

# avis budget group

## First Quarter 2012 Earnings Call

May 7, 2012

Webcast: [ir.avisbudgetgroup.com](http://ir.avisbudgetgroup.com)  
Dial in: (210) 234-0038  
Replay: (203) 369-3691  
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.

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.

**avis** **budget** group

**Ron Nelson**

Chairman and Chief Executive Officer

## Best First Quarter in Our History

- ▶ **Positive demand in majority of markets**
- ▶ **North America pricing trends improved in second half of the quarter**
- ▶ **Margins improved significantly**
- ▶ **Residual values stronger than we had expected**
- ▶ **Tightened our fleet during the quarter**

## FIRST QUARTER 2012 HIGHLIGHTS

Integration on track for  
\$35 million of annual  
synergies

### Best First Quarter in Our History

- ▶ **Travel demand in Europe appears to be stabilizing**
- ▶ **Other international markets remain strong**
- ▶ **Truck performing well**
- ▶ **Strategic initiatives contributing to growth**

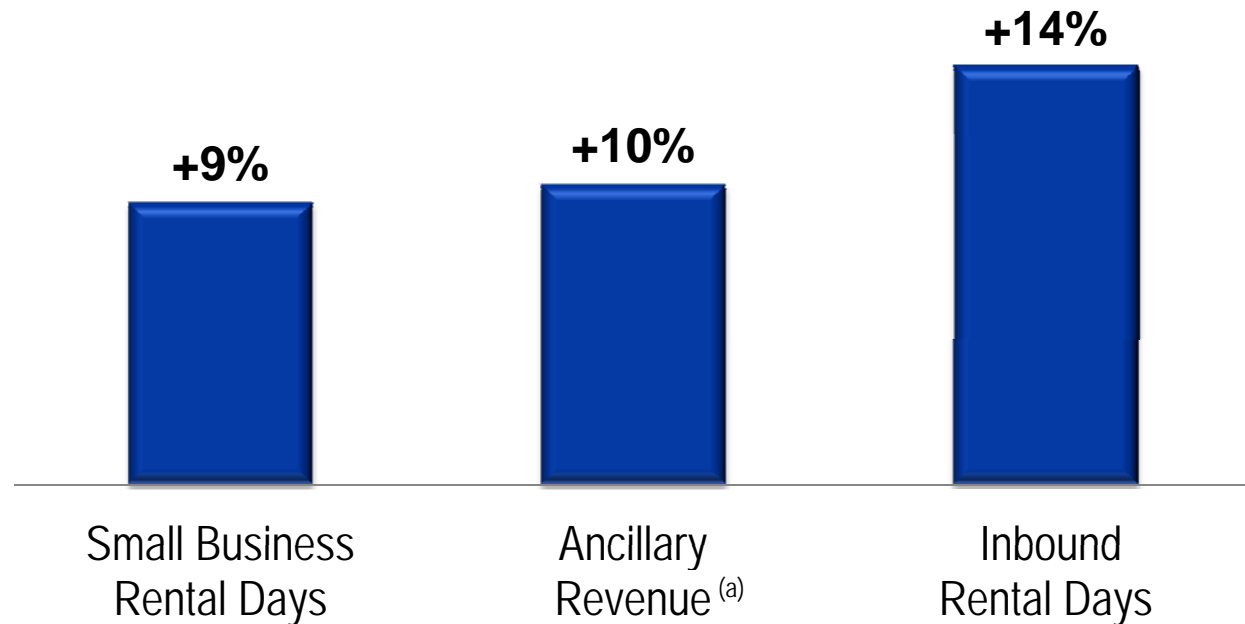
# NORTH AMERICA

Ended the first quarter with 520 co-branded local market stores

## Record First Quarter

- ▶ Volume increased 7%
- ▶ Continued focus on most attractive segments

## Year-over-Year Growth

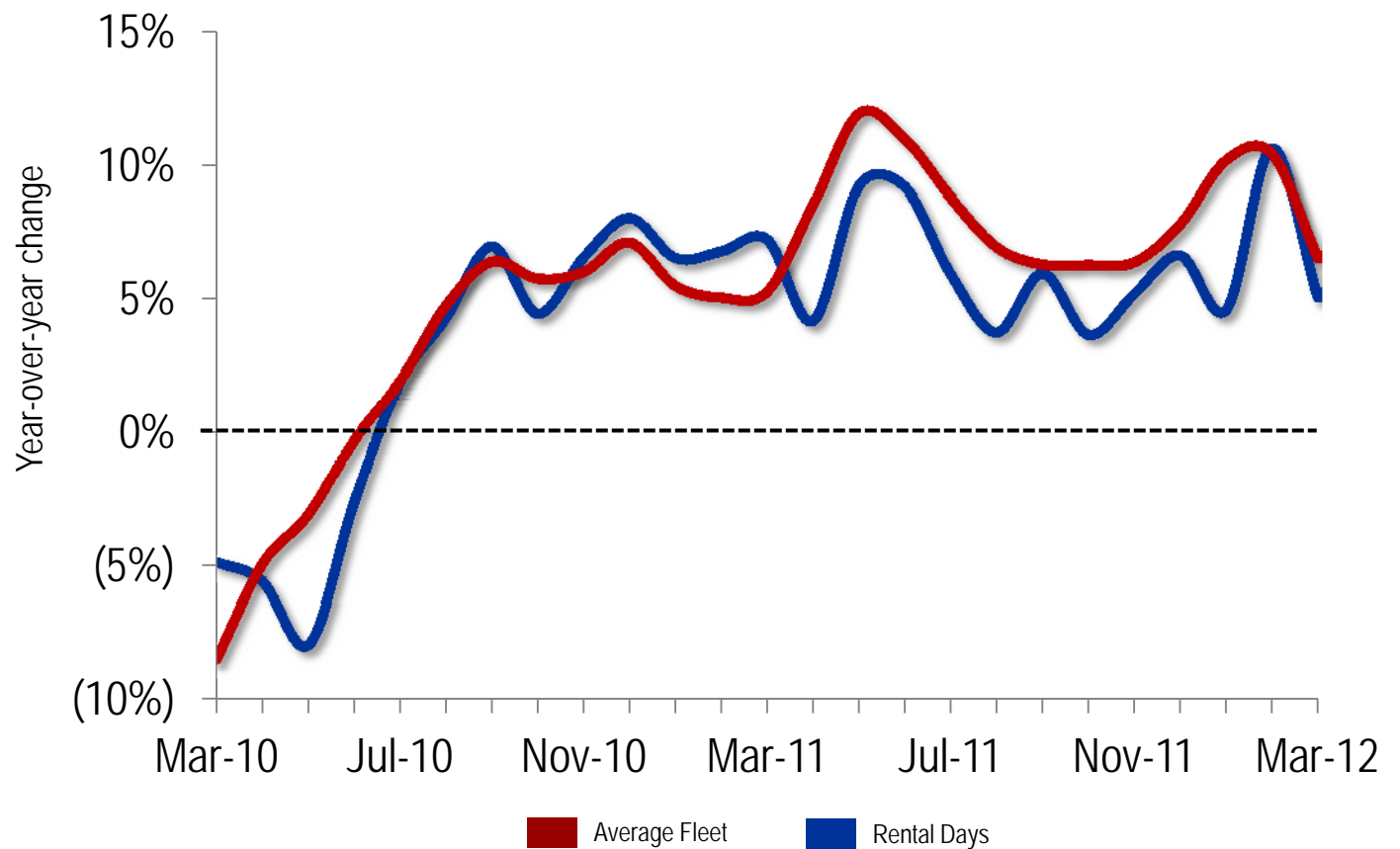


(a) Excluding gas and customer recoveries

# NORTH AMERICA

Average fleet was up 9% during the quarter, but up only 4% at quarter end

## Keeping Fleet Levels In Line with Demand



## Results In Line with Expectations

- ▶ **Volume down 4%**
- ▶ **Price up 1%, excluding currency**
- ▶ **Inbound volume increased 10%**
- ▶ **Insurance replacement volume declined 25% due to weather**
- ▶ **Budget revenues up double-digits**



## Second Quarter Outlook

- ▶ **North America**
  - Continued volume growth
  - Pricing trends improving modestly
  
- ▶ **International**
  - Continued economic softness in Europe
  - Budget expansion expected to mitigate impact
  - Maintaining fleet flexibility
  - Early summer res-build in Europe off to a strong start



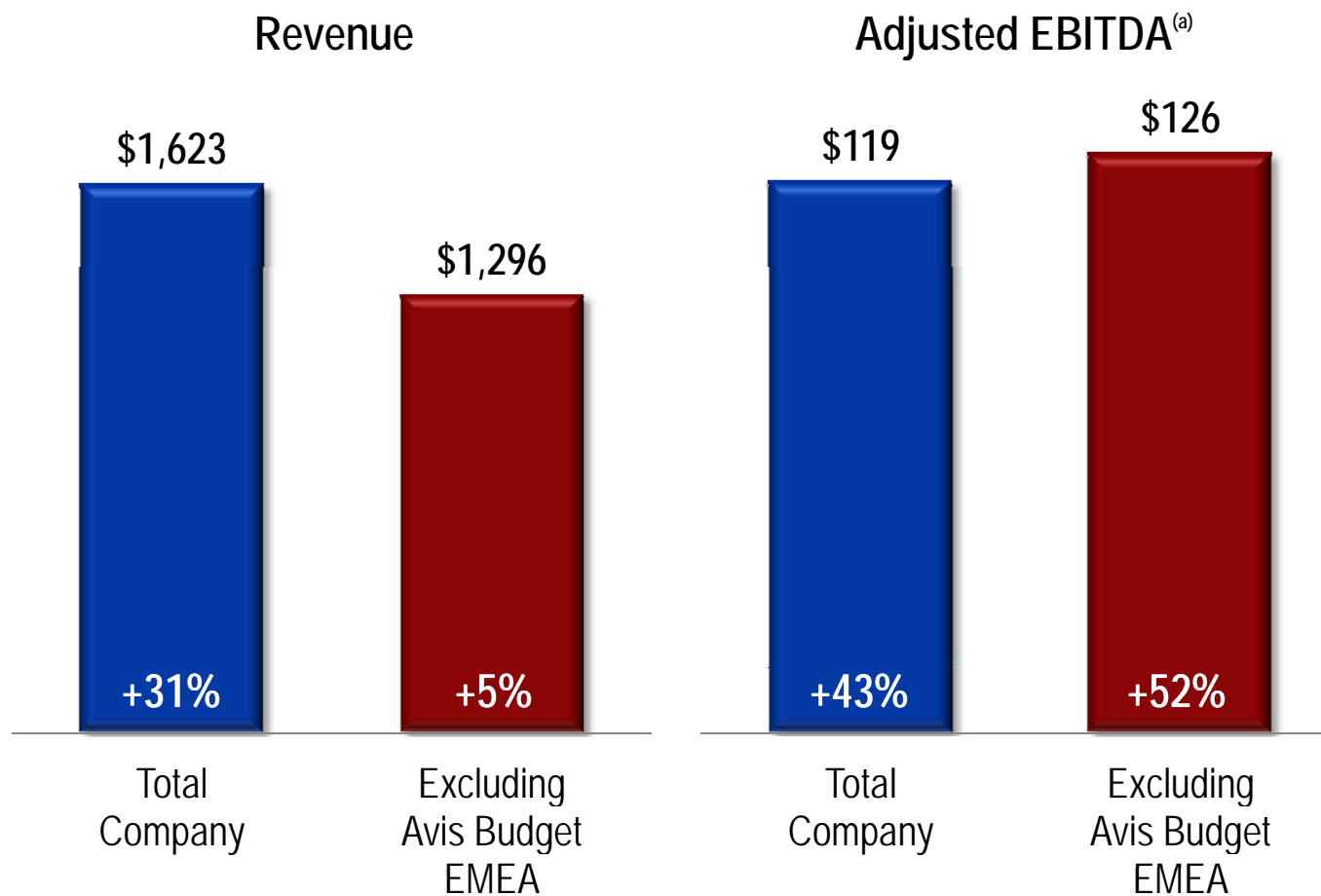
**David Wyshner**

Senior Executive Vice President  
and Chief Financial Officer

# FIRST QUARTER 2012 RESULTS

## Strong Growth in Revenue and Earnings

(\$ in millions)



Note: Percentages represent year-over-year change  
(a) Excluding certain items

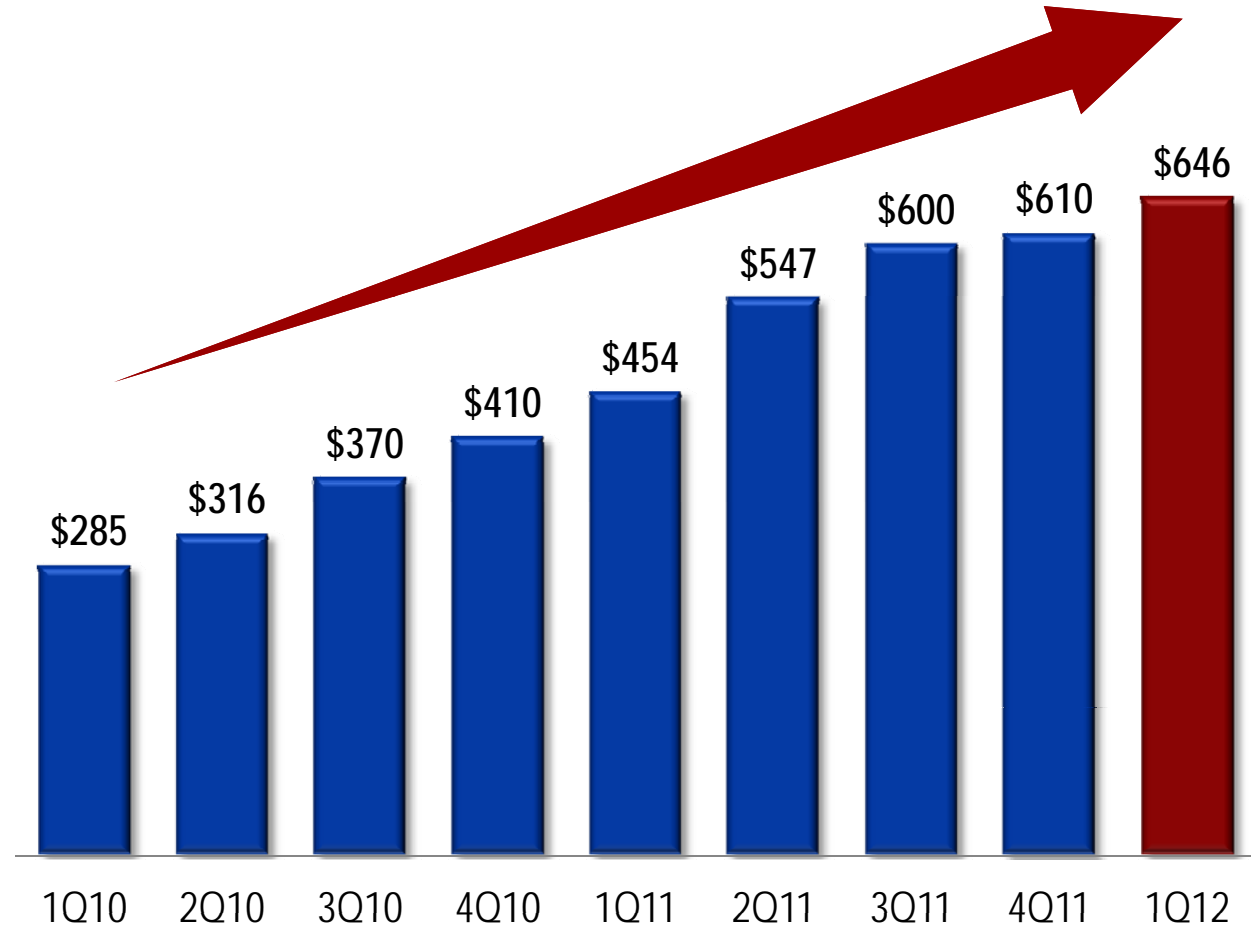
## Operating Costs In Line with Prior Year

- ▶ Reported direct operating costs up 1.9 points as a % of revenue, but . . .
  - Unchanged excluding EMEA
  - And down 30 basis point in North America
  
- ▶ Reported SG&A costs up 1.1 points as % of revenue, but . . .
  - Up only 50 basis points excluding EMEA
  - Reflecting prudent investments in brand marketing
  
- ▶ Fleet costs down 2.8 points as % of revenue

# FIRST QUARTER 2012 RESULTS

## LTM Adjusted EBITDA<sup>(a)</sup>

*(\$ in millions)*



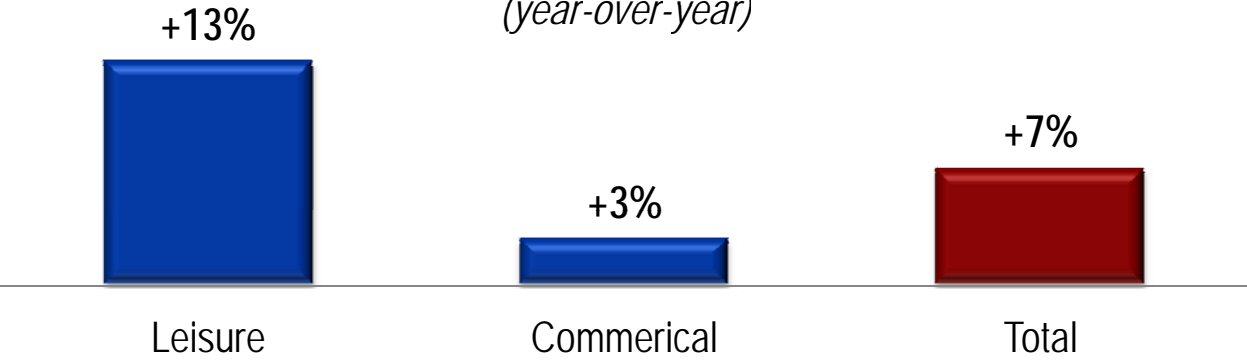
(a) Excluding certain items

# NORTH AMERICA

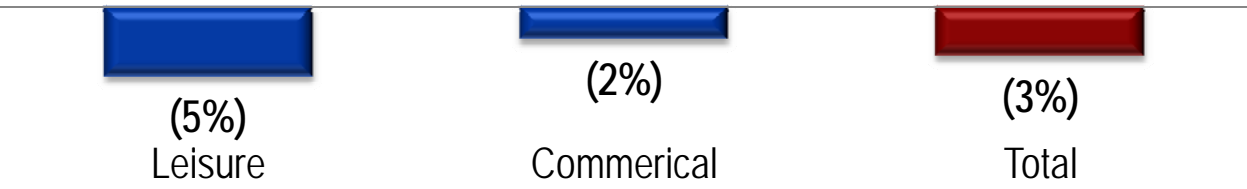
Ancillary revenue growth<sup>(a)</sup> of 10% mitigated more than a half point of price decline

**Revenue Increased 4%**

## Rental Days *(year-over-year)*



## Average Daily Rate *(year-over-year)*



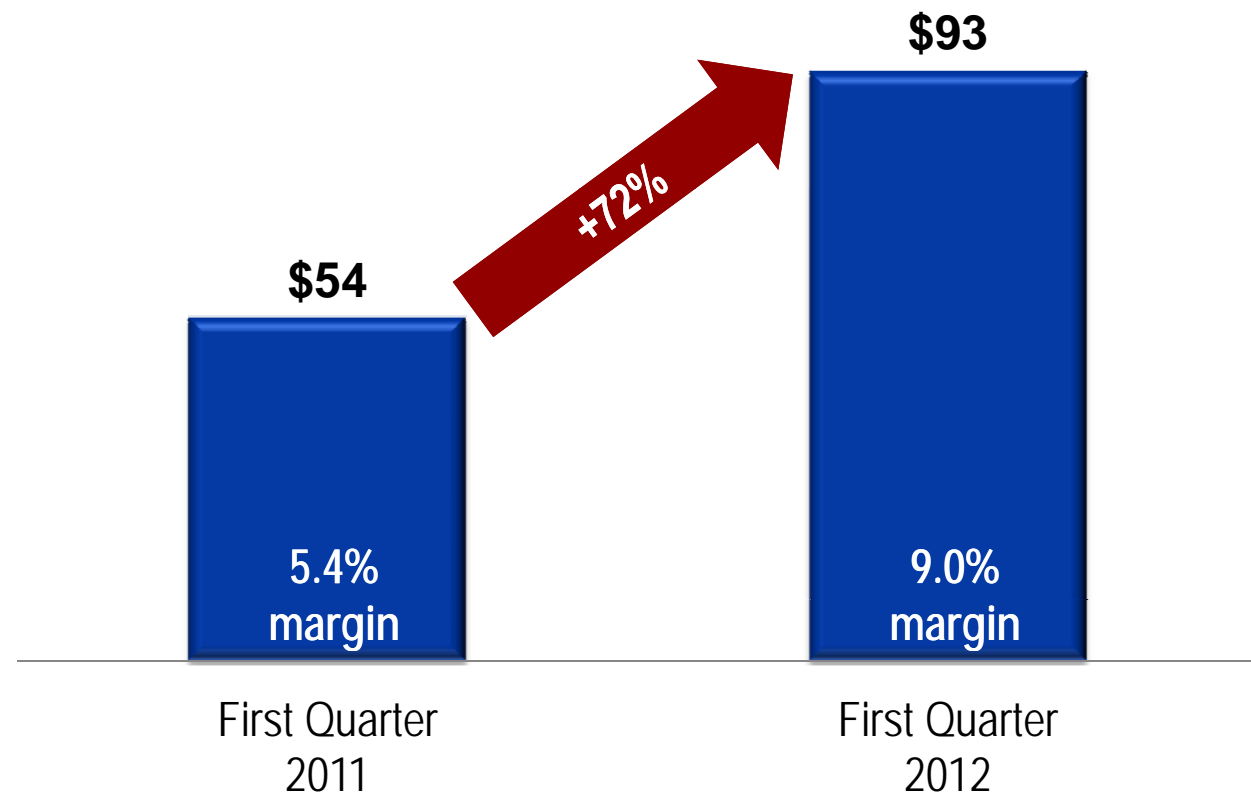
(a) Excluding gas and customer recoveries

## NORTH AMERICA

Higher Adjusted EBITDA<sup>(a)</sup> driven by higher revenues and 21% decline in per-unit fleet costs

### Significant Improvement in Adjusted EBITDA<sup>(a)</sup>

(\$ in millions)



(a) Excluding certain items

## Strong Revenue Growth

	<u>Reported</u>	<u>Avis Budget EMEA</u>	<u>Excluding EMEA</u>
Revenue	+215%	(5%)	+13%
Rental days	+263%	(4%)	+6%
Average daily rate	(14%)	(3%)	+5%
Average daily rate excluding currency	+1% <sup>(a)</sup>	+1%	unchanged

Note: Percentages represent year-over-year change

(a) Pro forma

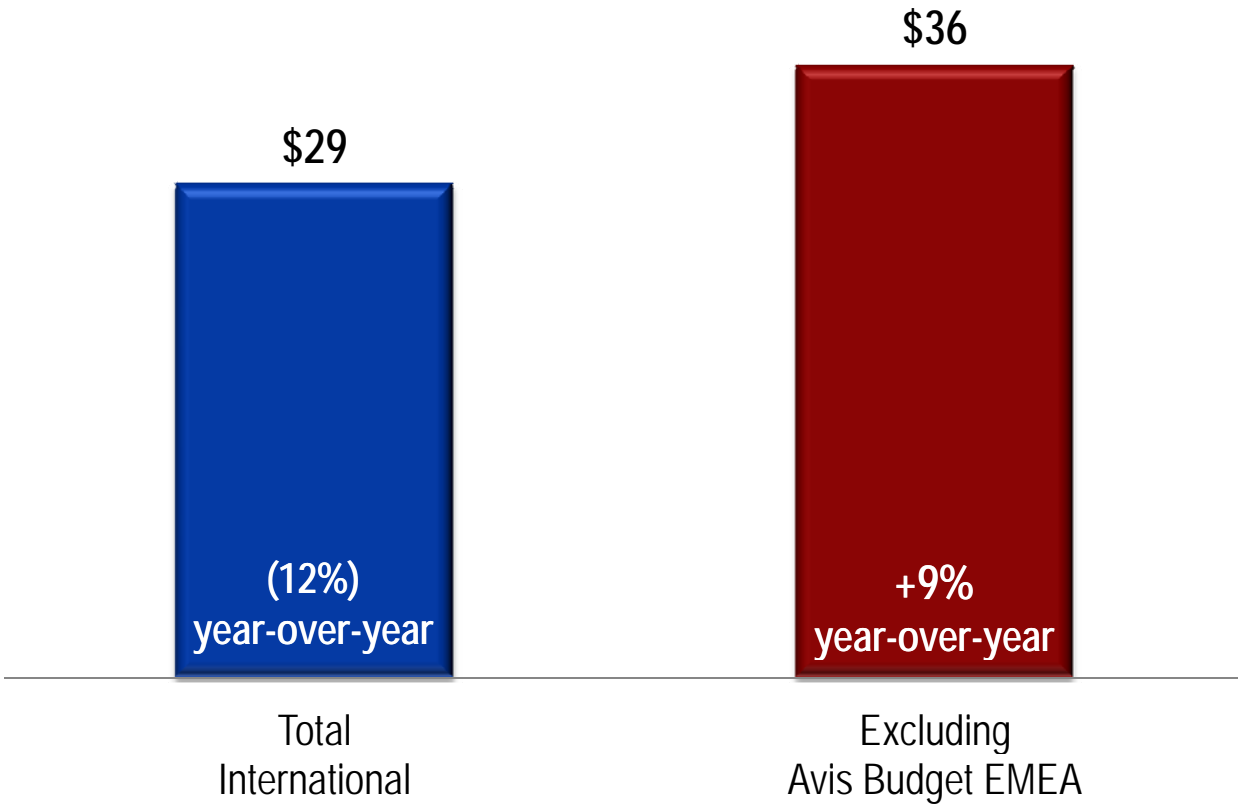


# INTERNATIONAL

EMEA Adjusted EBITDA<sup>(a)</sup> declined \$14 million from last year primarily due to lower volume, the timing of incentive compensation and currency effects

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

(\$ in millions)



(a) Excluding certain items

Remain confident in our ability to reach a run-rate of \$35 million of annual savings by the first anniversary of the acquisition

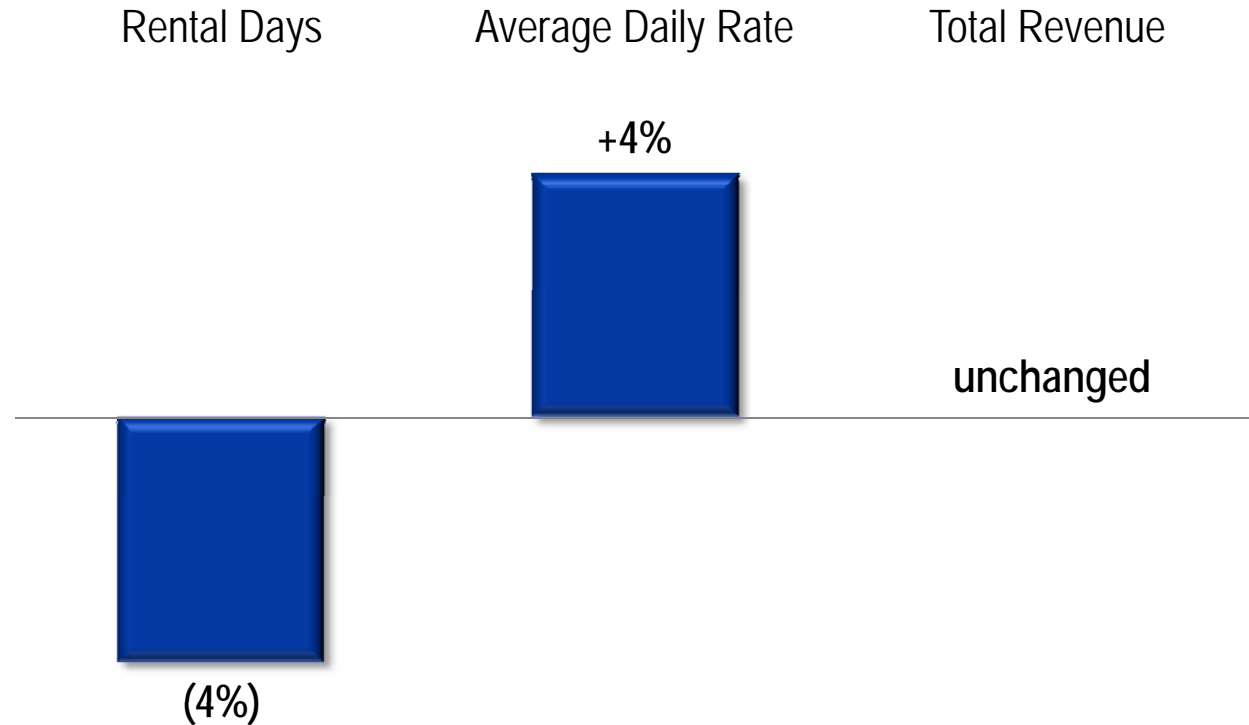
### **Avis Europe Integration Proceeding as Planned**

- ▶ **Eliminated public company expenses**
- ▶ **Renegotiated the lease for our headquarters**
- ▶ **Reduced senior management costs while also improving the quality of our team**
- ▶ **Launched Performance Excellence initiative**
- ▶ **Integrating information technology**
- ▶ **Expanding shared-services center**
- ▶ **Seizing international inbound opportunities**

# TRUCK RENTAL

Difficult comparison:  
17% growth in volume  
and \$4 million  
increase in Adjusted  
EBITDA in first quarter  
2011<sup>(a)</sup>

## Stable Revenue and Earnings Improvement



**Adjusted EBITDA Increased \$1 million<sup>(a)</sup>**

(a) Excluding certain items

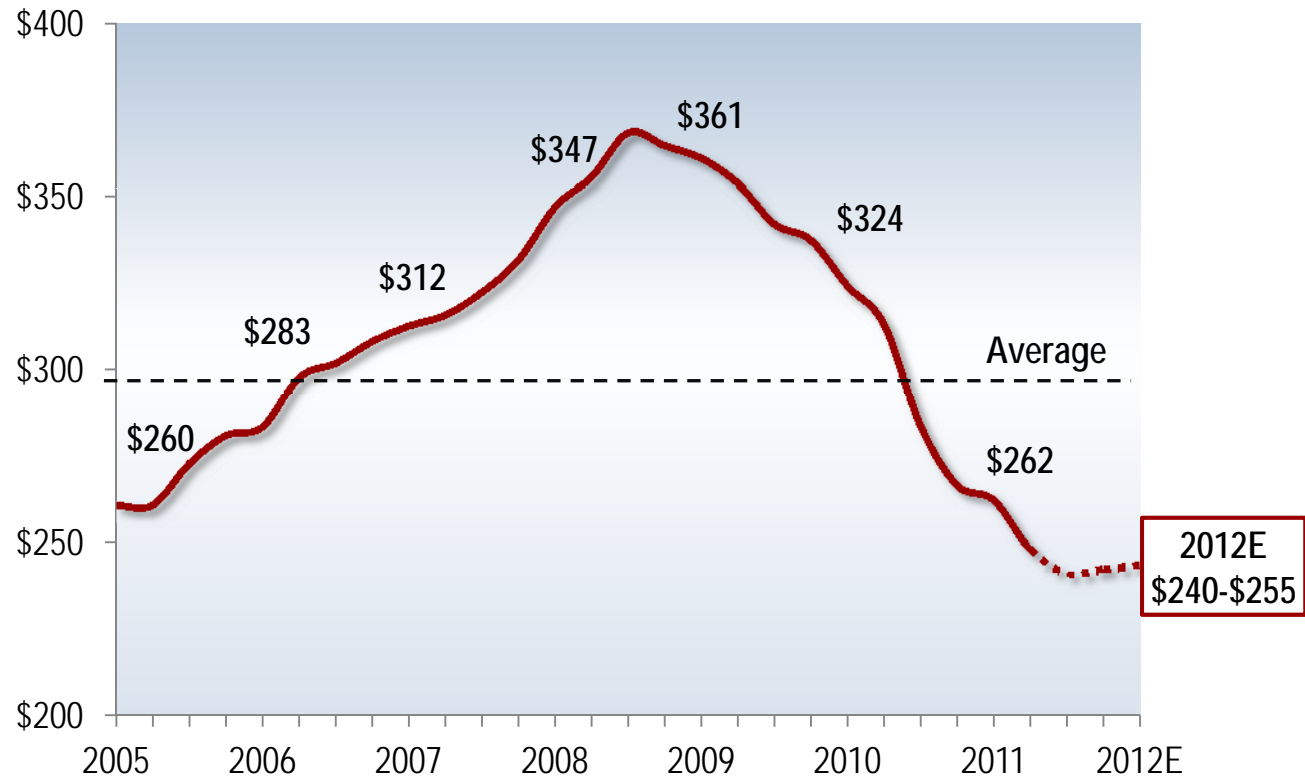
# FLEET UPDATE

Expect 2012 North America monthly per-unit fleet costs to decline 3% to 8% from 2011

Expect 60% risk fleet for North America in 2012

## Strong Used Car Market Driving Down Fleet Costs

LTM Monthly Per-Unit Fleet Costs  
North America



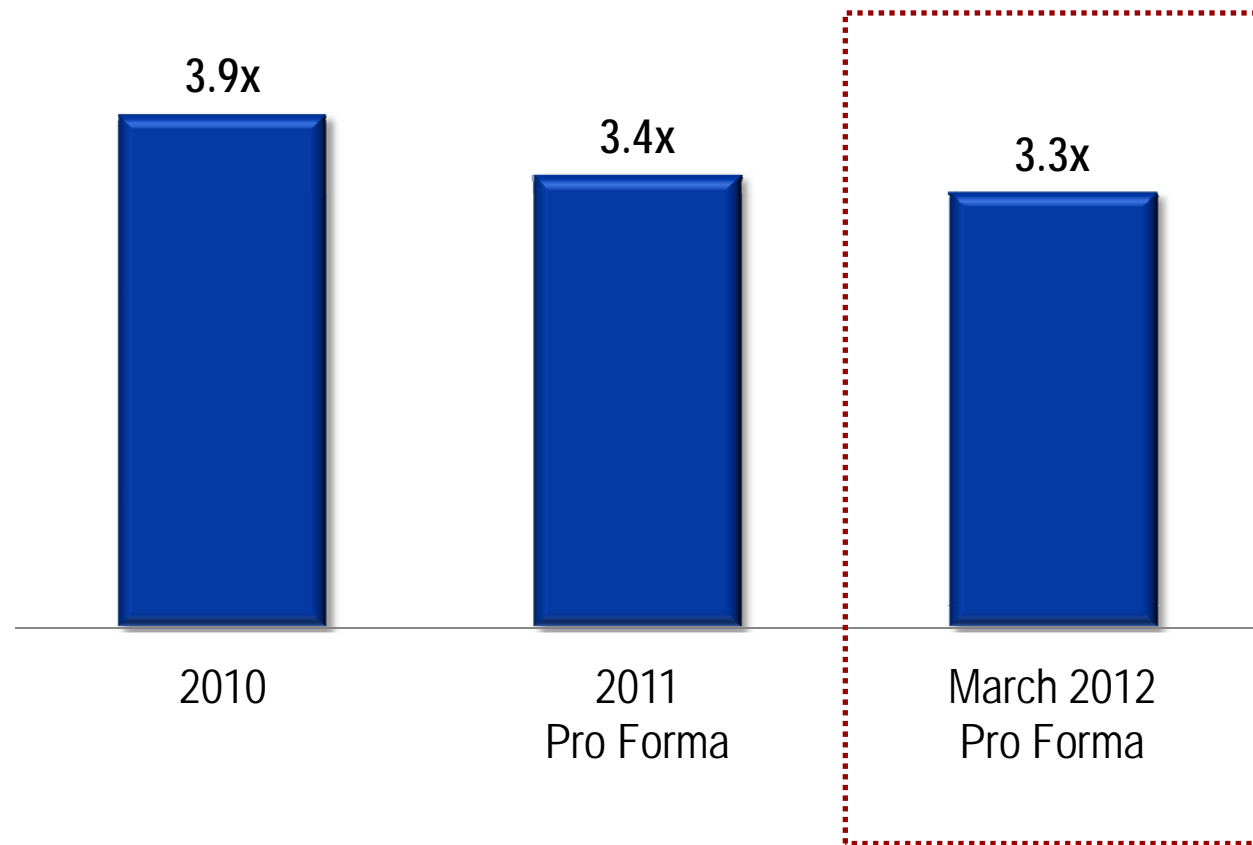
Risk %	2005	2006	2007	2008	2009	2010	2011	2012E
	1%	8%	26%	55%	65%	53%	52%	60%

# STRENGTHENING THE BALANCE SHEET

Cash balance of \$606  
million

## Leverage Continues to Decline

Net Corporate Debt / LTM Adjusted EBITDA<sup>(a)</sup>



(a) Excluding certain items

## 2012 GUIDANCE

### Other items:

- Expect diluted share count of 125 million
- Do not expect to be a U.S. federal cash taxpayer for 2012
- Expect capital expenditures of \$125 million

## Expect Significant Growth in Revenue and Earnings

<i>(\$ in millions, except EPS)</i>	Projection <sup>(a)</sup>	Growth vs. 2011 <sup>(b)</sup>
Revenue	\$7,300 – \$7,600	27%
Adjusted EBITDA	825 – 875	39%
Non-vehicle D&A	110	
Interest expense	255	
Pretax income	460 – 510	50%
Income taxes <sup>(b)</sup>	165 – 185	
Net income	\$295 – \$325	51%
Diluted EPS	\$2.35 – \$2.65	52%

(a) Excluding certain items  
(b) Based on midpoint of range

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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 (loss) before income taxes (in millions):

	Year Ended December 31,		Quarter Ended March 31,	
	2010	2011	2011	2012
Total Revenue	\$ 5,185	\$ 5,900	\$ 1,235	\$ 1,623
Adjusted EBITDA excluding certain items	\$ 410	\$ 610	\$ 83	\$ 119
Less: Non-vehicle related depreciation and amortization	90	91	23	27
Interest expense related to corporate debt, net (excluding pre-closing interest related to acquisition financing)	162	195	40	73
<b>Income (loss) before income taxes, excluding certain items</b>	<b>\$ 158</b>	<b>\$ 324</b>	<b>\$ 20</b>	<b>\$ 19</b>
Less certain items:				
Transaction-related costs	14	255	2	6
Acquisition-related interest	8	24	7	-
Restructuring charges	11	5	-	7
Acquisition-related amortization expense	-	4	-	5
Early extinguishment of debt	52	-	-	27
Litigation costs	1	-	-	-
Impairment	-	-	-	-
Separation-related costs, net	-	-	-	-
<b>Avis Budget Group, Inc. income (loss) before income taxes</b>	<b>\$ 72</b>	<b>\$ 36</b>	<b>\$ 11</b>	<b>\$ (26)</b>



# GLOSSARY

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

	Year Ended December 31,		Quarter Ended
	2010	2011	March 31, 2012
Net corporate debt	\$ 1,591	\$ 2,671	\$ 2,695
Plus: Cash and cash equivalents	911	534	606
Corporate debt	<u>\$ 2,502</u>	<u>\$ 3,205</u>	<u>\$ 3,301</u>

## 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	March 31, 2012
Pro forma Adjusted EBITDA excluding certain items	\$ 410	\$ 781	\$ 810
Avis Europe pro forma EBITDA	-	171	164
Adjusted EBITDA excluding certain items	\$ 410	\$ 610	\$ 646
Less: Non-vehicle related depreciation and amortization	90	91	95
Interest expense related to corporate debt, net (excluding pre-closing interest related to acquisition financing)	162	195	228
Income (loss) before income taxes, excluding certain items	\$ 158	\$ 324	\$ 323
Less certain items:			
Transaction-related expenses	14	255	259
Acquisition-related interest	8	24	17
Restructuring charges	11	5	12
Acquisition-related amortization expense	-	4	9
Early extinguishment of debt	52	-	27
Litigation costs	1	-	-
Impairment	-	-	-
Income (loss) before income taxes	<u>\$ 72</u>	<u>\$ 36</u>	<u>\$ (1)</u>

## Reconciliation of net income, excluding certain items to net income (loss):

	Quarter Ended March 31,	
	2011	2012
Earnings per share, excluding certain items (diluted)	\$ 0.11	\$ 0.12
Shares used to calculate Earnings per share, excluding certain items (diluted)	128.0	127.6
Net income (loss), excluding certain items	\$ 12	\$ 14
Less certain items, net of tax:		
Transaction-related expenses	1	5
Acquisition-related interest	4	-
Restructuring charges	-	5
Acquisition-related amortization expense	-	4
Early extinguishment of debt	-	23
Net income (loss)	<u>\$ 7</u>	<u>\$ (23)</u>