free cash flow

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

FOREIGN CURRENCY

Continued Impacts from Exchange-Rate Movements

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

(in millions)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Revenue	($42)	($43)	($35)	($20)	($140)
Adjusted EBITDA	($20)[b]	($1)	($8)	($1)	($30)

Currently expect approximately $30 million negative impact on Adjusted EBITDA

(a) Based on exchange rates as of February 1, 2016 and assuming no further changes to exchange rates
(b) Primarily due to prior-year hedging gains

SUMMARY

Record 2015 Results with Opportunities Ahead

- Record revenue and Adjusted EBITDA
- Expanded margins by 270 basis points over the last five years
- Continued focus on managing costs, driving efficiency and leveraging technology
- Generating significant free cash flow and returning cash to stockholders via share repurchases

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Larry De Shon

Chief Executive Officer

Significant Opportunities Lie Ahead

- **All major participants in North America have implemented price increases**
- **No pricing growth assumed in our forecast**
- **New and expanded airline partnerships helping to drive strong leisure volume**
- **Investing in new technology to improve the customer experience and lower costs**

Substantial opportunity to drive growth and margin expansion over time

NEAR-TERM OPPORTUNITIES

Focused on Process Improvement and Cost Controls

- Transformation 2015 initiative providing substantial benefits
- Pursuing opportunities to drive improvements in large cost items
- Further expansion of integrated Demand–Fleet–Pricing system to optimize decision-making
- Investing to enhance websites and mobile apps to drive profitable revenue growth

MEDIUM-TERM OPPORTUNITIES

Investing in Technology to Transform the Customer Experience We Offer

- **Self-service car rental:**
  - **Entire car rental process is managed through a mobile app**
  - **Will drive customer loyalty, incremental revenue and significant cost savings**
- **Already testing in several markets**

Taking Full Advantage of Connected Car

- Connected-car technology will enable us to generate substantial cost savings
  - Eliminates manual processes
  - Drives improved fleet utilization
  - Off-airport “locations” change substantially
- Our large-scale fleet management expertise is a competitive advantage

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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 Income before income taxes (in millions):

	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014
Adjusted EBITDA	**$ 128**	**$ 129**
Less: Non-vehicle related depreciation and amortization (excluding acquisition-related amortization expense)	43	38
Interest expense related to corporate debt, net (excluding early extinguishment of debt)	48	48
Adjusted pretax income	**$ 37**	**$ 43**
Less certain items:		
Acquisition-related amortization expense	14	10
Transaction-related costs, net	11	(10)
Restructuring expense	8	10
Income before income taxes	**$ 4**	**$ 33**

GLOSSARY

Reconciliation of Net Corporate Debt (in millions):

	December 31, 2015	December 31, 2014	December 31, 2013
Corporate debt	**$ 3,461**	**$ 3,353**	**$ 3,321**
Less: Cash and cash equivalents	452	624	693
Net corporate debt	**$ 3,009**	**$ 2,729**	**$ 2,628**

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

	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Adjusted EBITDA	**$ 903**	**$ 876**	**$ 769**
Less: Non-vehicle related depreciation and amortization (excluding acquisition-related amortization expense)	163	147	128
Interest expense related to corporate debt, net (excluding early extinguishment of debt)	194	209	228
Adjusted pretax income	**$ 546**	**$ 520**	**$ 413**
Less certain items:			
Early extinguishment of debt	23	56	147
Transaction-related costs, net	68	13	51
Acquisition-relation amortization expense	55	33	24
Restructuring expense	18	26	61
Impairment	-	-	33
Income before income taxes	**$ 382**	**$ 392**	**$ 97**

GLOSSARY

Reconciliation of adjusted net income to net income:

	Year Ended December 31, 2015	Year Ended December 31, 2014
Adjusted net income	**$ 333**	**$ 327**
Less certain items, net of tax:		
Transaction-related costs, net	55	9
Acquisition-related amortization expense	36	22
Early extinguishment of debt	14	34
Restructuring expense	13	17
Resolution of a prior-year income tax matter	(98)	-
Net income	**$ 313**	**$ 245**
Adjusted diluted earnings per share	**$ 3.17**	**$ 2.96**
Earnings per share – Diluted	**$ 2.98**	**$ 2.22**
Shares used to calculate adjusted diluted earnings per share	**105.0**	**110.6**

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.