



# avis budget group

## Second Quarter 2013 Earnings Call

August 7, 2013

Webcast: [ir.avisbudgetgroup.com](http://ir.avisbudgetgroup.com)

Dial-in: (630) 395-0021

Replay: (203) 369-1043

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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 10-Q.

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

## SECOND QUARTER 2013 HIGHLIGHTS

Acquired Payless Car  
Rental subsequent to  
quarter-end

### Results Reflect Progress on Numerous Fronts

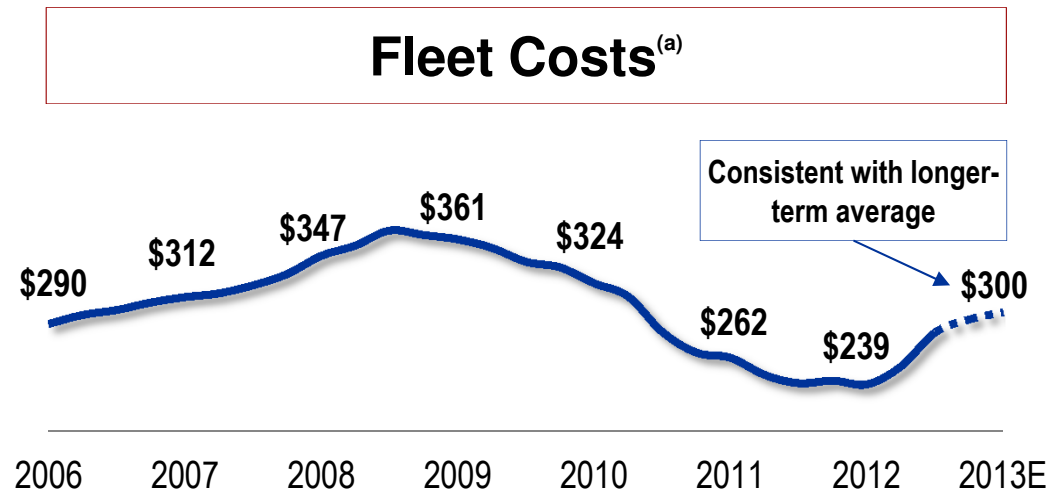
- ▶ **Revenue increased 7%**
  - North America volume and pricing increased
  - Continued rapid Budget growth in Europe
  - Zipcar integration proceeding well
- ▶ **Pricing partially offset higher fleet costs in North America**
- ▶ **Mitigating effects of macroeconomic weakness in Europe and Australia**
- ▶ **Authorized \$200 million share repurchase**

# FLEET COSTS

Expanding our direct-to-dealer activities and direct-to-consumer partnership for vehicle sales

## Higher-than-Expected Fleet Costs

- ▶ Residual values in the second quarter were weaker than we had expected
  - \$20 million impact in the quarter
- ▶ Working to mitigate higher fleet costs through optimization, alternative disposal channels and pricing



(a) Trailing twelve months, per-unit per-month

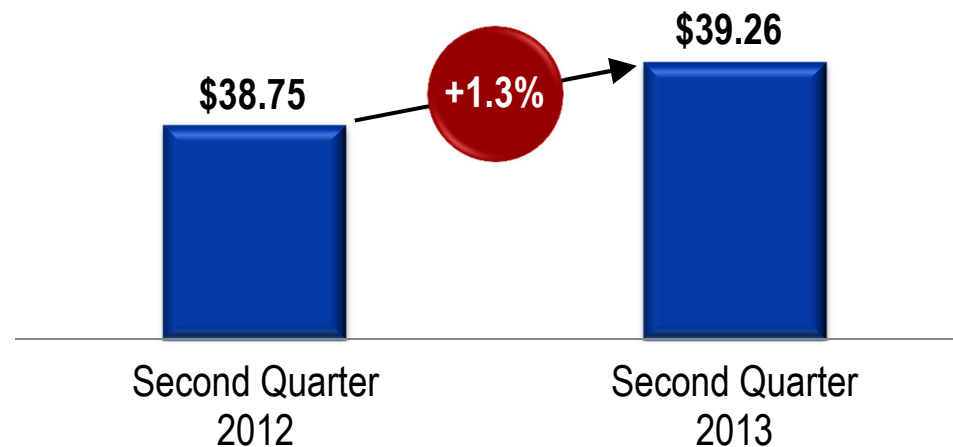
# NORTH AMERICA PRICING

Year-to-date pricing up 3%

## Increased Pricing

- ▶ Initiated multiple leisure price increases during the second quarter
  - Leisure pricing increased 4%
- ▶ Pricing trends for commercial contract renewals improved from the first quarter

### Time & Mileage Revenue per Day

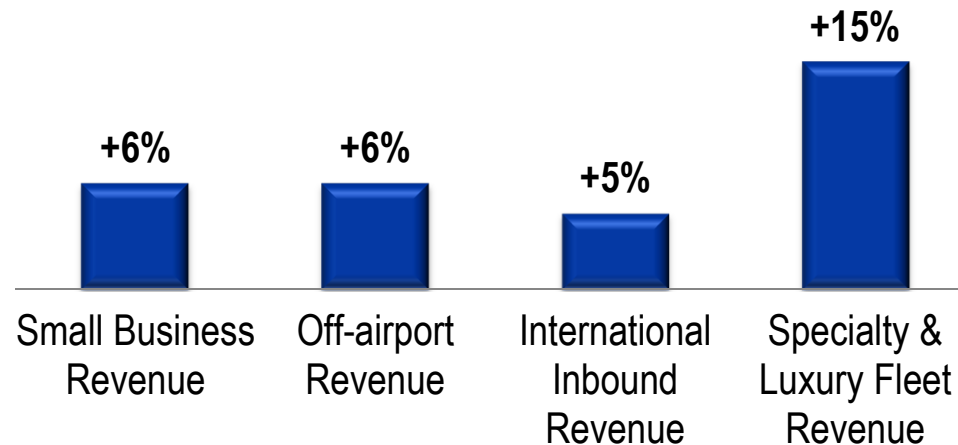


Note: Excludes Zipcar

## Multiple Accomplishments

- ▶ Revenue increased 9%
  - Organic growth of 3%
- ▶ Completed acquisition of Payless Car Rental
- ▶ More profitable segments contributing to growth

### Year-over-Year Growth<sup>(a)</sup>



(a) Second quarter 2013

## INTERNATIONAL

Avis' quarterly volume increased in Europe for the first time since 2011

Budget rental days increased more than 50%

### Difficult Economic Environment

- ▶ **Latin America / Asia-Pacific pricing declined 4%, excluding foreign currency and Apex**
  - **Primarily related to Australia**
- ▶ **Volumes increased in France, Italy, Spain and the United Kingdom**
  - **Avis and Budget brands each reported positive year-over-year pricing in Europe**
- ▶ **Continued progress toward \$55 to \$75 million of incremental synergies in Europe by 2015**



# ZIPCAR

Continue to expect \$50 to \$70 million in annual synergies within two years of the acquisition

## Zipcar Integration Proceeding Well

- ▶ Increased Zipcar's North America fleet by 15%
- ▶ Increased membership by 12%
- ▶ Positioning Zipcar to capture more of Zipsters' mobility needs
  - Enabling weekly and multi-day rentals
  - Zipcar now available at 19 airport locations
  - About to begin testing one-way rentals



### North America

- ▶ **Expect volume trends to be positive in second half**
- ▶ **Pushing for pricing to offset higher fleet costs**
  - **Seeing year-over-year price increases in the summer**
- ▶ **Continue to target fastest-growing and most profitable segments**
  - **International inbound**
  - **Small business**
  - **Specialty and premium car classes**
  - **General-use off-airport volume**
  - **Prepaid rentals**

### International

- ▶ **Europe**
  - Volumes should benefit from strong Budget growth and new commercial business
  - Seeing year-over-year price increases for both Avis and Budget during summer peak
- ▶ **Latin America / Asia-Pacific**
  - Expanding Apex' presence in Australia
  - Focused on driving high-margin international inbound and outbound revenue
  - Managing costs to mitigate soft pricing and demand in Australia

## SHARE REPURCHASES

Targeting more than \$1  
billion of Adjusted  
EBITDA by 2015

### **\$200 Million Authorization**

- ▶ **Right time to begin to return a portion of our free cash flow to shareholders via share repurchases**
  - **Repurchased \$270 million of convertible debt over the past two years**
  - **Reduced diluted share count by 13%**
- ▶ **Decision reflects confidence in the business and long-term prospects**
- ▶ **Enables us to maintain a prudent capital structure**
  - **Net leverage target of 3-4 times is unchanged**

**Expect to Repurchase Approximately  
\$50 Million of Stock This Year**



**David Wyshner**

Senior Executive Vice President  
and Chief Financial Officer

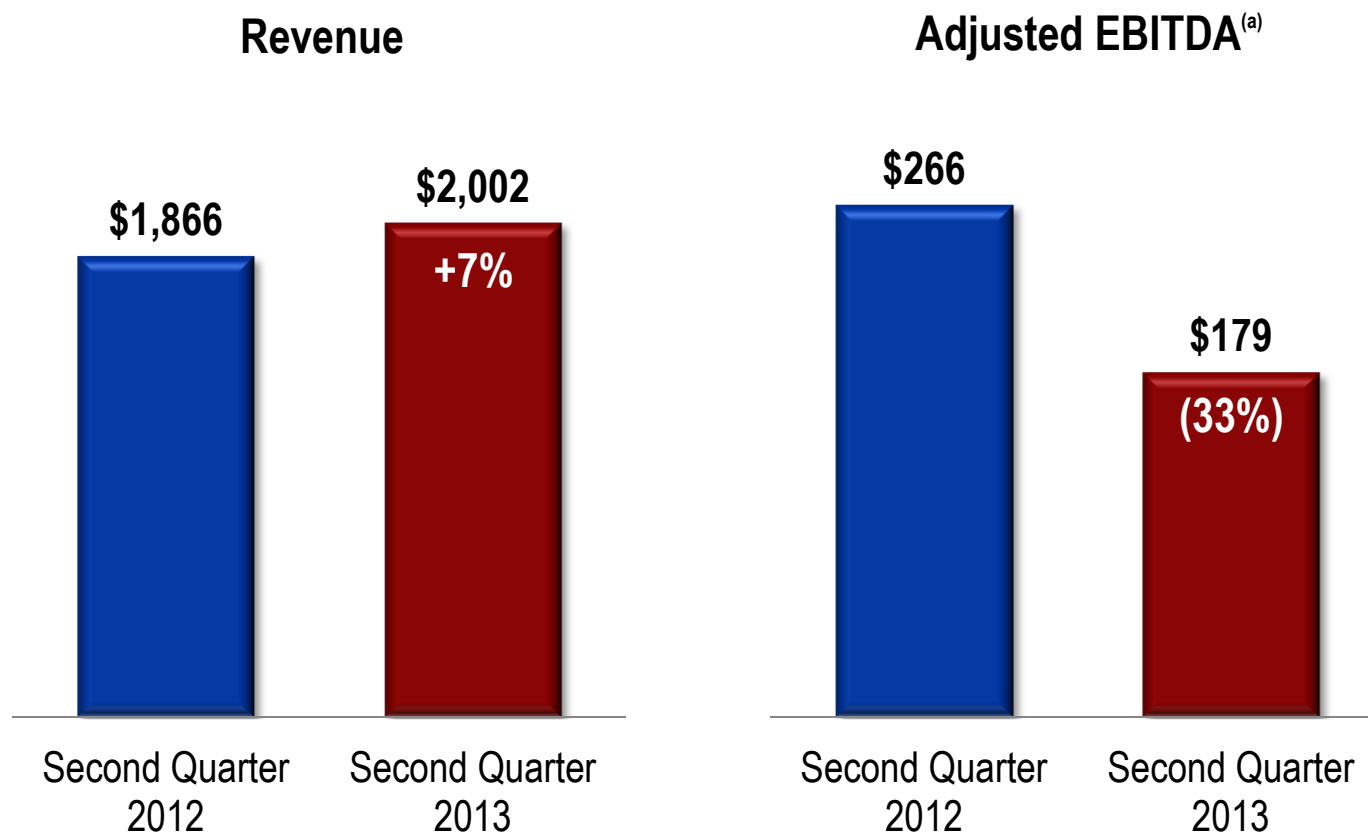
## SECOND QUARTER 2013 RESULTS

Second consecutive  
quarter of positive  
pricing

Adjusted EBITDA  
declined primarily due  
to higher fleet costs in  
North America

### Twelfth Consecutive Quarter of Year-over-Year Revenue Growth

(\$ in millions)



(a) Excluding certain items

## SECOND QUARTER 2013 RESULTS – NORTH AMERICA

Commercial pricing  
declined less than  
1%

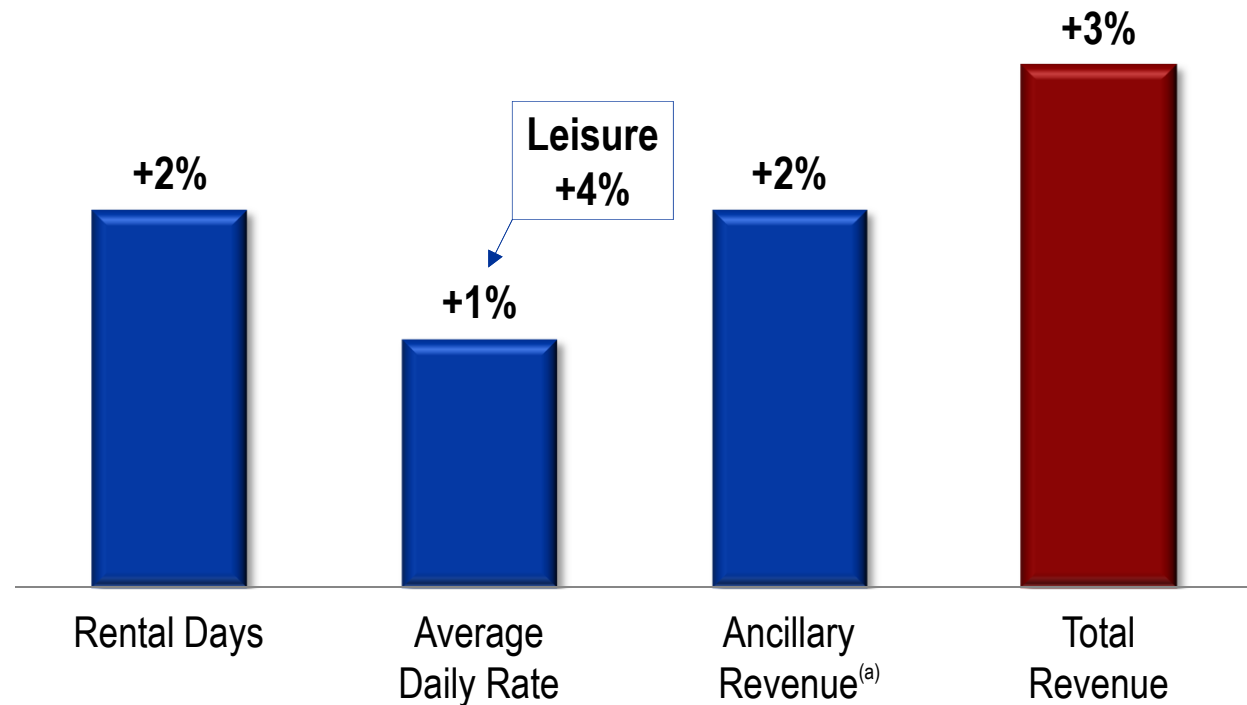
Per-unit fleet costs  
increased 60%

Adjusted EBITDA  
declined to \$115  
million<sup>(b)</sup>

Zipcar contributed  
\$76 million of  
revenue and \$6  
million of Adjusted  
EBITDA

### Continued Improvement in Pricing

(year-over-year change)



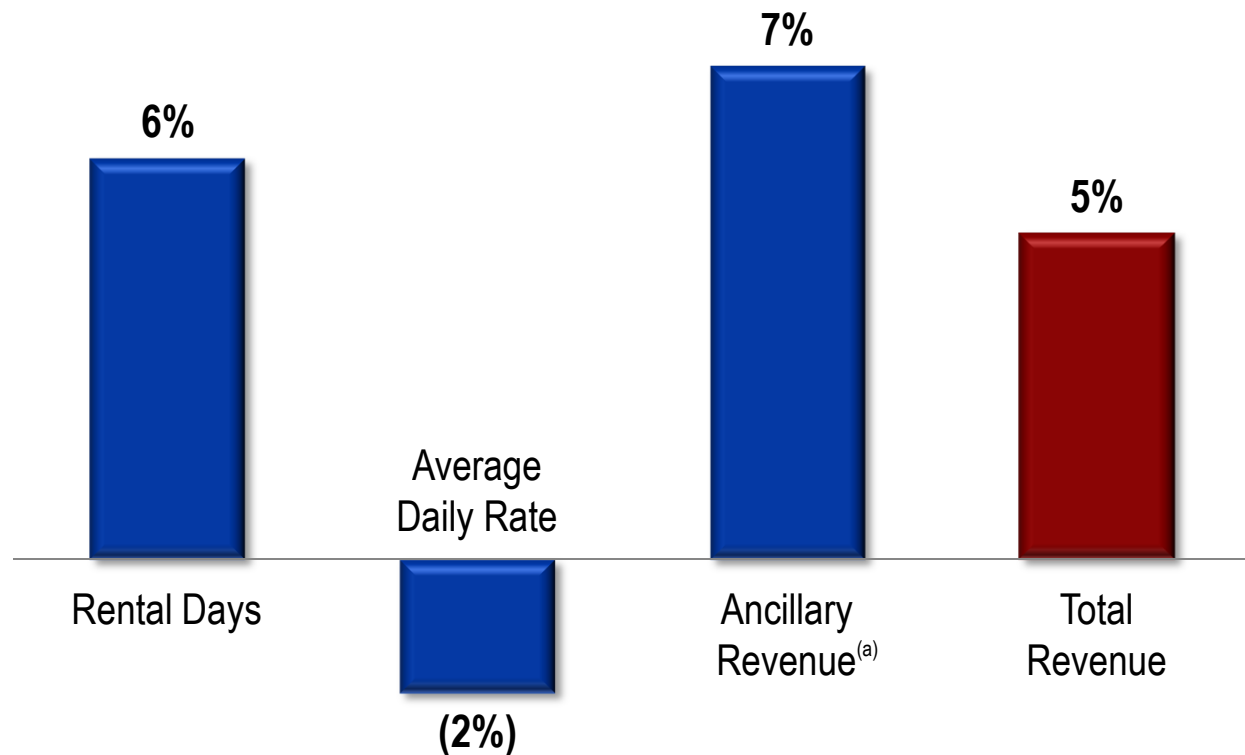
(a) Excluding gas and customer recoveries  
(b) Excluding certain items

**SECOND  
QUARTER 2013  
RESULTS –  
INTERNATIONAL**

Adjusted EBITDA<sup>(b)</sup>  
declined \$12 million  
to \$59 million

**Revenue Increased Primarily  
due to Higher Volumes**

*(year-over-year change)*



(a) Excluding gas and customer recoveries  
(b) Excluding certain items



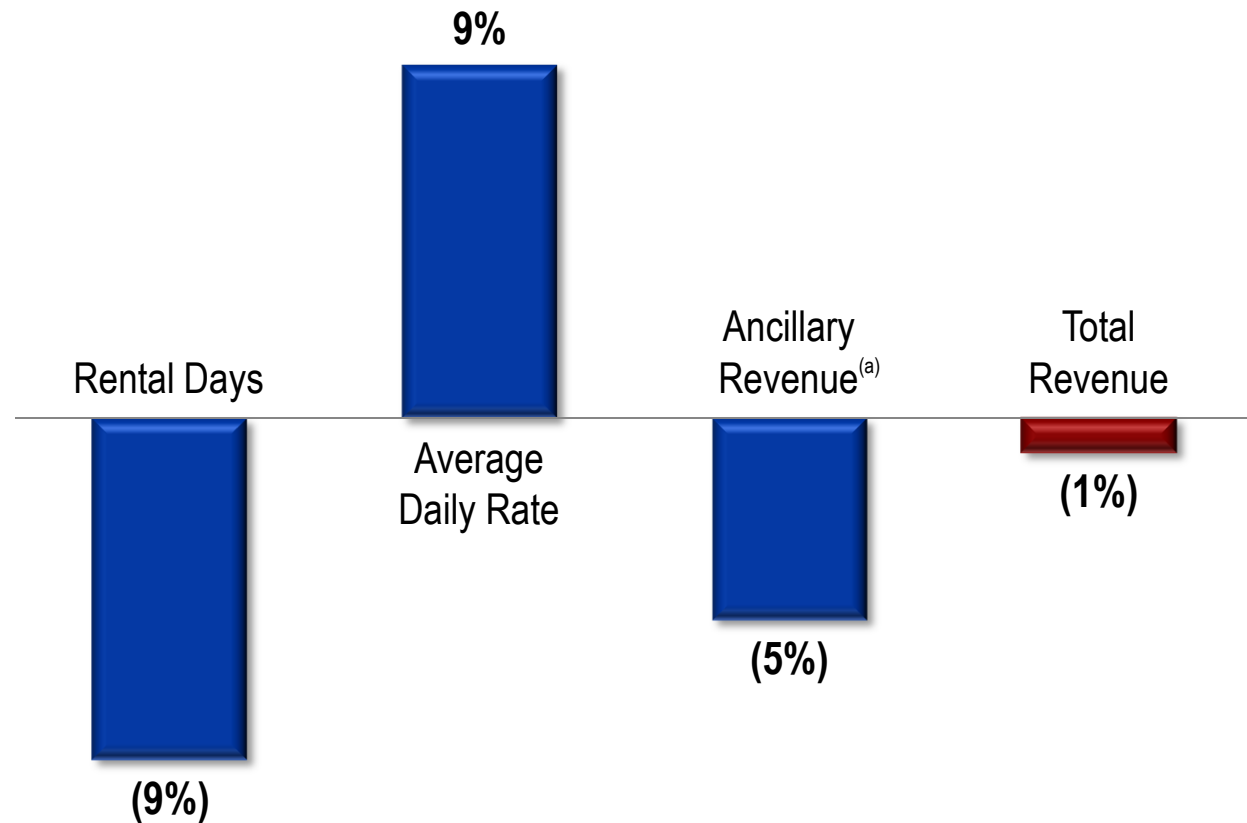
## SECOND QUARTER RESULTS – TRUCK RENTAL

Adjusted EBITDA<sup>(b)</sup>  
declined \$1 million

Average fleet declined  
7%

### Repositioning the Business for Improved Profitability

(year-over-year change)



(a) Excluding gas and customer recoveries  
(b) Excluding certain items

## FLEET COSTS

North America per-unit fleet costs expected to be around \$300 per month

Total Company per-unit fleet costs expected to be \$285-\$295 per month

Negotiations for model-year 2014 vehicles in North America progressing reasonably well

### How Used Car Prices Impact our Earnings

<b>Illustrative Change in Residual Value</b>	<b>1%</b>
x Average Value of Risk Vehicle at Disposition	\$16,000
<b>Change in Residual Value</b>	<b>\$160</b>
÷ Average Hold Period (months)	16
<b>Fleet Cost per Month Impact</b>	<b>\$10</b>
x Risk Cars in Fleet <sup>(a)</sup>	~215,000
<b>Monthly Impact of 1% Change in Residual Values<sup>(b)</sup></b>	<b>~\$2 million</b>
<b>Annual Impact of 1% Change in Residual Values<sup>(b)</sup></b>	<b>~\$25 million</b>

(a) Assumes 65% of total North America fleet of ~330,000 vehicles are risk  
 (b) North America, pretax

## ZIPCAR INTEGRATION

Fleet sharing in major cities to help meet peak weekend demand

### Expect \$50 to \$70 Million of Synergies

- ▶ **Elimination of public-company costs**
- ▶ **Fleet purchases benefitting from Avis Budget's purchasing power and lower financing costs**
- ▶ **Insourced most maintenance and damage work**
- ▶ **Substantially increased Zipcar's fleet for peak summer demand**



Substantial return  
expected from  
investments in  
technology

### Technology Driving Bottom-Line Results

- ▶ **Select & Go now available at nearly 50 airports**



- ▶ **Expanding our online/digital presence**
- ▶ **Avis Preferred customers now receiving electronic notifications upon landing**
- ▶ **Optimizing fleet purchases and dispositions**
- ▶ **Developing state-of-the-art yield management system**
- ▶ **Innovating in-car rental technologies**

# BALANCE SHEET

Cash balance of \$500 million

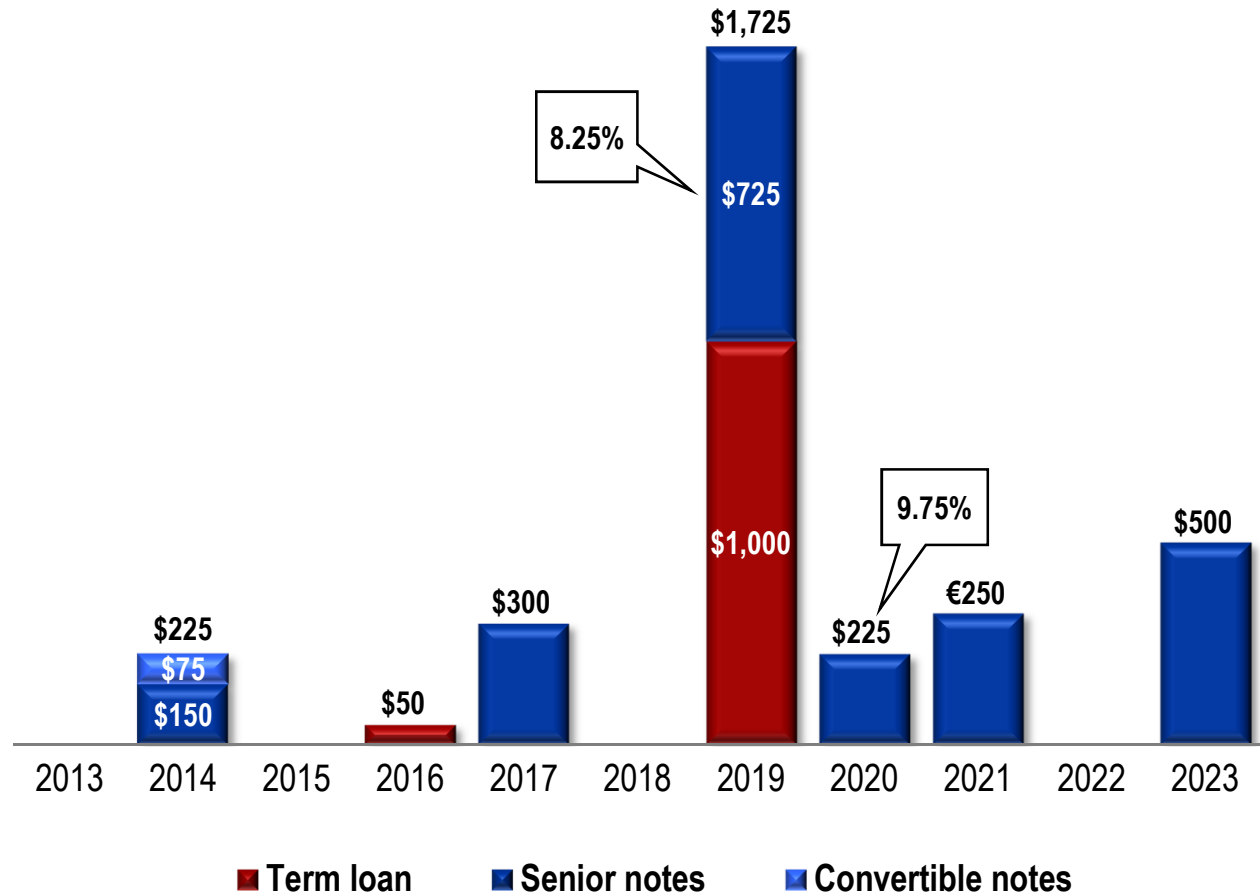
\$1.8 billion of available liquidity at quarter-end

Net corporate leverage<sup>(a)</sup> of 3.7x

Significant savings from recent refinancings

## Debt Refinancing Remains an Opportunity

(\$ in millions)



(a) Excluding certain items and adjusted for Zipcar synergies

## 2013 OUTLOOK

Expect cash taxes of approximately \$60 million

Expect diluted share count of 117-118 million

Performance Excellence expected to provide \$50 million of incremental benefits in 2013

### Updated 2013 Guidance

	Projection <sup>(a)</sup>
<i>(\$ in millions, except EPS)</i>	
<b>Revenue</b>	<b>\$7,800 – \$8,000</b>
<b>Adjusted EBITDA</b>	<b>750 – 800</b>
<b>Non-vehicle D&amp;A</b>	<b>130 – 135</b>
<b>Interest expense</b>	<b>230</b>
<b>Pretax income</b>	<b>385 – 440</b>
<b>Income taxes<sup>(b)</sup></b>	<b>145 – 165</b>
<b>Net income</b>	<b>\$240 – \$275</b>
<b>Diluted EPS</b>	<b>\$2.05 – \$2.35</b>

**Expect Free Cash Flow of  
Approximately \$300 Million<sup>(c)</sup>**

(a) Excluding certain items

(b) Based on midpoint of range of 37% to 38%

(c) Excluding any significant timing differences

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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 before income taxes (in millions):

	Three Months Ended June 30,	
	2013	2012
<b>Adjusted EBITDA excluding certain items</b>	<b>\$ 179</b>	<b>\$ 266</b>
Less: Non-vehicle related depreciation and amortization	31	26
Interest expense related to corporate debt, net (excluding pre-closing interest related to acquisition financing)	55	69
<b>Income before income taxes, excluding certain items</b>	<b>\$ 93</b>	<b>\$ 171</b>
<b>Less certain items:</b>		
Early extinguishment of debt	91	23
Restructuring expense	15	12
Transaction-related costs	19	4
Acquisition-related amortization expense	6	3
<b>Avis Budget Group, Inc. income (loss) before income taxes</b>	<b>\$ (38)</b>	<b>\$ 129</b>



# GLOSSARY

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

	Quarter Ended June 30, 2013
Corporate debt	\$ 3,416
Less: Cash and cash equivalents	503
<b>Net corporate debt</b>	<b>\$ 2,913</b>

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

	LTM Ended June 30, 2013
<b>Adjusted EBITDA excluding certain items</b>	<b>\$ 727</b>
Less: Non-vehicle related depreciation and amortization	116
Interest expense related to corporate debt, net (excluding pre-closing interest related to acquisition financing)	239
<b>Income before income taxes, excluding certain items</b>	<b>\$ 372</b>
<b>Less certain items:</b>	
Early extinguishment of debt	156
Restructuring expense	44
Transaction-related costs	50
Acquisition-related amortization expense	18
<b>Income before income taxes</b>	<b>\$ 104</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.