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CAR - Avis Budget Group Inc at Barclays Global Automotive Conference

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CONFERENCE CALL PARTICIPANTS

Brian Johnson *Barclays - Analyst*

PRESENTATION

Brian Johnson - *Barclays - Analyst*

While Dave is getting settled, very pleased to have with us now Avis Budget Group. We have CFO, Dave Wyshner, who for those of you who follow rental cars know well. Effective January one he will become President. Congratulations.

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

Thanks, Brian.

Brian Johnson - *Barclays - Analyst*

I'm also joined by Neal. He is the Senior EVP and CCFO of Avis Budget Group responsible for all the financial. As you know, he comes from [Syndent], which used to be the owner of that and several things we won't hold against him. He was an iBanker at Merrill Lynch. He went to Yale and Wharton so having gone to none of those places, but nevertheless. Yes go ahead.

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

Thanks, and thanks very much for having me. I had a few introductory comments if that's all right and then we'll jump into a few questions.

I think it's a good time for us to be talking since there has certainly been a lot of volatility in our stock price over the last few weeks. For anyone who missed the recent earnings call, I think the key points we made when we announced our third quarter results were as follows; leisure volume was strong in the Americas in Q3 and our commercial volumes, which are up 1% to 2% in the US but down 10% in Canada, were up against a tough comp having grown in above market 5% in third quarter 2014.

We had a strong summer in Europe with organic growth, margin expansion and good contributions from our recent acquisitions. Lower fleet costs this year have helped offset a softer pricing environment.

Industry dynamics, particularly in US fleet levels, are increasingly stable. In spite of foreign exchange being a $50 million EBITDA headwind for us, we expect that 2015 will be our most profitable year ever with a record amount of EBITDA and adjusted EPS growing 5% to 10%.

We continue to generate a substantial amount of free cash flow, $456 million in the first nine months on our way to around $500 million for the full year. This amount of free cash flow generation is consistent with the last three years and gives our stock a free cash flow yield of 12%. And we're buying back more stock than we ever have.

Looking ahead, we're enthusiastic about our prospects about how we're controlling costs, growing ancillary revenues and driving efficiencies and about the investments we're making in technology to put the customer first and make our business more agile.

On the pricing front, it's clearly encouraging that each player in our industry has initiated at least one pricing increase over the last four months, including our privately held competitor having led two increases even though the impact in the seasonally fourth quarter will be limited.

Looking ahead but using the past as a guide, we think that in 2016 higher fleet costs across the industry are likely to be an impetus for improved pricing. We still have substantial opportunities to grow ancillary revenues and to benefit from the next phases of our demand fleet pricing yield management initiative. We remain as focused on realizing increased pricing as ever.

We continue to drive efficiency throughout our organization and we continue to buy back shares with our repurchases so far this year already well over $300 million.

In short, I think there are two key take-a-ways. We're planning to deliver record EBITDA and earnings per share this year despite a currency headwind and we continue to position our business for future growth.

With that, I'll be happy to take some questions.

QUESTIONS AND ANSWERS

Brian Johnson - *Barclays - Analyst*

Great, let's just go into some of the very near term items, just intra quarter. Any update on pricing? You mentioned the actions of privately held so why did you characterize it in this kind of shoulder fall season?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

I think it continues to be consistent with what we said a few weeks ago. We expect in the fourth quarter trends overall to be consistent with the third quarter. We're up a little bit. We're up against a little bit of an easier comp but what we're seeing is the year-over-year numbers are pretty consistent with where we were in the third quarter.

Brian Johnson - *Barclays - Analyst*

And then given the tragedy in France on Friday, any early signs of impact on either European travel or European inbound travel to the US?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

Yes the quick and initial look is that clearly there is some disruption this week, this month in Paris, but France as the overall impact in France was probably a little bit less than we might have guessed given the awful situation in Paris. But based on what we're seeing so far, we think there will be some impact but it doesn't appear to be substantial.

Brian Johnson - *Barclays - Analyst*

So, thinking about 2016 how would you frame the 2016 EBITDA headwind from FX? As I recall, it's about $50 million this year.

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

Yes, it will obviously depend on where rates go but based on where they are right now there will be a headwind next year. I think the order of magnitude is roughly half of what we've seen this year. And the principal driver of that is that we hedged a significant amount of our earnings this year in early January and we did so at somewhere around Euro exchange rate of $1.18, $1.19 and there clearly has been a move over the last 10 or 11 months. And so that's what gives rise to the impact. But based on what we're seeing right now, it should be around half of the impact we had this year.

Brian Johnson - *Barclays - Analyst*

So sticking with Europe and also maybe emerging, say with international emerging markets, to what extend does franchise income kind of play a disproportional effect on FX or not?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

Not, it's pretty well diversified so the strength of the dollar relative to the large basket of currencies that's out there is relevant and the dollar strength, I think, has been particularly profound against the euro this year. So we're seeing more of an impact from our European operations than from the licensee income that we generate.

Brian Johnson - *Barclays - Analyst*

And within the Americas, people forget there is Mexico and Canada; how much of the headwind is FX on the Americas' pricing currently and then in 2016?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

Yes we operate their licensing in Mexico so Canada is sort of the issue for us and I think there again there is close to a 10% impact on Canada, which is 10% to 15% of our Americas' revenue.

Brian Johnson - *Barclays - Analyst*

And if we think about EPS growth over the next coming years, how would you prioritize the drivers of that between M&A, margins and then organic growth?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

Sure, I think the exciting thing from our perspective is the opportunity we have for those multiple avenues of growth each to contribute to us, whether buybacks at $300 million this year. We're going to end up buying back 4% or 5% or 6% of our outstanding shares so that has a significant impact. We've done some good tuck-in acquisitions. We're very excited about what Maggiore is contributing this year and will contribute next year.

We're in a situation with roughly 10% margin, a 50 basis point to 100 basis point improvement in margins. While it may not sound like a lot, it's a 5% to 10% increase in our EBITDA and an even greater increase in our pretax income.

And so when we layer in buybacks, a little bit of tuck-in acquisitions, margin expansion and then organic growth, what we've done is give ourselves a number of ways to grow earnings. And we've delivered on that in the last several years as well where the combination of those things has allowed us to generate significantly above market growth over the last three years.

Brian Johnson - *Barclays - Analyst*

And just for next year what would be the puts and takes of 2016 over 2015 before you give your formal guidance?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

Yes, that's I think there are a number of positives that we'll have coming in, particularly things that fall into the self-help or matters that we can control a category. I think our demand-fleet pricing initiative will be a positive. Our Transformation 2015 and performance excellence initiatives will be positive. The investments we've been making in technology will help us whether it's in digital or mobile apps, European fleet management, migrating Payless to Wizard and a number of other areas as well. So I think those are all positives and then the issues to overcome for us will be foreign exchange, which we mentioned as well as inflation, both fleet and non-fleet inflation.

Brian Johnson - *Barclays - Analyst*

Well, let's talk about margins and self help. You talked in your Investor Day earlier in the year a long-term margin of 12% to 13%. You'll likely get to 11% this year. Is that 13% something that you'll get? Well, a couple questions, how do you just think about the cycle in rental car earnings and what's the range of margins through the course of the cycle and getting back to that 12% to 13%? Is that a peak or is that a mid-cycle margin?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

Sure. I think as we think about margin improvement generally the issue for us is that we're on a path of continuous improvement. We've delivered that over the last several years and that's our goal going forward to continue to move margins up through a combination of pricing in items we can control, accretive tuck-in acquisitions and really delivering on cost controls and process improvement and the benefits associated with our global scale. So I see the opportunity for us being one of continuous improvement and, as you say, moving margins up over time.

In terms of peak versus trough or cyclicality, there's clearly some cyclicality of demand in our business but we and our competitors have the ability to adjust inventory levels in or business to keep them in line so the more volume, more demand is certainly -- is better but I don't see there typically being large swings in margins from a peak in the economic cycle to a trough in the economic cycle and what can create variances in margins, either positive or negative, is a surprise to the system where we or someone else in the industry or the industry as a whole gets over fleeted or under fleeted relative to the demand.

And probably the easiest way to see that is 2001where 9/11 was obviously a complete surprise. It was a shock. We were -- the industry was dramatically over fleeted for a period of time and margins were negatively impacted. And then in 2002 when travel came back more strongly than any of us had expected, the industry was relatively under fleeted and margins were actually high although volumes were still below the year 2000 levels. So I think what we, what you want to watch for is hey, is there a surprise coming? Is the industry going to be out of line one way or in one direction or another with the demand that's there more than necessarily a movement in the economic cycle? It should have some impact but much less dramatic.

Brian Johnson - *Barclays - Analyst*

Well, since given some of those headwinds around fleet cost to get to the 12%, 13% self help is going to be is going to be a big part of it, we are at length about self-help initiatives from another company over the last day and a half. What's your update on self-help initiatives? What's the magnitude of margin improvement gross before some of the headwinds? Those could generate. And what's been working and what's actually -- what hasn't worked?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

Sure. I think we continue to be really enthusiastic about the actions we've taken, whether it's the integration of businesses like Payless demand fleet pricing, Key 15 or transformation 2015, which is our initiative to really take advantage of global standardization, global consolidation and global scale in mid office and back office processes. Our performance excellence initiative, which has been going on for a while, and fleet optimization which is part of how we're delivering the attractive fleet costs that we are this year and as we look at call it that, even that list of items or five of them there are each delivering $10 million or more of incremental benefits to us this year and in total having really a very significant impact in helping us offset inflationary pressures that the pricing environment hasn't really helped to offset.

I think the area that's been the most frustrating for us this year has clearly been pricing, our realized pricing and our efforts to move that up. I think we've made progress in areas we can control such as in the mixes of vehicles and customer types we're attracting but overall that's still been a bit frustrating and I see opportunities for us going forward. I think there's quite a bit to do still on T15, which will deliver incremental benefits and I see some opportunities for us in the areas of damage and how we use prepaids, prepaid rentals going forward. I think we're getting benefits from that but I think there's more to be done there as well.

Brian Johnson - *Barclays - Analyst*

Questions from the audience?

Okay want to go on to talk about fleet costs and just maybe start, I'm just thinking of sort of start with the buy, then the hold and then the sell. So maybe start with the buy; we see a couple different things in the new car market. On the one hand we see an $18 million SAR decreasing amount of sales into rental car companies so that would seem to argue that OEMs could hold out for better pricing. On the other hand, we see continued weakness in pricing for small and mid-sized cares as the American consumer opts for [SUVs] and other light trucks, which would seem to be good for at least the buy side of the rental car company, so just we talk so much about the sell side but what's the buy side looking like as we come into this next year?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

Sure. I think the -- as we've said, we're going to get the cars we need we think but it's been a little bit tighter market curse. It's been a little bit tougher to come by so I think as you look at the dynamic that you describe, the one that I would say has the larger impact is the strength of the SAR. The OEMs, the strong SAR suggests that the manufacturers are able to sell more cars at retail this year and in that context their desire to sell the marginal car wholesale effectively to us goes down a little bit so I think that does put a little bit of pressure on the availability and cost of new vehicles for us as we go through the model year 2016 negotiations and think about even the availability of year-end or beginning of year deals as we look to flush out our fleet.

Brian Johnson - *Barclays - Analyst*

Let's talk a little bit about the holding costs, which not a lot of investors raise but just outside the fixed income folks but just we are at a record low interest rates. They appear to be close to move up. We've seen on the new car ABS side some increase in spreads, about 20 basis points over the last three or four months. How are your funding costs shaping up shorter term and then midterm what happens say with a let's say imagine interest rates go up 100 basis points? What does that do to your EBITDA?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

Sure.

Brian Johnson - *Barclays - Analyst*

And will it be recovered in price raise?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

Yes the starting point here is probably where you ended that. If the costs of financing fleet go up that's an increase in costs for everyone in the industry. It's really visible and known. There's not a lot of debate about it and as a result, I think or would certainly hope that there would be a good impetus to try to recover that.

As we think about our positioning focusing let's say on the US, the substantial -- virtually all the debt we've, ABS debt, that we've issued over the last several years has been five-year debt so we have about 20% of it rolling off each year, about a billion dollars a year that would need to be refinanced at whatever the market rates are in the future. So there's a billion dollars of call it refinancing, maybe $1.2 billion a year associated with that roll off.

And then I think our variable financing or essentially our seasonal financings which end up being done at short-term rate probably average around a billion or so a year as well so the impact of a -- call it a 100 basis point rise evenly over course of the year for us would be on a little over $2 billion of debt would be a $20 million annual impact but if it occurs over the course of the year end up with about a half-year impact so call it $10 million. It's certainly significant, something we look at. We don't see it being a principal driver of our -- of movements in our profitability but it is something. Certainly on the short-term borrowings it's poised to be a little bit of a headwind next year.

Brian Johnson - *Barclays - Analyst*

And in terms of the advance rates, are you kind of at that typical point in the cycle?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

Yes I think we're doing well with the advance rates and that's actually helped us in terms of how our overall P&L looks. I think in the US advance rates have moved up and I think are relatively stable. I see opportunity for advance rates in other parts of the world to continue to move up. Certainly in Europe us having more of our own track record I think is going to be helpful to how folks look at advance rates there in the market, which is really a bank driven market and I do expect our international advance rates to move up over time.

But we also have a few pockets in our international operations where the advance rates are very low where we essentially haven't borrowed against our fleet and that presents an opportunity for us to free up new capital.

Brian Johnson - *Barclays - Analyst*

Okay and on the sell side, which I just wanted to go through these two elements first because they often get ignored. You know, you've talked about a benefit this year. How much of that benefit has just been what Tom Webb prior to this once their demand kind of missed that used market as had -- how is it better and how much benefit, if any, are you getting from your move to more alternative resale channels, which he also flagged as taking some of his better cars out of the option lines?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

Yes he's exactly right. I enjoyed Tom's presentation and I think he's right. We're benefitting from both of those. The used car market overall has been reasonably strong and certainly stronger than we expected it to be. We've seen sort of a stability, maybe even a stability in used car prices as a residual value compared to the close to two point decline we had predicted so that's the principal driver of the change versus our expectation this year but we're doing very well with the sale of vehicles with alternative channels. It's up to about 40% of our sales right now. We're realizing on a pricing benefits from doing that we're gaining some efficiencies and I think we're going to look to continue to grow that going forward.

And I think Tom's for the folks here heard Tom's presentation, I think he's right. It may be a little bit hard for him to see the impact that that has on what goes to auction but I actually think it's part of the driver of the condition report change that he was discussing. We do tend to more often than not that the cars that we're selling directly or through alternative channels are a little bit stronger from a condition report and we think that's true of our competitors as well so as we all shift a little bit more toward use of alternative channels, I think it will be a little bit of a drag on the numbers that Manheim sees but we try to be very careful when we think about the -- you know, about the benefit we're getting from alternative channels that we compare like condition reports to one another that if the benefit were solely from share taking that wouldn't be a real benefit. We wouldn't count that.

Brian Johnson - *Barclays - Analyst*

And where are you shifting the most? On line, direct to dealer, direct to consumer?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

It's certainly in the first two, on line and direct to dealer. What we're selling is brand--

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Brian Johnson - *Barclays - Analyst*

On line meaning--

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

On line auction, on line wholesale auctions.

Brian Johnson - *Barclays - Analyst*

Right.

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

So it's going -- our sales are typically directly to dealers in one form or another. The direct to consumer piece we continue to grow but it's still very small for us given the volume we need to do and the speed with which we want to be able to get out of vehicles at various points in time. We find the dealer channels more helpful to us at this point.

Brian Johnson - *Barclays - Analyst*

Any questions from the audience? We're going sort of (inaudible) seeing an industry dynamics. Any questions on email? Okay, Dan, if you get questions on email just ask them.

Okay I want to move on. We heard a lot this morning from one of your competitors around the potential, where the competitive landscape is today versus their experience in airlines and in hotels. How would you characterize the competitive landscapes and in particular, what are the opportunities for it to evolve and improve the competitive dynamics?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

Yes I think it's a very competitive industry with a healthier competitive dynamic than has been the case in the past before. Several years ago obviously there were many more competitors which made it an even more difficult environment but I think the period we're moving into now is very important. We expect to see significantly less unpredictability or significantly more predictability from our public competitor, a movement away from the over fleetedness that characterized the end of 2014 and the first half of 2015 for them, movement away from some uneconomic decisions, ones that they've alluded to whether it was their movement out of the Ryanair relationship or the aggressive move into serving the insurance replacement market.

I think the transition to a new and stable team there is going to produce just more predictability and I think that's going to be helpful to the competitive environment that we face.

Generally speaking we have historically based to strong capable thoughtful competitors and I expect that to continue to be the case going forward. I think there was just a hiccup at one of the companies that impacted things for about 18 months.

And in terms of the behavior of the private company, is that a barrier that will prevent the dynamics from ever improving or are they rational and their own life?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

I do believe they're focused on generating earnings and profitability and I think if we were facing off against a not for profit project competitor, that wouldn't be a lot of fun. I think our sense is that they are very capable and very focused on delivering profitability and we'll get at a lot of elements of the business the same way we did so I think that is a -- you know, we prefer that they reported their numbers quarterly that the way we do but I don't think that's going to happen and other than that I think we're comfortable with facing off against them the way we have for years.

Brian Johnson - *Barclays - Analyst*

And in terms of the pricing opportunities, I want to talk a little bit of the dynamic between leisure and commercial. First of all, where do you see the bigger opportunity for pricing?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

You know, I think the large commercial business, the contracted commercial business with accounts that are doing several million and particularly north of $5 million or $10 million of car rental business a year I think is likely to remain highly competitive and so I think the other 75% or 80% -- 75% of our business as we move into smaller commercial accounts, uncontracted commercial accounts in the leisure business, it probably is a richer area for pricing improvement and I think that's played out to an extent over the last couple of years. I would expect that trend to continue as well.

Brian Johnson - *Barclays - Analyst*

Well, let's talk about commercial because it is the tough nut, the large contract commercial. If I were to use Barclays or my prior consulting firms' rates and fly, decide I needed to go on Thursday to Saint Louis I'd pay a whole lot. We face that continually when we book flights to Detroit and they can be up to $1,000. Yet if one books that flight as a leisure traveler three or four weeks ahead she might have a $300 round trip, so in essence the last minute business traveler in airlines is always understood to be paying for the availability of that perishable seat. Yet in rental cars they enjoy perhaps lower pricing.

I would point out a difference too in rental cars as that airplane going to Detroit can, especially with a hub, keep itself busy on weekends taking people to vacation destinations. Your car sitting at Detroit airport that's available for me to fly in and rent, is it an auto parts company, I can't imagine there's much weekend demand at Detroit metro so it seems like as an industry you're maintaining peak inventory that you're charging the lowest price from. A, is that right and B, is there any way out of that?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

You know, I think there are opportunities for us as we manage either periods where there's excess supply, call it weekends in more commercially oriented cities or better, the times where there is really tight supply of vehicles relative to the demand that's there. And I think the key for us is getting our fair share of volume at times where there's at a decent price when there's a fair amount of supply and doing very well from a pricing perspective when supply is tight relative to the demand. And I think how we play those tighter demand periods, stronger demand periods is the opportunity for us going forward.

Our demand fleet pricing initiative is helpful in that regard, having multiple brands is helpful in that regard as well and in particular the types of business that we take. Are we looking for four one-days or one four-day to capture the commercial demand? Which one is going to produce the highest amount of profitability for us at a time where we're going to sell out becomes very important to us and I think that we're taking more and more advantage of that. It is a different dynamic than what the airlines see but it's still one that can be very powerful for us.

Brian Johnson - *Barclays - Analyst*

And on the leisure side some of the airline type examples and one is sort of under walk up which is I can -- I've learned how to arbitrage the so called yield curve on my leisure bookings and I just saved $200 re-booking a trip to Texas next week. How do you lock in reservations with stickier pricing up front? I knew you in particular are I think the leader with your pay now versus pay later discounts and is that helping?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

That's right. Prepaids are certainly one way of addressing that and ending up in a situation where we're managing the booking curve up over time I think is something that we like to see happening. I think the other opportunity for us is the situation where we have the last car available and that, the pricing associated. The pricing, I mean the example you gave of the airline ticket that's three times more at certain times than it would be if you do a leisure booking way in advance, I think travelers are used to the fact that there are times where there's just not enough supply of seats or beds or cars and how we utilize those opportunities to get a fair price in the situations where there's not as much supply as demand. It's something we take advantage of to an extent but I think there's more opportunity there and again, prepaids are going to help as well.

Brian Johnson - *Barclays - Analyst*

And in terms of prepaids, how -- what about no shows? How big a problem are those? What does it do to utilization and then again, obviously the pay now versus pay later can help and could you even picture that becoming the standard for how consumers purchase their car rentals in advance?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

I do think there are opportunities for prepaids to represent a much larger portion of bookings than they currently do and that's a -- and not necessarily the same percentage from one brand to another so that's an opportunity for us. The interesting thing about no shows is that they tend to be fairly predictable. There's not a lot of volatility associated with them so the impact if we knew for sure that there were no shows, would we run -- would we be able to run our utilization tighter? Yes but the impact is not dramatic. It's not as if the fact that X percent of our customers are going to be no shows is a complete surprise and we have cars sitting around for them. We plan for a relatively stable amount of no shows based on our experience.

Brian Johnson - *Barclays - Analyst*

Looks like we have an email question that Dan will read.

Unidentified Audience Member

This is a slightly [accepted] topic but I think somewhere where you probably want to go. Just on the issue of mobility and the impact of ride sharing companies, the Ubers of the world, for all the commercial folks who say they never rent cars anymore for their business trip. I mean what has been the impact of ride sharing on your commercial business? What has it been on leisure?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

Yes we talked about this a little bit on the call and the impact on us, as we look at it, has been very small. It's hard to pick up in our numbers. We've tried to look at it from a variety of perspectives and calculated somewhere in the zero to three-tenths of a point in some ways and so I'm sure there's some of it among higher end customers in particular. There may be a little bit more but we don't see it having a significant effect. Our rental day growth in markets where car sharing and ride hailing are particularly popular has actually been stronger than our overall US volume growth, in particular over the first nine months of this year. Our rental day volumes at the three airports that serve New York have increased 5% a year whereas our organic volume growth is around 1%.

So we're seeing actually above average growth at the airports that serve Boston and New York, San Francisco and Washington compared to where we are overall. So we're watching. We watch the space. I think clearly car sharing and ride hailing are closer to one another and there are some overlap there that will have an impact in terms of the traditional car rental, the impact on traditional car rental really has been quite small and the good news is that if there -- to the extent there is an impact, we think it's going to impact kind of our shortest length transactions the most, which tend to be lower in profitability for us. We prefer generally prefer, three and four and five day and seven day rentals to one-day rentals so the transaction is most likely to be impacted for us are not the cream of the crop from our perspective. They're actually some of the ones that are less attractive to us.

Brian Johnson - *Barclays - Analyst*

So that Big Three accounting firm partner who lands in Kansas City on a Tuesday, rents the cars for one day, you'd almost want to pay her to take Uber.

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

I wouldn't -- I might not go to that extent. You know, we're going to do a great job serving that customer but going back to your earlier point, the--

Brian Johnson - *Barclays - Analyst*

You're holding the car for her and that's not (inaudible).

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

Right, that's exactly right. Having that incremental car that's only taking a Tuesday night rental would turn out not to be profitable for us.

Brian Johnson - *Barclays - Analyst*

So longer-term we all remember when Zipcar was the Uber of its day. If we imagine a future where there are Ubers without dudes, robot driven Ubers, providing much of the mobility needs of folks, where does the rental car industry and particular where does Zipcar fit into that vision?

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

Sure. Let me answer a really important question and I think the looking at car rental, what rental is really about is providing vehicles to people when they're away from or without their own and the vast majority of our revenue generated on airport for that reason and I don't see that core need changing the need for a car when you're traveling, when you're getting off a plane and I think we're going to continue to be well positioned to provide that service and I think that is the core service we provide and whether cars are autonomously or semi-autonomously driven or controlled by our customer is -- doesn't change that dynamic and so I see us being able to continue to take advantage of our ability to put cars together, well maintained new cars together, with reservations and customers and to deal with all the issues that do come up in that process with people wanting to change their plans and their being various issues and cars needing to be maintained.

That's all stuff that, those logistics are going to continue to be very important and I think we're well positioned to play a leading role in that situation so I see the impact on traditional car rental as being -- as not changing the fundamentals but still being an opportunity for us to serve customers.

On the Zipcar front what certainly changes is that Zipcar can be serving even more use cases than it currently does. We've already reached a point in the Zipcar where it can profitably operate a single vehicle location and the opportunity to get more cars even closer to customers to provide wheels when you want them the way Zipcar does becomes even greater in an environment where cars are autonomously driven. So I'd see that as a real opportunity for continuing to evolve the Zipcar as we offer more and more types of products including one-way offerings, one-way trips for Zipsters.

Brian Johnson - *Barclays - Analyst*

So the Zipcar comes to the person instead of the person going to the Zipcar.

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

That's right. Where Zipcar does really well is when we're right downstairs, in the apartment building or right down the block from someone that can be the case, not just a good portion of the time for Zipsters, that could be the case all the time going forward.

Brian Johnson - *Barclays - Analyst*

Okay thank you very much, Dave. Thank you.

David Wyshner - *Avis Budget Group Inc. - Senior EVP & CFO*

Thanks very much.

Brian Johnson - *Barclays - Analyst*

We have a short break. We're going to re-convene at ten thirty-five continuing our auto ecosystem discussion with AutoNation at ten thirty-five. Thanks.
