



# avis budget group

Presentation to Investors

March 2015

# 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.

# Key Messages

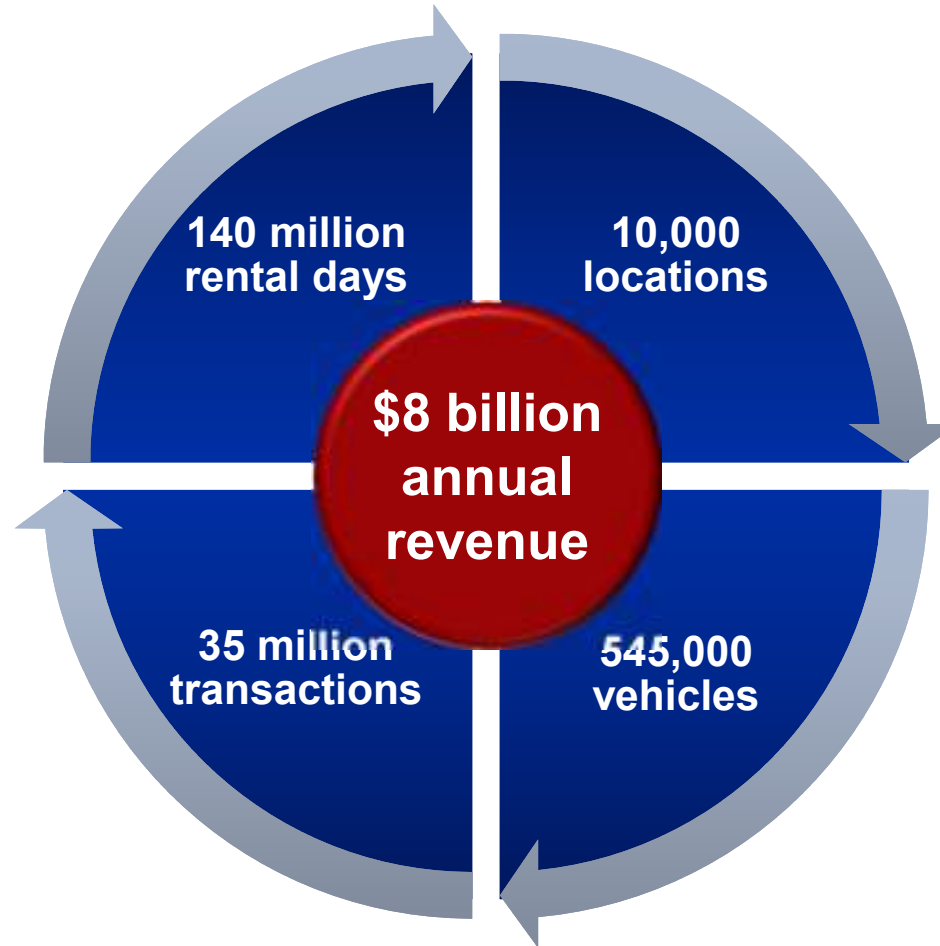
**The Business Today**

**Market Dynamics**

**Global Performance Drivers**

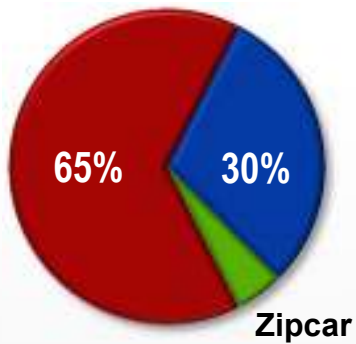
**Projected Earnings Growth**

# A Global Leader in the Car Rental Industry

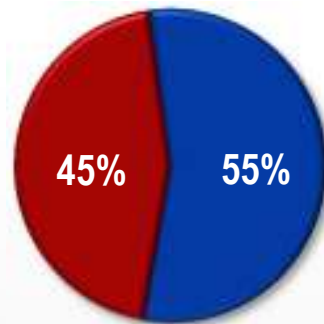


# Diversified Revenue Sources

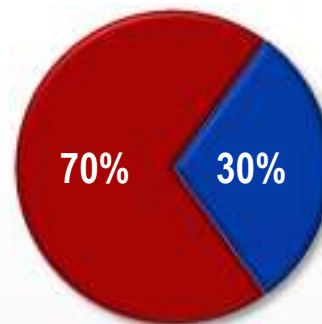
## Avis vs. Budget



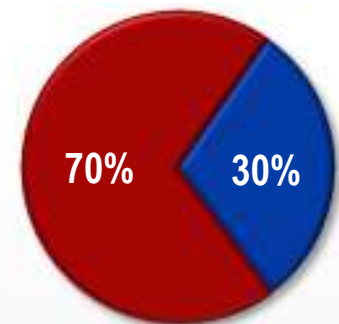
## Commercial vs. Leisure



## On-Airport vs. Off-Airport

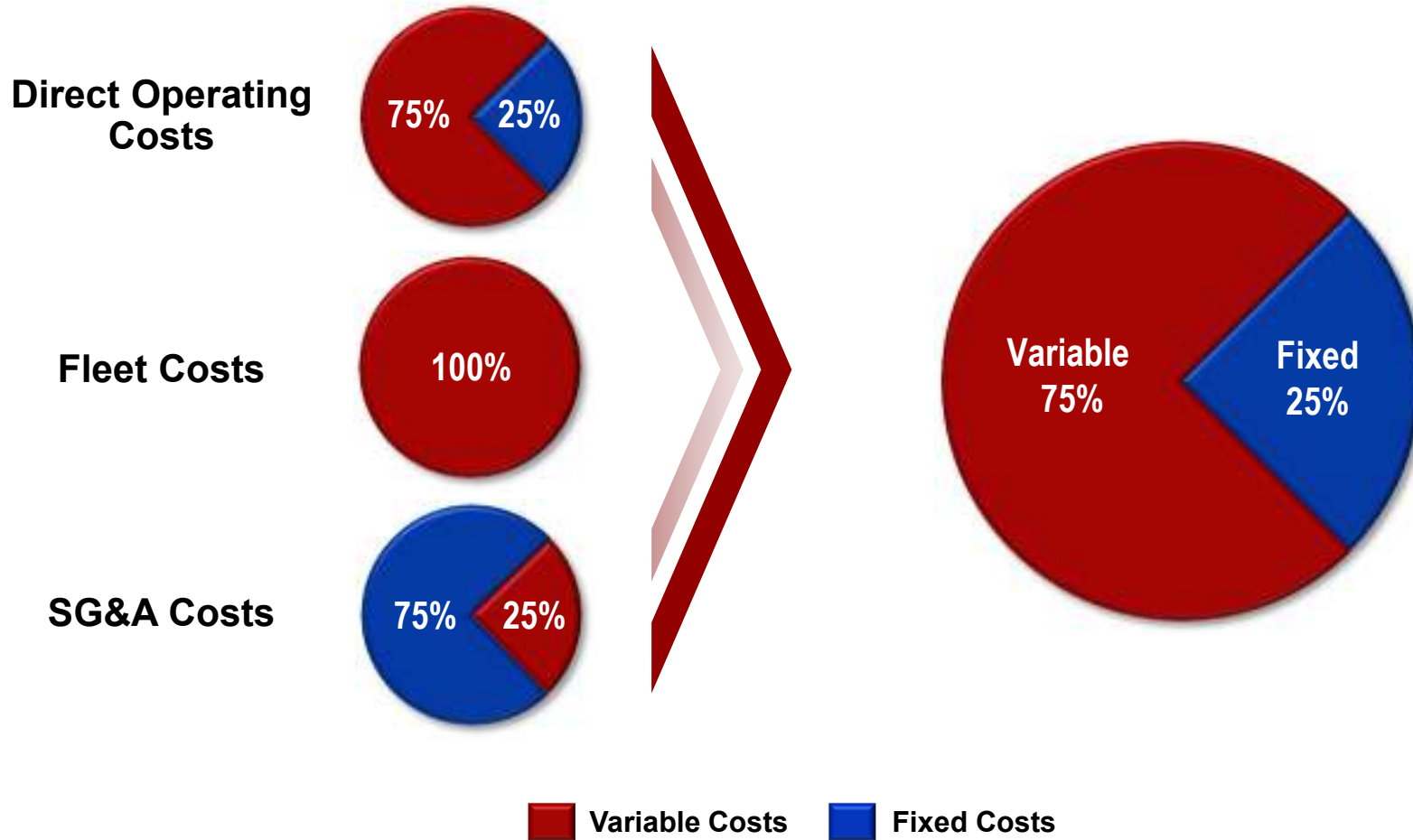


## North America vs. International



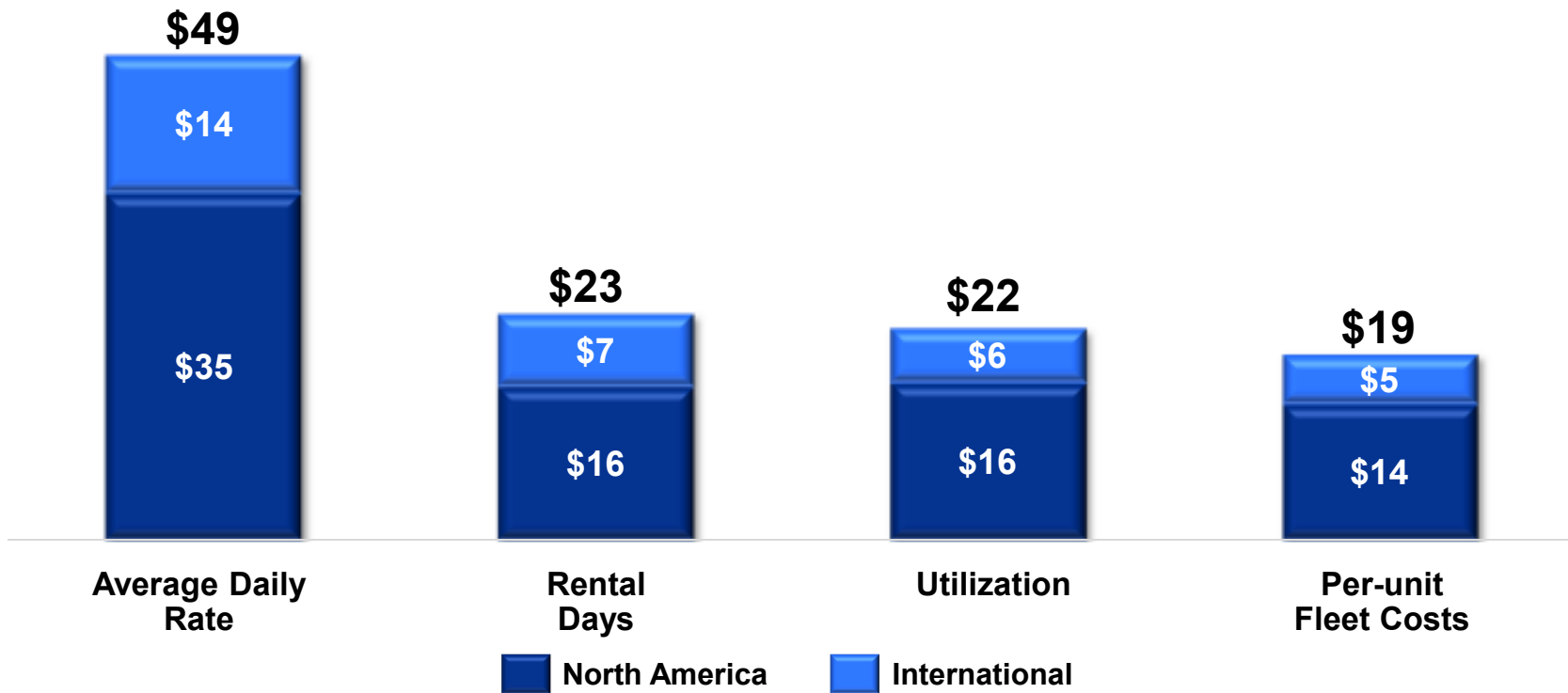
**Locations in more than 175 countries and a leading position in most major markets**

# We Have a Highly Variable Cost Structure . . .

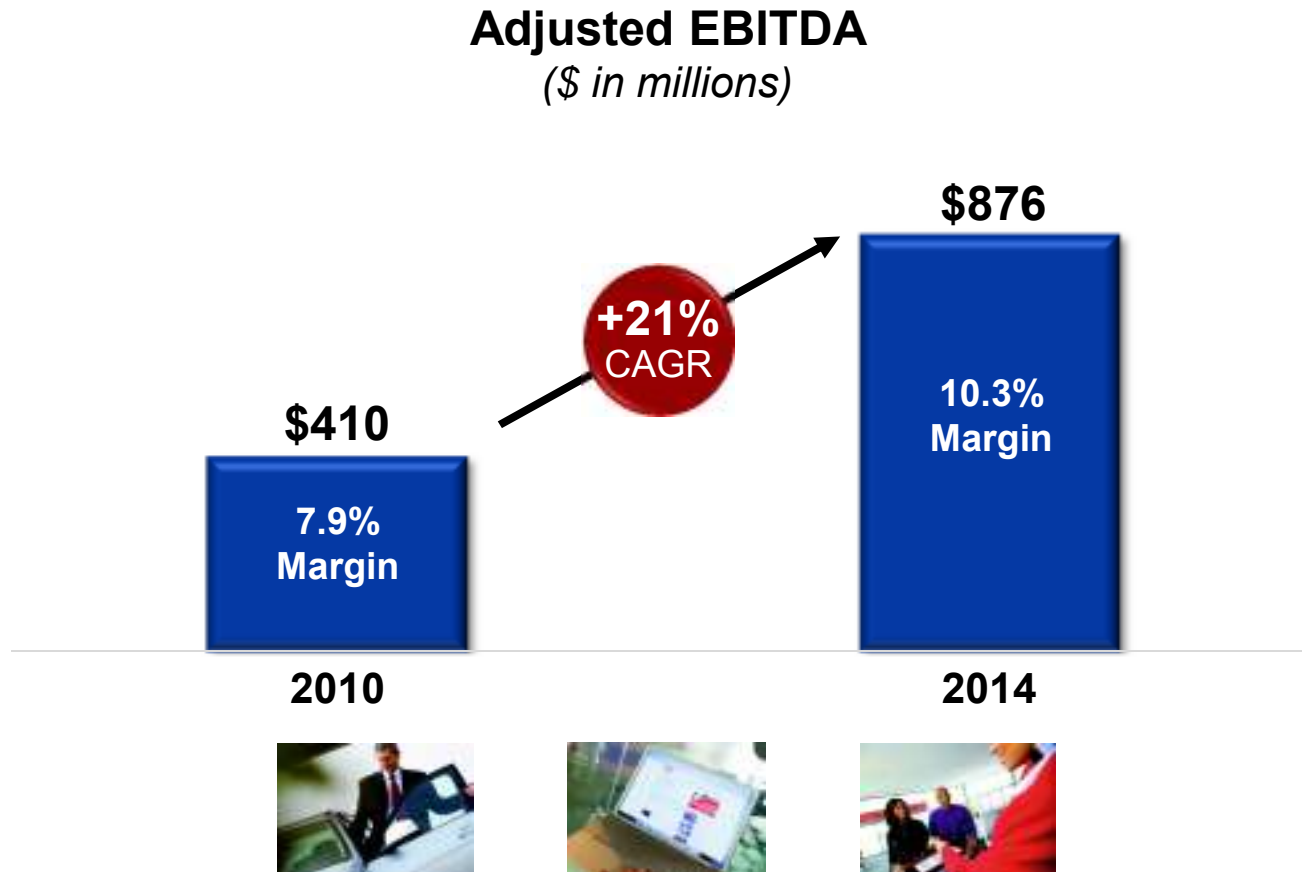


# ... So Pricing Has the Largest Impact on Margins

**Adjusted EBITDA Impact of a 1% Change in Driver**  
*(\$ in millions)*



# Substantial Profit Growth



**Significant margin improvement**



# Key Messages

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# Well-Positioned for Future Growth

## North America

- ▶ Revenue to be driven by volume growth and increased pricing



## EMEA

- ▶ Poised to benefit from economic recovery and continued integration



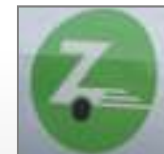
## Latin America / Asia-Pacific

- ▶ Strong profitability driven by high ancillary revenue and inbound volume

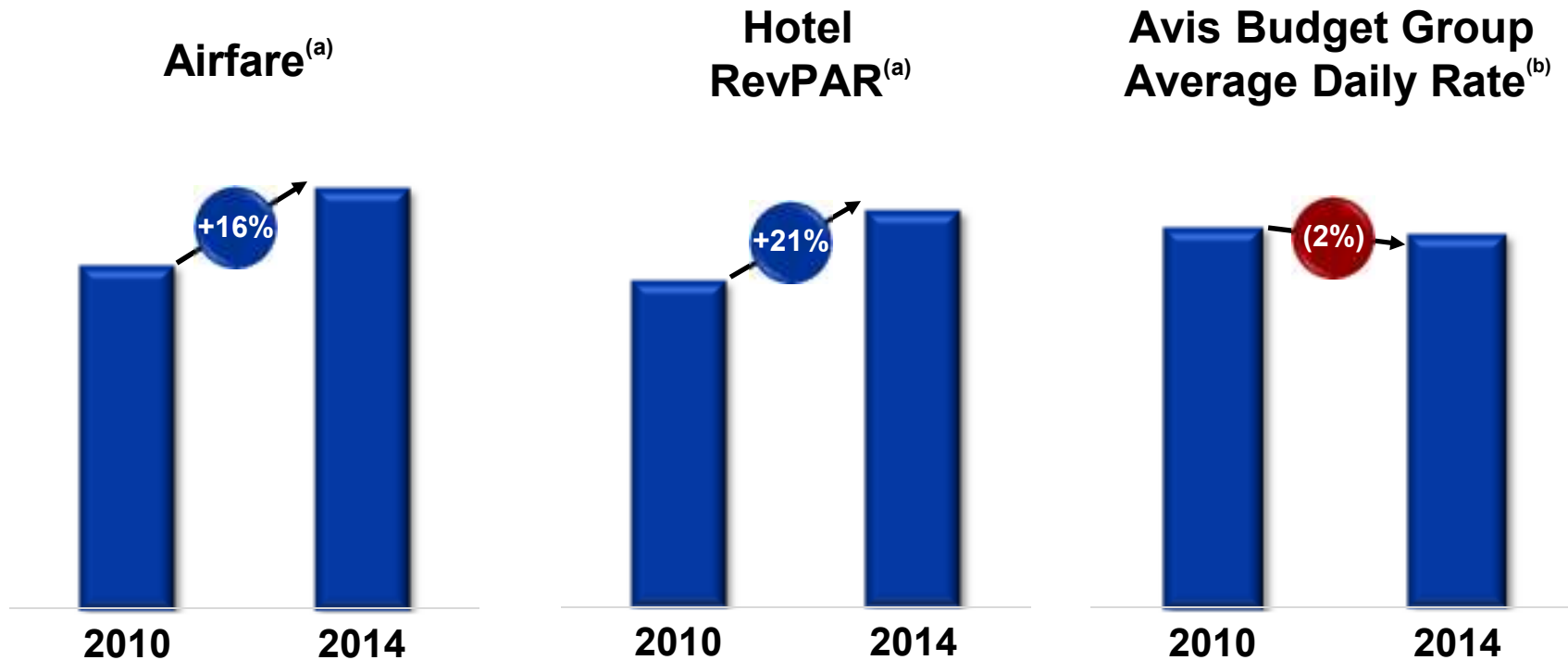


## Zipcar

- ▶ Targeting organic membership and revenue growth, incremental synergy benefits and expansion



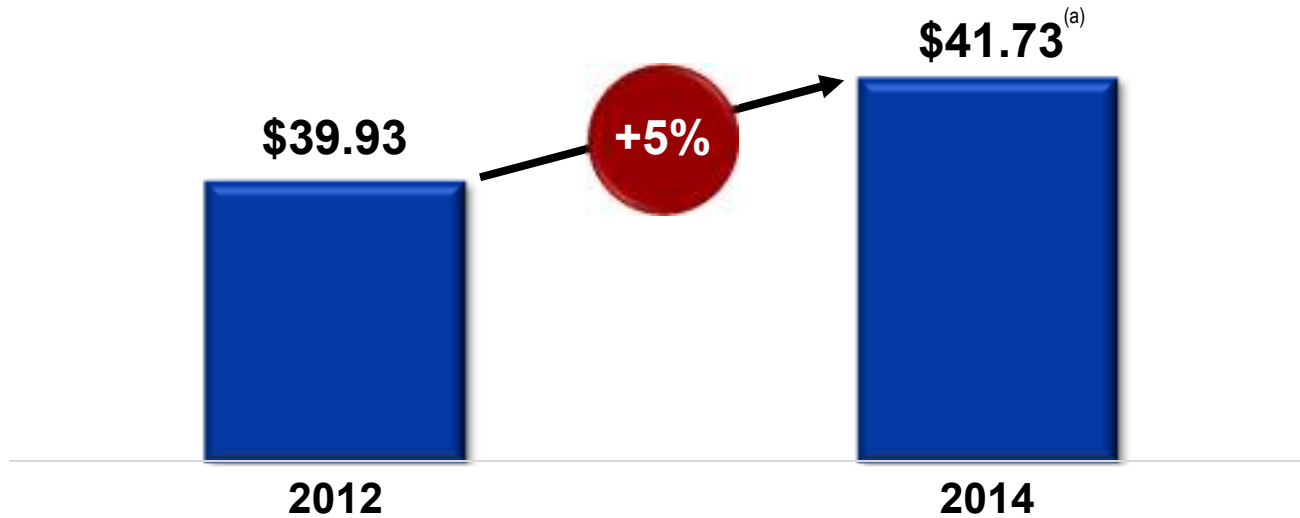
# Rental Car Pricing Has Lagged the Travel Industry . . .



**Significant opportunity for pricing improvement**

# ... But Pricing Has Been Improving

## Average Daily Rate



**Meaningful change in realized pricing**

# Key Messages

**The Business Today**

**Market Dynamics**

**Global Performance Drivers**

**Projected Earnings Growth**

# Strategic Plan

## Driving Sustained, Profitable Growth



***Strategically  
Accelerate  
Growth***



***Expand Our  
Global  
Footprint***



***Put the  
Customer  
First***



***Drive  
Efficiency  
Throughout  
the  
Organization***

# Delivering Higher Revenue per Transaction



**International Inbound<sup>(a)</sup>**

**Higher Revenue  
Per Transaction**

**+83%**



**Small Business<sup>(b)</sup>**

**+20%**



**Specialty & Premium Fleet<sup>(c)</sup>**

**+52%**



**Ancillary Revenue<sup>(d)</sup>**

**+75%**

Note: Data are 2013 results for North America excluding Payless and Zipcar

(a) Compared to all non-inbound transactions (b) Compared to contracted commercial transactions

(c) Compared to average transactions, excluding Specialty & Premium fleet (d) Compared to transactions without ancillary products

# Expanding our Global Footprint

## New Markets

- ▶ The Avis Europe transaction reunited our world-class brands globally, and Zipcar is the worldwide leader in car sharing

## Budget Licensees

- ▶ Acquisitions of Southern California, Edmonton, and Scandinavia will drive significant revenue and cost synergies

## Additional Brands

- ▶ Acquisitions of Payless and Apex provide a meaningful presence in the fast-growing deep-value segment





# Zipcar Meets Emerging Consumer Needs

- ▶ **Zipcar operates the largest member-based, car sharing network in the world**
  - **More than 470 cities and towns and 400 college campuses**
  - **915,000 members**
- ▶ **Locations in the United States, Canada and Europe**
- ▶ **Growth opportunities in existing markets, from new services, and international expansion**
- ▶ **Leverages Avis Budget infrastructure**

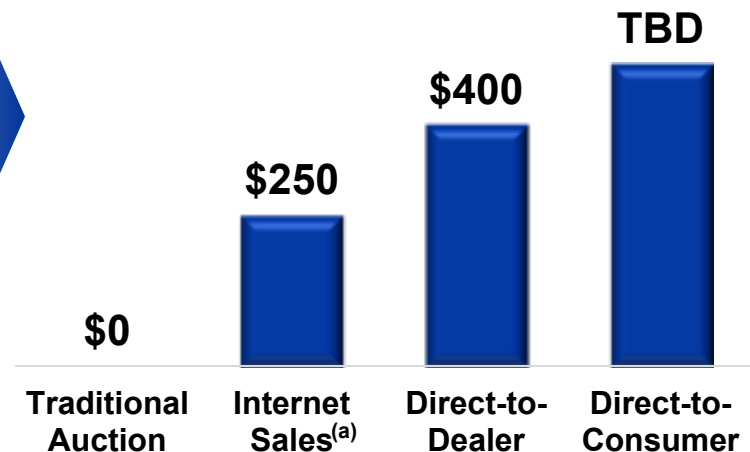


**Proprietary technology drives Zipcar's leadership and innovation**

# Diversifying Disposal Channels to Reduce Fleet Costs

- ▶ Expanding dealer-direct sales
- ▶ AutoNation partnership drives direct-to-consumer sales
- ▶ 80% more risk-car sales completed via alternative channels in 2014

## Alternative Disposal Channel Benefits



**Our combined direct-to-dealer and direct-to-consumer car sales have doubled since 2011**

# Organizational Efficiencies Delivering Significant Benefits

## Yield Management

- ▶ Targeted pricing strategies
- ▶ Integrate demand, fleet and revenue management

## Performance Excellence

- ▶ Organization-wide process improvement
- ▶ Fleet maintenance and repair
- ▶ Improve speed of vehicle sales

## Global Effectiveness

- ▶ Leveraging global scale of our organization
- ▶ Transforming internal support structures

## Acquisition Integration

- ▶ Europe
- ▶ Zipcar
- ▶ Payless
- ▶ Apex
- ▶ Licensees

**Each initiative providing eight-figure benefits**

# Key Messages

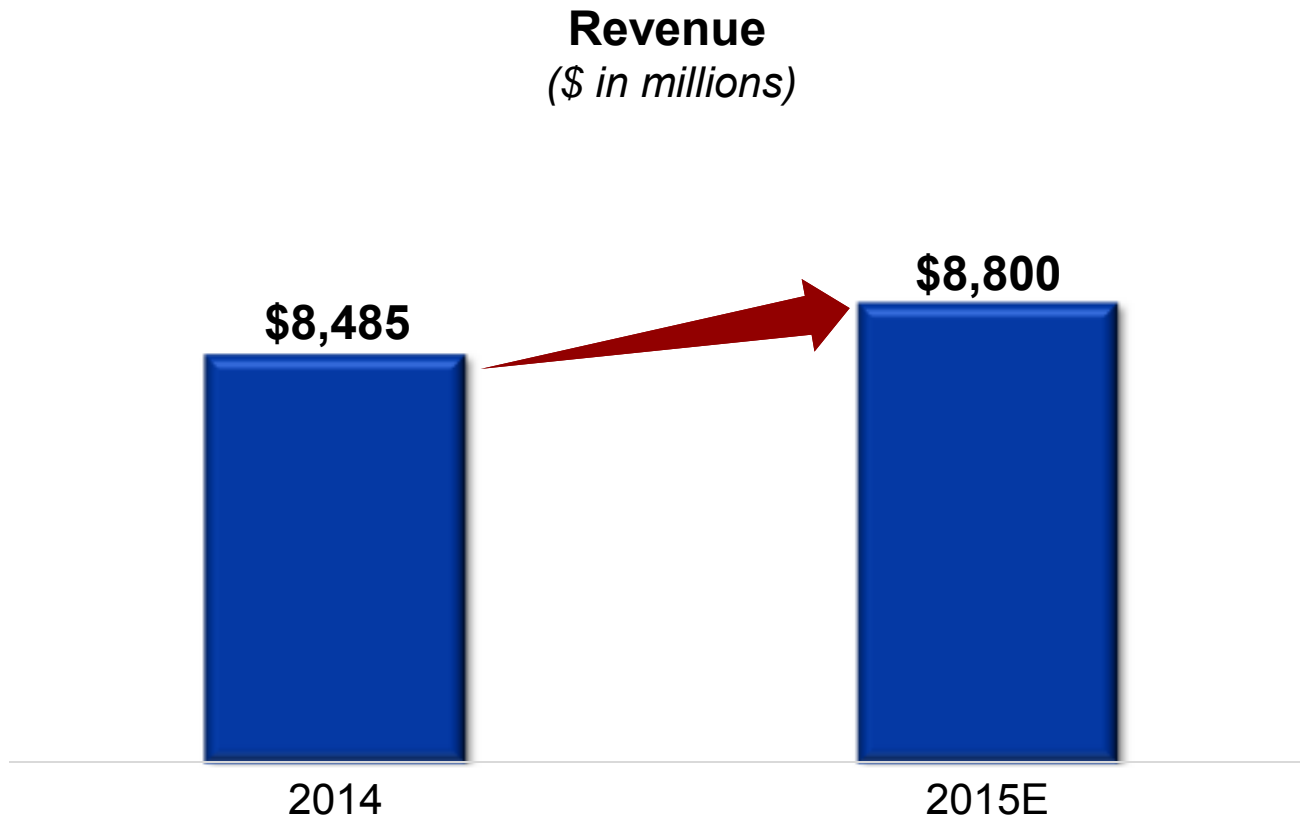
**The Business Today**

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**Projected Earnings Growth**

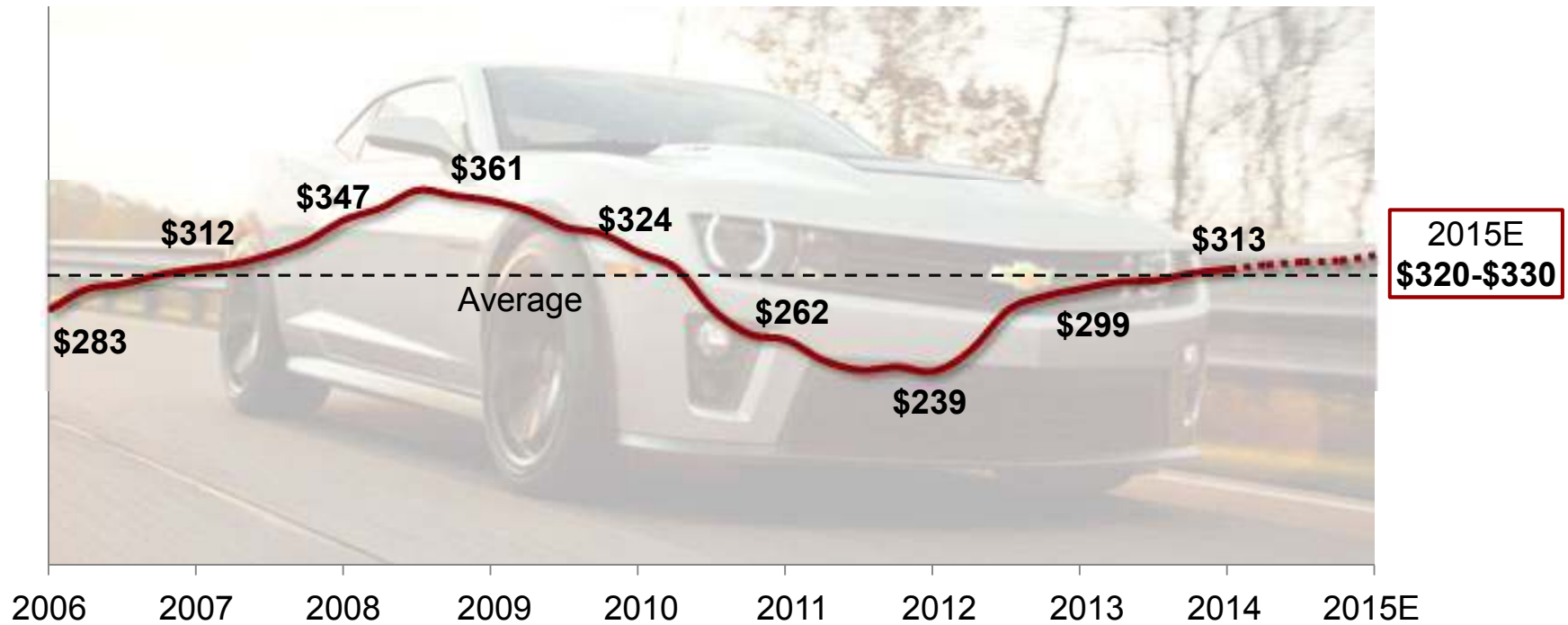
# We Expect Revenue to Increase Approximately 4% in 2015



**Pricing is expected to increase approximately 2% in 2015<sup>(a)</sup>**

# We Expect Fleet Costs Will Remain Manageable

## LTM Monthly Per-Unit Fleet Costs North America



**Per-unit fleet costs are expected to increase 2% to 5% in 2015**

# 2015 Outlook

(\$ in millions, except EPS)

	2015 Estimate <sup>(a)</sup>	Growth vs. 2014 <sup>(b)</sup>
Revenue	\$8,800	+4%
Adjusted EBITDA	\$900 – \$1,000	+8%
Pretax income	\$535 – \$635	+13%
Net income	\$335 – \$400	+12%
Diluted EPS	\$3.15 – \$3.75	+17%

# Significant Free Cash Flow

<i>(\$ in millions)</i>	2015E
<b>Adjusted EBITDA</b>	<b>\$900 – 1,000</b>
Corporate interest	(200)
Capital expenditures	(200)
Cash taxes	(50) – (75)
Working capital, vehicle programs and other	0
<b>Free Cash Flow</b>	<b>\$450 - 525</b>

**Expect free cash flow of approximately \$450 to \$525 million in 2015<sup>(a)</sup>**



# Planned Uses of Free Cash Flow in 2015

- ▶ **Share repurchases**
  - Expect to exhaust remaining \$285 million of share repurchase authorization in 2015
- ▶ **Tuck-in acquisition targets:**
  - Avis Budget Group licensees in or near where we operate corporately
  - Independent operators outside the United States

**Mix will depend on available opportunities**

# Key Messages

**Strong  
Performance**

**Strong financial performance**



**Focused**

**Focused on profitable growth**



**Global  
Opportunities**

**Multiple opportunities to grow globally**



**Profitable**

**Generating significant earnings  
and free cash flow**



**AVIS**<sup>®</sup>

 **Budget**<sup>®</sup>

 **apex** car rentals

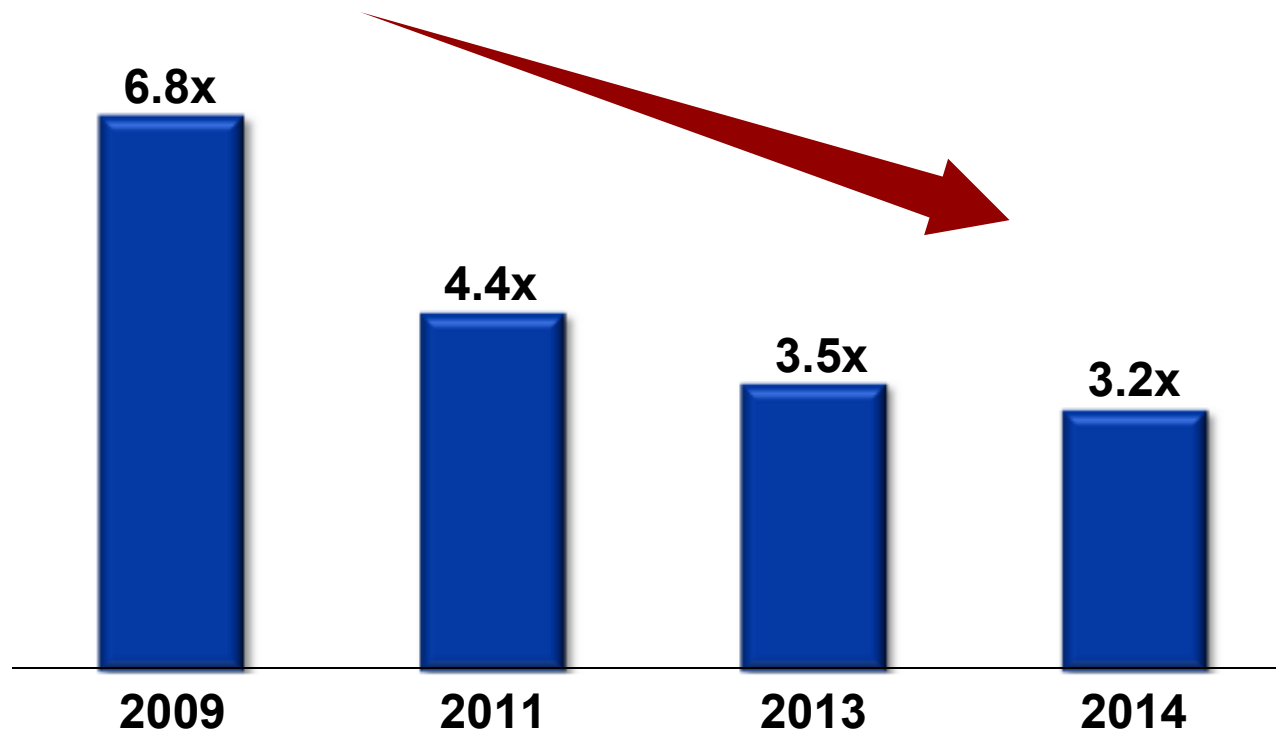
**Payless**<sup>®</sup> CAR RENTAL

 **zipcar.**

# Appendix

# Strong Earnings Growth Drives a Reduction in Leverage

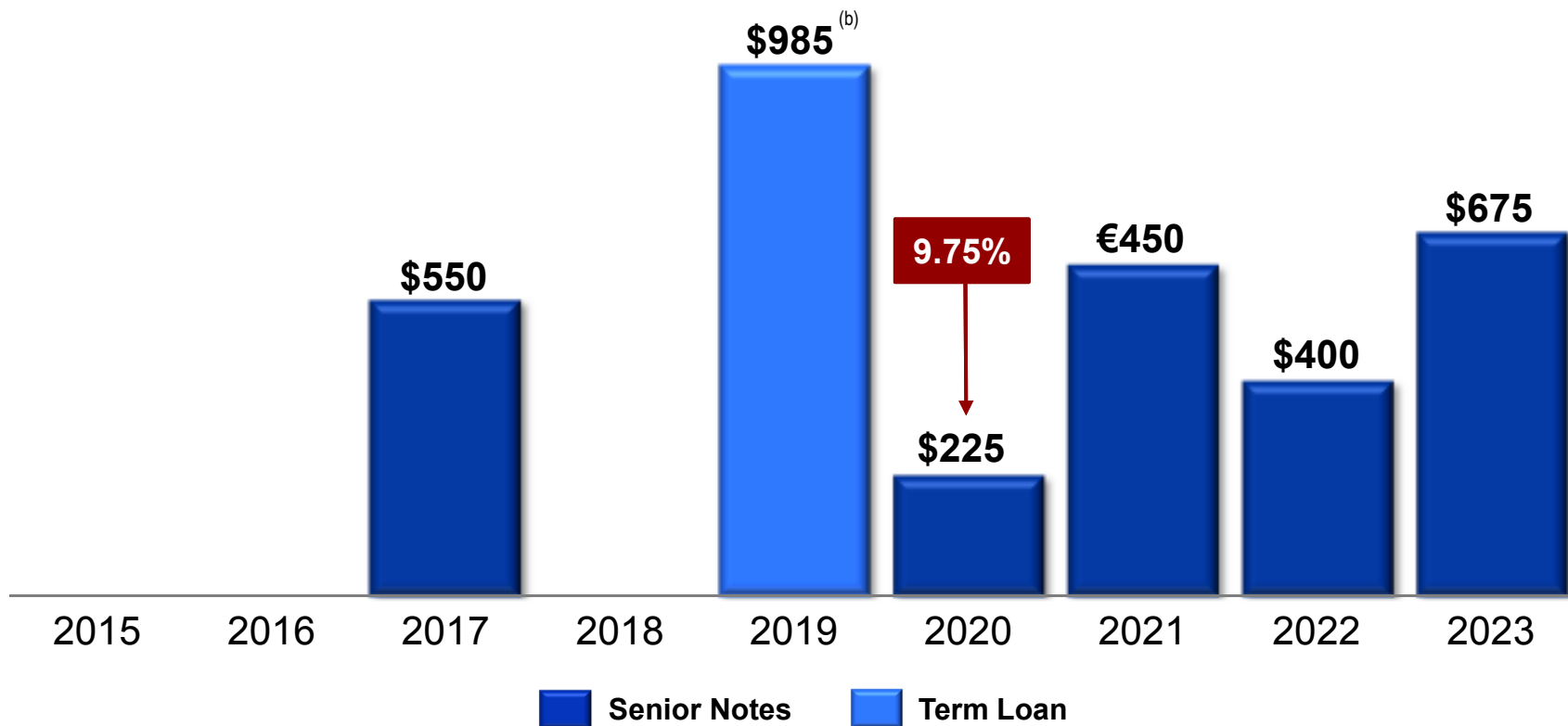
Adjusted EBITDA Leverage<sup>(a)</sup>



**Target net leverage of 3 to 4 times Adjusted EBITDA**

# Debt Refinancing Remains an Opportunity

**Corporate Debt Maturities<sup>(a)</sup>**  
*(in millions)*



# 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, which represents income from continuing operations before non-vehicle related depreciation and amortization, any impairment charge, restructuring expenses, early extinguishment of debt costs, non-vehicle related interest, transaction-related costs, net and income taxes. We believe 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 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 Avis Budget Group, Inc. income before income taxes (in millions):

	Year Ended December 31,				
	2010	2011	2012	2013	2014
<b>Total Revenue</b>	\$ 5,185	\$ 5,900	\$ 7,357	\$ 7,937	\$ 8,485
<b>Adjusted EBITDA</b>	\$ 410	\$ 610	\$ 840	\$ 769	\$ 876
Less: Non-vehicle related depreciation and amortization (excluding acquisition-related amortization expense)	90	91	109	128	147
Interest expense related to corporate debt, net (excluding early extinguishment of debt)	162	195	268	228	209
Income before income taxes, excluding certain items	158	324	463	413	520
Less certain items:					
Early extinguishment of debt	52	-	75	147	56
Restructuring expense	11	5	38	61	26
Transaction-related costs, net	14	255	34	51	13
Acquisition-related amortization expense	-	24	16	24	33
Impairment	-	-	-	33	-
Acquisition-related interest	8	4	-	-	-
Litigation costs	1	-	-	-	-
<b>Income before income taxes</b>	<b>\$ 72</b>	<b>\$ 36</b>	<b>\$ 300</b>	<b>\$ 97</b>	<b>\$ 392</b>

# Glossary

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

	Year Ended December 31,					
	2009	2010	2011	2012	2013	2014
Net corporate debt	\$ 1,649	\$ 1,591	\$ 2,671	\$ 2,299	\$ 2,701	\$ 2,796
Plus: Cash and cash equivalents	482	911	534	606	693	624
Corporate debt	\$ 2,131	\$ 2,502	\$ 3,205	\$ 2,905	\$ 3,394	\$ 3,420

## 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.

## Reconciliation of Free Cash Flow to net cash provided by operating activities:

	Year Ended December 31, 2014
<b>Free Cash Flow</b>	<b>\$ 456</b>
Investing activities of vehicle programs	2,219
Financing activities of vehicle programs	(382)
Capital expenditures	185
Proceeds received on asset sales	(21)
Change in restricted cash	(6)
Acquisition-related payments	146
Transaction-related payments	(18)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 2,579</b>

**avis** **budget** group