

---

**MANAGEMENT DISCUSSION SECTION**

Operator: Good morning and welcome to the Avis Budget Group first quarter earnings conference call. Today's call is being recorded. At this time, for opening remarks and introductions, I would like to turn the conference over to Mr. Neal Goldner, Vice President of Investor Relations. Please go ahead, sir.

---

**Neal Goldner, Vice President, Investor Relations**

Thank you, Tanya. Good morning, everyone, and thank you for joining us. On the call with me are Ron Nelson, our Chairman and Chief Executive Officer; Bob Salerno, our President and Chief Operating Officer; and David Wyshner, our Executive Vice President and Chief Financial Officer.

Before we discuss our results of the first quarter, I would like to remind everyone that the company will be making statements about its future results and expectations which constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Such statements are based on current expectations and the current economic environment, and are inherently subject to economic, competitive and other uncertainties and contingencies beyond the control of management. You should be cautioned 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 are specified in our Form 10-K and our earnings release, which was issued last night.

If you did not receive a copy of the press release, it's available on our website at [www.avisbudgetgroup.com](http://www.avisbudgetgroup.com). Also, certain non-GAAP financial measures will be discussed in this call and these measures are reconciled to the GAAP numbers in our press release.

Now, I would like to turn the call over to Avis Budget Group's Chairman and Chief Executive Officer, Ron Nelson. Ron?

---

**Ronald L. Nelson, Chairman and Chief Executive Officer**

Thanks, Neal, and good morning to all of you. Before we discuss our first quarter results and our outlook, I want to comment briefly on the letter we sent to Dollar Thrifty regarding its definitive agreement to be acquired by Hertz for \$41 a share, of which only \$34 is being funded by Hertz itself. As stated in our press release issued yesterday morning, we have on several occasions in the past expressed interest in acquiring Dollar Thrifty. However, at no stage over the last several months did Dollar Thrifty or its financial advisors engage us in substantive discussions about a transaction or offer to provide us with information so that we might submit a bid.

Given our belief that an Avis Dollar -- Avis Budget Dollar Thrifty combination would be highly complementary and synergistic, we have requested access to legal, financial and business due diligence information relating to Dollar Thrifty including access to management, so that we can formulate and submit a substantially higher offer. We are confident in our ability to structure and finance a transaction that would be mutually beneficial to our shareholders and Dollar Thrifty shareholders, particularly if the excessive provisions in the merger agreement are eliminated. From an antitrust perspective, Avis Budget is comparable to Hertz and we don't see any barriers that would prevent us from completing a transaction on a comparable timetable to Hertz. We studied the potential transaction carefully and we would not have gone public with this announcement unless we thought we could get it done. Accordingly, we look forward to the opportunity to engage in

productive discussions with Dollar Thrifty's Board of Directors to allow its shareholders the opportunity they deserve to realize the full value of their investments in Dollar Thrifty.

With that being said, the purpose of today's call is to discuss our financial results. We do not intend to comment further on the Dollar Thrifty matter at this time and as a result, I will ask that you refrain from questions on that topic when we move to Q&A.

So with that out of the way, we are pleased to have reported a solid first quarter that reflected EBITDA growth in all three of our operating segments, year-over-year pricing increases, incremental benefits from our cost saving initiatives and an increase in total EBITDA of more than \$40 million versus first quarter of 2009. This morning I'd like to discuss some of the recent trends in our business and our operating strategies and David will discuss our first quarter results, our capitalization and liquidity and our outlook.

Let me start with the trends we're seeing. We said in February that we expected volume in the first quarter to be down year-over-year, but that price would be up. That's exactly what we have reported. We purposely kept our fleet tight in the quarter and clearly left volume on the table. We set our price levels in certain channels, both commercial and leisure, at levels where we expected to leave volume behind, but at market-clearing prices knew that winning would result in unprofitable or minimally profitable transactions.

The net result was that we reported higher pricing and improved margins in each of our segments, not only versus a year ago when the industry was in the midst of a crisis, but compared to the first quarter of 2008 as well. In the quarter, domestic rental days declined 13% with leisure days down 18% and commercial days down 9%.

More importantly, as the quarter progressed, our domestic volume comparisons improved month-by-month in both commercial and leisure rentals with particularly encouraging trends seen in corporate travel. Specifically, commercial volume was down 13% in January, 11% in February and less than 4% in March, compared with the prior year. And in our top 150 commercial accounts, volume was flat in March despite the fact that we lost some commercial days this year due to the timing of Easter.

We believe that the overall market volume was probably down in the low single-digits. The quick analysis of our segment and channel results would suggest that our volume differential largely occurred in transient channels, meaning it was volume that we could have captured had we offered a lower price. We believe our actions to step away from this less profitable business reduced our rental day volume by at least seven points in the quarter. The closing of unprofitable off-airport locations last year reduced our volume about a point year-over-year and turning the Budget LAX franchise back to the franchisee in January cost yet another point. So when you consider these factors, our year-over-year change in volume ends up pretty close to our estimate of the year-over-year change in domestic enplanements.

The fact that we chose not to chase this unprofitable business did have a positive benefit on our profitability that's reflected by the improvement of more than 250 basis points in our domestic car rental EBITDA margin in the quarter, excluding unusual items.

We think there were two key takeaways from first quarter. First is obvious. Our ability to deliver the numbers we did in the first quarter with lower volumes and only a modest increase in pricing shows the benefit of our cost savings and efficiency initiatives. The second is less readily apparent. We believe our decision to keep our fleet very tight in the first quarter was the right strategy. The EBITDA risk of excess fleet impacting pricing in our seasonally slowest period was much greater than in other periods and we were much more confident that a tighter fleet and tighter pricing would have a net beneficial effect on both margins and EBITDA. That said, we do expect our fleet to return to more normal levels in subsequent quarters. Part of this will be due to the fact that we will

be anniversarizing more and more of our actions to step away from unprofitable volume as we move through 2010. And as noted earlier, commercial volume is returning.

We also point out that ancillary revenue growth accelerated in the quarter, driven by increased penetration of GPS rentals, sale of loss damage waivers and emergency roadside assistance services. Despite the fact that we are now lapping the initiation of our sales training initiative, our customer service agents are becoming more and more accomplished at driving additional revenue. We also grew our electronic toll collection services by expanding in California during the quarter. All of these products improve our customers' rental experience and take us one step closer to our goal of becoming a customer-led service-driven organization, while dropping a high percentage of the incremental revenue to the bottom line.

As we've previously discussed, we're also gradually implementing the industry's first non-cancellation fee in the U.S. To be clear, we are not doing this to create a revenue stream. While that may be the short-term impact, we believe that longer term this is about improving efficiency and changing customer behavior. We ran our latest tests during President Day weekend in a few markets and the results were quite promising: the systems and procedures working as expected and no impact on reservations. You should expect to see us implement non-cancellation fees in other markets at selected times and locations going forward.

One of the things we don't talk enough about are our international operations. We are the clear on-airport market leader in each of our key operating countries. For example, in Australia, our share is 15 points higher than our next closest competitor and we have nearly a 25 point advantage in New Zealand with our brands holding the highest awareness levels among all the key customer segments.

We generate more than 800 million in annual revenue in our international segment with the lion's share coming from Australia, Canada and New Zealand. We also have a lucrative franchising portfolio generating over 15 million of high margin royalties. In short, our international operations are fairly sizable businesses with attractive margins and economics of scale and we think we have further opportunities to grow there.

Our truck rental business also had a solid quarter with profitability improving markedly. We are seeing favorability of local commercial demand with one-way rentals, which is the most profitable part of our truck business, experiencing positive year-over-year revenue growth in 18 of the last 19 months. The commercial segment posted its first year-over-year positive monthly volume growth comparison in the last 53 months with both trends continuing -- with both trends continuing into April.

And as our former sister company Realogy noted just last week, open home sale contracts were up 38% in April, which is a positive leading indicator for our local consumer or self-moving business. Demand for used trucks is also improving, which is allowing us to reduce our fleet size without impacting our rental volumes. So we're feeling very good about the truck business as it should benefit significantly from a rebound in the macroeconomic conditions.

Looking at our business more generally, one of the things I'm most encouraged by is our customer service levels. Over the last two years, we've reduced our fixed and semi-fixed cost base by over 400 million annually and eliminated roughly 10,000 jobs. Despite that, our customer satisfaction scores at both Avis and Budget in the first quarter were not only higher than a year ago, they were higher than in the first quarter of 2008; we think a significant achievement.

We've seen improvement in virtually all of our key metrics, rental car received, helpfulness of staff, ease of pickup and drop-off, and the reservations process. We've also improved our speed to resolve customer service calls and e-mails significantly. With the initiation globally of our customer-led service-driven strategy this year, we've already launched a much more expansive Voice of the

Customer portal that posts customer rating information real-time, dynamically ranks each airport's ratings relative to its peer group and allows our managers to assess daily their service levels and follow-up promptly on any service issue reported or remedy any developing trends.

And we're pleased that our efforts were once again recognized in the Brand Keys Consumer Loyalty Engagement Index, where for the 11th consecutive year, Avis was named the top rental car company, receiving high marks in customer service, reliability, safety and brand reputation. There are many different measurements that rank the competitors in our industry. Were I in a position to choose that question I would choose customer loyalty. Satisfaction can be achieved by simply delivering against the customers' basic requirements, but loyalty is much more difficult to achieve because it requires an extraordinary effort. That's what makes winning this award very meaningful.

Turning to our 2010 outlook, the macroeconomic climate appears to be improving with each passing month and we expect year-over-year volume trends to improve sequentially over the balance of the year. In addition, we will have fully anniversaried our decision to avoid certain unprofitable or marginally profitable business by the end of the second quarter, meaning that the second half will be an apples-to-apples comparison excluding the off-airport and Budget LAX decisions, which will have a much smaller impact on our volume comparisons.

We also see a number of positive signs in the travel business generally, which point to increased corporate demand. March was the fourth consecutive month of increased hotel demand, May could be the first month since early 2008 or so where domestic airline capacity is up year-over-year. There are numerous positive comments from airlines and hotel companies regarding advance bookings. Many of our million-dollar accounts are indicating to us that they will need more cars in the coming months and we're seeing more late bookings which is a good indicator that corporate travelers are returning.

To make sure we have enough cars to accommodate the improvement in business travel, we are starting to make tactical changes in our fleet, while at the same time making sure we don't get ahead of the demand curve. We will be judiciously expanding the fleet as the second quarter progresses, adding cars in areas where turndowns have been relatively high and those areas where operating costs are low and where we believe we can profitably maintain our enhanced utilization. We expect to extend fleet levels modestly to capture the demand trends in the spring and summer.

Given the amount of fleet that moves in and out of any given month, we are confident that we will have the additional fleet to be able to capture the profitable demand that develops with the improving economy. But to be crystal clear, our overall fleet strategy has not changed. It continues to center around keeping fleet levels in line with demand, focusing on profitability by transaction type and passing on unprofitable or marginally profitable business.

The impact of this strategy is really developing as a reset of the company's revenue levels. However, as we pointed out last quarter, the nearly \$475 million of cost takeout that we will achieve by yearend 2010 allows us to increase profitability at much lower levels of revenue. We will be a slightly smaller, more nimble and more profitable business, but with a clear focus on profitability and our first quarter results clearly demonstrate that phenomenon.

As we head to the second quarter, our domestic leisure pricing was up double-digits last year and the comparisons become more difficult as we moved into April. We have seen some price erosion in certain leisure channels, which is to be expected given the strong year ago comparisons, but even though prices remain substantially higher than 2008 levels, we are watching this closely.

One of our competitors did initiate a price increase at the beginning of April effective June 1. Based on our price checks, most of the industry appears to have implemented price increases effective June 1 and we have as well. We're also seeing peak summer pricing being instituted a little earlier

this year, which is encouraging. So while the months that really matter to our full-year 2010 results are still largely ahead of us, we remain optimistic about the balance of the year. We now believe vehicle depreciation costs will be down 6 to 8% on a per unit basis, which is an improvement from our initial guidance of 4 to 6% decline.

Our cost savings initiatives are continuing to provide incremental benefits and volume trends are improving. As a result, lead me to believe that 2010 should provide us with some meaningful growth opportunities.

With that, I'd like to turn the call over to our Chief Financial Officer, David Wyshner.

---

**David B. Wyshner, Executive Vice President and Chief Financial Officer**

---

Thanks, Ron, and good morning, everyone. My comments this morning will focus on our results excluding unusual items. As Neal mentioned, these results are reconciled to our GAAP numbers in our press release.

In the first quarter, revenue decreased 3% to \$1.2 billion. EBITDA grew by \$42 million to 39 million, and pre-tax income in this seasonally slow quarter was negative \$25 million. All three of our operating segments reported significant growth in EBITDA, which reflects our company-wide cost reduction efforts, with EBITDA margin in each segment not only higher than last year's first quarter, but compared to the 2008 first quarter as well. First quarter revenue declined 8% in our domestic car rental segment, reflecting a 13% drop in rental days and 3% growth in average daily rates. Commercial rates were up 2% year-over-year, and leisure rates were up 4%. Notably, average daily rate was up 6% compared to the first quarter of 2008. Domestic EBITDA increased \$23 million for the quarter due to higher pricing, 12% growth in ancillary revenues on a per rental day basis, a 10% decline in per unit depreciation costs and the benefit of cost saving initiatives, partially offset by lower volume.

Domestic depreciation declines were driven by lower expense for model year 2010 vehicles and a strong used car market. International revenue grew 23% year-over-year driven by a 36% increase in average daily rate partially offset by a 10% decline in rental days. Excluding the impact of foreign exchange, pricing was up 8% and ancillary revenues increased 2% per rental day. EBITDA grew year-over-year primarily due to stronger pricing, a favorable impact from foreign currency, and a 2% decline in per unit depreciation costs on a constant-currency basis, partially offset by lower rental days. Excluding the impact of foreign exchange, EBITDA increased by \$3.6 million.

Revenue in our truck rental segment increased 1% versus last year due to a 1% increase in pricing. EBITDA grew primarily due to lower interest costs, lower fleet costs and our cost saving initiatives. While rental day volumes were consistent with first quarter 2009 levels, our average truck rental fleet was 7% smaller this year.

The used car market continued to perform well in the quarter with the Manheim Index reaching an all-time high in March, primarily as a result of the reduced supply of used cars. The number of new vehicles sold in the U.S. fell from over 16 million in 2007 to just over 10 million in 2009. Fleet sales to rental companies declined by nearly 50% from 2007 to 2009 and new vehicle lease volumes declined 25% in 2008 and 28% in 2009, which is important, because off-lease vehicles are often the next best substitute in the used car market for one of our cars. We expect these factors will continue to constrain the supply of late model used cars for the next several years, which should bode well for residual values. Although our 2010 vehicle depreciation assumptions do not assume the used car market will stay at record levels for the remainder of the year, we do expect the market to remain strong.

Our dialogue with manufactures for model year 2011 purchases began earlier than usual this year, in large part due to manufacturers reaching out to us and our conversations thus far remain promising. As we plan for our model year 2011 purchases, we expect to maintain a balance of risk and program cars in our fleet. Program cars allow us to de-fleet quickly when there is a sharp drop in rental demand, without the potential negative consequences of trying to sell a large number of vehicles during a very short time period. And with early indications that the cost difference between program and risk cars is shrinking for model year 2011, the value proposition of program cars becomes a little more compelling.

Based on our favorable results in the first quarter, and our outlook for model year '11, we have revised our estimate of per unit fleet costs this year. As Ron mentioned, while we had previously expected per unit depreciation to decline 4 to 6% this year, we now expect a drop of 6 to 8%.

Another factor that is positively benefiting our fleet cost is our sales of cars via the Internet. We sell about 40% of our risk vehicles through Internet auction channels. There are several benefits of selling vehicles through online auto auctions including lower disposition fees, lower shuttling expense, and lower carrying costs due to the quicker sale of end-of-life vehicles. As a result, our goal is to further increase our use of online auctions over time.

Turning to the balance sheet, with the credit markets functioning normally again, in the first quarter we felt the time was right to tap the capital markets to pre-fund some upcoming debt maturities as well as extend the maturity dates of our revolving credit facility and other corporate debt. During March, we raised \$450 million of senior notes with a 2018 maturity date. This allowed us to pay down approximately \$450 million of term loan borrowing due in 2012, extend the maturity of our revolving credit facility by two years to 2013, revise the financial and non-financial covenants in the credit facility to provide greater flexibility to the company and extend the maturity of approximately \$275 million of the remaining term loan borrowings by two years to 2014. As a result, we now have a total of only \$50 million of corporate debt maturities over the next three years.

On the ABS side, we completed a \$580 million asset-backed offering in March representing the first multi-tranche asset-backed securities offering in the car rental industry since 2003 with interest rates and advance rates in line with pre-2008 levels. We also placed a \$200 million asset-backed note to refinance a portion of our truck fleet including some trucks that were bought out of expiring leases in late 2009, which positively impacted free cash flow by \$40 million this quarter. Our results for Q1 put us well within the financial covenants that we will be required to meet at June 30. Our leverage ratio was 4.8 times compared to a permitted maximum of 6.25 times and our coverage ratio was 2.5 times compared to a requirement of at least 1.3 times.

We've been managing our capital spending judiciously. In fact, CapEx totaled just \$7 million in the first quarter, but we still expect CapEx for the full-year to return to historical levels almost in line with non-vehicle depreciation and amortization. We ended the first quarter with \$470 million of cash, \$770 million in committed and available corporate debt capacity and \$3 billion of capacity under our vehicle-backed financing programs. So we clearly have substantial liquidity.

Let me now turn to our outlook. The key elements of our strategy remain the same, focusing intensely on cost controls, driving relentlessly for improved profitability, keeping fleet levels in line with demand, pursuing ancillary revenue growth aggressively and refining and improving the vehicle rental experience we offer. As Ron mentioned, we expect to see a modest economic recovery this year, which we believe will drive increased car rental demand led by a return in corporate travel.

Price comparisons become tougher starting in Q2, as 2009's second quarter pricing was up 7% in total and 12% for leisure rentals. On the expense side, we intend to keep the size of our workforce and our fleet in line with rental volumes. The decline we expect in domestic per unit depreciation will be partially offset by higher vehicle interest costs of approximately \$25 million, compared to

2009. Revenue per employee was up 5% in the first quarter and our cost saving initiatives will provide incremental benefits consistent with or better than our previous expectations. The combination of having a full year benefit in 2010 from actions taken in 2009 and continuing to improve efficiency through our performance excellence initiative should generate incremental cost savings of at least 40 to \$60 million in 2010, approximately three quarters of which we expect will be realized in the first half.

Finally, our 2010 GAAP tax rate is expected to be in the 40% range. And we expect full-year cash taxes to be 35 to \$40 million. We will probably become a partial cash taxpayer in the U.S. in late 2010 or 2011. More generally, we are focused on and excited about our potential to grow EBITDA and earnings in 2010 and beyond. The company's cost structure is significantly leaner and our increased emphasis on profitable rental transactions, ancillary revenue growth and fleet diversity gives us the opportunity to return over time to margin levels we achieved during previous economic cycles even at a lower revenue base. With first quarter total car rental margins up more than 300 basis points compared to the prior year and volume trends improving, we feel very good about the start of 2010.

With that, Ron, Bob, and I would be pleased to take your questions.

**QUESTION AND ANSWER SECTION**

Operator: Thank you. At this time, we are ready for the question and answer session. [Operator Instructions] Our first question, Chris Agnew with MKM Partners. You may ask your question.

**<Q – Chris Agnew>**: Thank you very much. Good morning. The first question is, is it possible to frame what normal demand looks like through 2Q and the third quarter? What are now the peak demand periods and how do leisure and commercial volumes vary through the quarters? Thanks.

**<A – Ronald Nelson>**: Chris, I think it's a little hard, because the way our volume numbers aren't going to be indicative of really where the market is just because of what we've been talking about in pulling away transactions. And the way we sort of gain our view on it is to look at the airport share data, which comes out, which is usually on about a two-month lag. What I can tell you is that the volume trends continue to improve through the second quarter, particularly on the corporate side, enplanements are now roughly flat, so that's a pretty good leading or coincident indicator. And as we look at the res build, things are improving in both counts, but certainly faster in commercial than leisure.

**<Q – Chris Agnew>**: Okay. I guess I meant if, I suppose it's -- there hasn't been normal for quite a few years, but would one expect, as you go through the second quarter, volumes to build April, May, June, is that the sort of normal seasonal pattern in any particular year?

**<A – Ronald Nelson>**: Yeah. I'm not -- we're not going to project volume, but I think the typical seasonal pattern is not unlike the build in January, February, March. It does build April, May and June.

**<Q – Chris Agnew>**: Okay, okay. Thanks. And then on fleet costs. Your competitors run much higher risk mix and you outlined, really, your view that residual values will remain strong for several years and how you've opportunities to sell more online. I just wondered why you're not looking to increase your risk mix more and drive down fleet costs.

**<A – Ronald Nelson>**: Well, I'm not sure that we've fully said that we're not going to increase our risk mix. But I do think that as we see the costs gap narrow between program and risk, you have to assess the flexibility trade-off in the risk in our business. So, I don't -- you shouldn't take away from here that we're not increasing our risk percentage, only that the cost gap is narrowing and so you need to think a little harder about what you're willing to pay for flexibility.

**<Q – Chris Agnew>**: Okay. Thanks. And then maybe just one final question. Can I ask for some background on the acquisition of Budget and what were the synergies you achieved and maybe how long it took you to achieve them and what were the revenues and market share when you acquired Budget? Thanks.

**<A – David Wyshner>**: Good morning, Chris. It's David. We appreciate your going back in time and wonder why you're doing that, but happy to talk about the acquisition of Budget. We took north of \$100 million of costs out of the Budget infrastructure. We believe virtually all of those costs were out within about a 16-month period. A lot of costs were out within the first six to 8 months. Moving Budget over to operate on the Wizard system that Avis operates on was the piece that took the longest and that was an important part of the remainder of the synergies. But that was done within about 14 to 16 months and that, as I said, was the last piece. And clearly, we do believe, as a result of that experience, that we have taken a significant amount of costs out of Budget as we integrated that brand into our operations.

Operator: Our next question, John Healy with Northcoast Research. You may ask your question.



**<Q – John Healy>**: Hi, good morning. Just wanted to follow up on Chris's question about the Budget acquisition. When you identified the 100 million in cost savings you took out, could you maybe give us a little bit of color on maybe where the buckets came from, maybe how much was fleet, how much was IT systems, how much was consolidating operations or consolidating marketing spend? Trying to get a little bit of color in terms of where the real pressure points are in these types of acquisitions?

**<A – Ronald Nelson>**: Yeah, John, I think we're sort of trending into an area we don't really want to go. And while I appreciate your question, the fact remains that it was over \$100 million in total and actually as we went through our latest cost reduction programs over the last couple of years, it's probably well over 150 million now. But it is reflected in the P&L.

**<Q – John Healy>**: Okay. Fair enough. And I wanted to ask kind of a bigger picture question. It seems like for the most part, people in the industry believe that this summer will be a tight fledged summer and I think, if you go back to last year, everyone described it as tight and even summers before that everyone sometimes often describes the summer timeframe as tight in terms of fleet and demand. Could you talk about just how you feel kind of what the new normalcy is for tightness in the summer timeframe? If you look at the industry for this upcoming summer, do you expect the industry to be as tight as it was last year or do we -- was last year kind of maybe an anomaly in how tight you think fleet will be to demand kind of longer term?

**<A – F. Robert Salerno>**: This is Bob. Let me talk about us. Last year, we certainly were very tight and that is exactly how we wanted to run it. As we talked on this call, we did take out a lot of business we thought just didn't make profit for us. We reduced our fleet. We reduced our fleet by a lot. And I think it really paid off for us, not only in the profits we garnered throughout the summer quarter, the third quarter, but also in the change in fleet posture in the fourth quarter where you're normally fighting to bring the fleet down. We didn't have to do that. So this year, we're going to fleet, as our Ron mentioned and David mentioned, a little bit -- a little bit heavier than we are today. But we're certainly not looking for huge increases in the fleet for ourselves. As far as what everybody else is going to do this summer, I don't know. With more risk cars in the industry, I -- we -- as one of the other questions was about, when you do that, you really do limit the amount of peak you can put into the peak because you just can't get down off of it as easy as with a repurchase unit.

**<Q – John Healy>**: Okay. Great. And then I was hoping you could talk a little bit about maybe the pricing trends that maybe you experienced in the first quarter, maybe how those trended maybe on a monthly basis and maybe some of the trends you've seen here in the month of April?

**<A – David Wyshner>**: John, as we mentioned during the prepared remarks, we did see improvement month-by-month over the course of the first quarter, particularly on the commercial side. I think Ron mentioned commercial volume was down 13% in January, 11% in February and less than 4% in March and while there was a little bit of noise in April due to Easter, generally speaking the trends we've seen in the first quarter have continued.

**<Q – John Healy>**: Okay. Was that volume -- or I was hoping to get maybe a little color on how pricing trended?

**<A – Ronald Nelson>**: Yeah. That was general. That was volume that David was speaking about. And I think generally, John, you can assume that pricing followed the inverse trend. It was stronger in January and was less strong as volume improved in March.

**<Q – John Healy>**: Okay.

**<A – David Wyshner>**: And clearly -- sorry -- and clearly part of that was due to the movement of the comps year-over-year as well which, as we've talked about, do get tougher as we move into the

year, particularly in light of some of the pricing increases we saw in February and March of last year.

<Q – John Healy>: Great. Thank you.

Operator: One moment for the next question. Our next question, Jordan Hymowitz with Philadelphia Financial. Your line is open.

<Q – Jordan Hymowitz>: Yes. Two follow-up questions please. One is, when you did Budget, was Budget's share 14%? Do I remember that right?

<A – Ronald Nelson>: Jordan, this is Ron. I actually wasn't here. So I don't remember what Budget's share was. I'll defer to my colleagues, but Bob is saying that it was probably somewhere in the low double-digits, maybe 10 to 12. I don't know.

<Q – Jordan Hymowitz>: So, it's about the same size of the market as Dollar Thrifty was today, obviously the market was a little smaller then?

<A – Ronald Nelson>: Once again, Jordan, we're not simply going to comment on anything related to Dollar Thrifty. You should ask them what their share is.

<Q – Jordan Hymowitz>: Okay. And -- okay, that's fine. And second question, in terms of the pricing, was there some benefit or negative in March versus last year because of Easter happened in March this year and not last year? In other words, would March necessarily be stronger and April weaker because of where Easter falls on the calendar?

<A – David Wyshner>: Yeah, I think certainly there's a little bit of noise. Easter, it did move one week this year. In the scheme of things, I don't think it's significant. We had some weather in February and we had the Toyota Recall issue as well. So, there are always a few things that anomalously impact the numbers a little bit. But I don't think any of them were terribly significant.

<Q – Jordan Hymowitz>: Okay. Then final question is when I look at the merger agreement, it seems like the board has to at least consider your opinion if you approach them, in other words, they can't just reject it without consideration. Is that how you read this proposal? It's section 503(b) I'm looking at?

<A – David Wyshner>: I think you know the answer to that question is going to be no comment.

<Q – Jordan Hymowitz>: Okay. All right. Thank you.

Operator: Our next question, Steve O'Hara with Sidoti & Company. You may ask your question.

<Q – Stephen O'Hara>: Hi, good morning. I was just hoping you could give a little more color on the advanced booking and cancellation policy. I mean do you see – how many markets do you anticipate kind of rolling that out to and what's the reception been in those markets and competitively is it being accepted by competitors or and rolled through them as well?

<A – Ronald Nelson>: Yeah. Steve, we've only done this in a few markets and we've done it around holiday periods and on certain vehicles. Primarily it's been to make sure that the systems and procedures were in effect and that we were able to execute on it. So it's hard to generalize. I don't know whether the competition followed in those markets. But on our commercial accounts that have encountered it actually have accepted it. And as far as we can tell in the markets where we have implemented it, we haven't lost any rentals. We think that people's consumer behavior will probably adapt. But I think we're going to be judicious about how we roll it out.

<Q – Stephen O’Hara>: So it would be more of a peak type thing and more with business and would it be more advantageous for a company that runs a risk-based fleet or program fleet, would you think?

<A – Ronald Nelson>: Well, look, I think initially we’re going to roll it out judiciously and let’s roll out – whether it’s more advantageous. Look, I think, at the end of the day, it allows you to optimize your fleet, so whatever mix of fleets you have, it’s going to optimize that mix to the best possible utilization.

<Q – Stephen O’Hara>: Okay. Great. Thank you very much.

Operator: Our next question, Emily Shanks with Barclays Capital. You may ask your question.

<Q – Emily Shanks>: Good morning, everybody. I wanted to ask a follow-up around the volume and what I’m hearing is that we shouldn’t be looking to the industry trends because you’re giving up the transient days. Hopefully I’ve got that correct. But my follow-up question, if that’s the case, is in the past quarter, you indicated that you thought both you were giving up transient volume, but the fleet was modestly too tight given the sell-through that you had done on the vehicles. Is that portion of it over? Are you happy with your fleet levels at these levels versus where volume trends are?

<A – Ronald Nelson>: I think we’re generally happy with our fleet levels. I said, we’re going to judiciously expand the fleet over the course of the second quarter and into the summer. And don’t forget, Emily, we in-fleet and de-fleet a fair number of cars every month. So, to the extent that volume proves to be higher than our forecast, we can actually hold cars. Our average age of our fleet right now is just a little under seven months. So, extending the life of the fleet isn’t going to be an issue for us.

<Q – Emily Shanks>: Okay. So, you don’t think that you lost volume in the first quarter, because your fleet was too tight?

<A – Ronald Nelson>: We probably did. There’s always turn-downs and it’s -- but it’s generally on a market-by-market basis. I don’t think you can look nationally and predict those trends, but certainly in some markets. We’re not going to be precise every – all the time.

<Q – Emily Shanks>: Okay. And then my question is around the \$1 million of restructuring charges in domestic rental, what does that relate to?

<A – David Wyshner>: The 1 million of restructuring charges relates to some positions we moved from to the Northeast to some lower cost areas. And so, it’s severance related to those positions that should produce savings over the coming years as we move them to a lower cost location in the U.S.

<Q – Emily Shanks>: Great. Thank you. I guess that’s it. Thanks.

Operator: Our final question Michael Millman with Millman Research Associates. You may ask your question.

<Q – Michael Millman>: Thank you. I guess several questions. When talking about fleet, can you talk about where you think the industry is? In particular, the OEMs seemed to put a lot of cars into fleet in the first quarter.

<A – Ronald Nelson>: Well, Mike. I suspect that we’re probably a little tighter fleeted the first quarter than most of our other competitors, just given the mix of our business and the fact that our price was modestly higher. It’s hard to judge anything from the first quarter because of the Toyota recall. Everybody had a lot of cars in and out of the fleet in February for services. And the thing as

you know well, you can't be too swayed by the OEM comps, because people were putting off fleet orders pretty significantly last year in the first quarter. So, their a little misleading as to what they say about the size of car rental fleets.

**<Q – Michael Millman>**: I guess sort of continuing roughly on fleet, can you talk about how much the gap is quantified on the difference in your depreciation between -- monthly depreciation between the program and risk cars currently and where it had been historically?

**<A – Ronald Nelson>**: Sure. Mike, as you know, on a complete apples-to-apples basis there, a program car is more expensive, often in the 5 to 10% range. But there's a real challenge in doing that, that in looking at that comp on an apples-to-apples basis since we tend to like to take larger cars and new model introductions, SUVs and luxury cars on a program basis, because those have more residual risks associated with them. There are also timing issues where later in the model year, we prefer to take cars on a program basis and as a result it makes it very difficult to do that apples-to-apples comparison since by the time you get to April and May and June, if we're taking cars, they're going to be last year's model year in two or three or four months. And as a result, since we do want to take cars at that point in time, we do think it's important to be able to have program capacity to minimize our residual risk and to be able to meet the peak. So it really is a very difficult thing to look at solely based on the depreciation rates.

**<Q – Michael Millman>**: Okay. On depreciation rates, can you give some idea of how you come to your charges? Do you run it off a particular Manheim number or do you use some other method to use – forecast your depreciation?

**<A – Ronald Nelson>**: Sure. We build out depreciation rates by make and model based on obviously if we're -- and talking here about risk cars, we do it by make and model based on our own experience typically with either that model in the prior year as well as what we're seeing in the auctions for the current year. And we revise those on a regular basis over the course of the year to reflect changes in the used car market and what we're seeing in how cars are performing. So that's a regular ongoing part of how we assess depreciation.

**<Q – Michael Millman>**: And I guess to be more specific in benchmarking it, do you assume rates that pricing off a 118 or 119 makes sense or are you pricing off more like a 110 or 111?

**<A – David Wyshner>**: There is not an explicit link between the Mannheim Index and our numbers. The Mannheim Index has a fairly different mix of vehicles than we have. And obviously is comprised not only of late model vehicles, but also significantly older vehicles. And as a result, our risk vehicles tend to be very focused in the small and mid-size late model area and, as a result, we look specifically at those markets and at the performance of our vehicles at auction rather than tying our depreciation to where the Mannheim Index happens to be or maybe forecasted to be.

Operator: For closing remarks, the call is being turned back over to Mr. Ronald Nelson. Please go ahead, sir.

---

**Ronald L. Nelson, Chairman and Chief Executive Officer**

---

Thank you. I would like to thank all of you for joining us today, and we look forward to talking to you at the end of the second quarter and giving you an update on how the third quarter is progressing at that time. Thanks very much.

Operator: This concludes today's conference. You may disconnect.

**Disclaimer**

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

*The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2010. CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.*