

# Avis Investor Presentation

October 30, 2020

# Forward-Looking Statements

## Non-GAAP Financial Measures

Avis Budget Group (“Avis” or “the Company”) emphasizes that 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.

Certain statements in this presentation constitute “forward-looking statements.” Any statements that refer to outlook, expectations or other characterizations of future events, circumstances or results, including all statements related to any impact from the coronavirus, cost-saving actions, and cash flows are forward-looking statements. Various risks that could cause future results to differ from those expressed by the forward-looking statements included in this presentation include, but are not limited to, the severity and duration of the COVID-19 pandemic and related impact on travel and the economy, the high level of competition in the mobility industry, changes in our fleet costs as a result of a change in the cost of new vehicles, manufacturer recalls and/or the value of used vehicles, disruption in the supply of new vehicles, the financial condition of the manufacturers that supply our rental vehicles which could affect their ability to perform their obligations under our repurchase and/or guaranteed depreciation arrangements, any further deterioration in economic conditions, particularly during our peak season and/or in key market segments, any further deterioration in travel demand, including airline passenger traffic, any occurrence or threat of terrorism, any changes to the cost or supply of fuel, risks related to acquisitions or integration of acquired businesses, a significant increase in interest rates or borrowing costs, our ability to obtain financing for our global operations, including the funding of our vehicle fleet via asset-backed securities markets, our ability to meet the covenants contained in the agreements governing our indebtedness, and our ability to accurately estimate our future results and implement our cost savings actions. Important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements are specified in Avis Budget Group’s Annual Report on Form 10-K for the year ended December 31, 2019 and Quarterly Report on Form 10-Q for the three and six months ended June 30, 2020 and in other filings and furnishings made by the Company with the Securities and Exchange Commission (the “SEC”) from time to time. The Company undertakes no obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances.

This presentation includes certain non-GAAP financial measures as defined under SEC rules. See the appendix to this presentation for important information regarding such non-GAAP financial measures, including a discussion of the definitions of such measures and the reasons why the Company believes the presentation of such measures provides useful information to investors. Important information regarding reconciliation of such measures is contained within this presentation, included in the appendix.

# Agenda

- Company Overview
- Financial Results & Update
- Liquidity and Leverage Summary
- Fleet Debt & ABS Tutorial
- Safety & Strategy



# Overview and Brands

- We are a leading global provider of mobility solutions with a portfolio of premium and leisure car rental and sharing brands:
  - More than 11,000 rental locations in ~180 countries around the world.
  - Zipcar is the world's leading car sharing network with more than one million members.
- We generated Revenues of \$9.2 billion, Net income of \$302 million and Adjusted EBITDA of \$788 million for the twelve month period ended 12/31/19.
- Due to the pandemic and related declines in global travel volumes, we have reduced our fleet by 29% year-over-year, are targeting over \$2.5 billion in annualized cost savings, and have liquidity of \$2.4 billion as of September 30.

We operate directly in approximately 30 countries...



Licensees operate our brands  
in more than 150 additional countries

...and maintain a Global Brand Portfolio

**AVIS**<sup>®</sup>

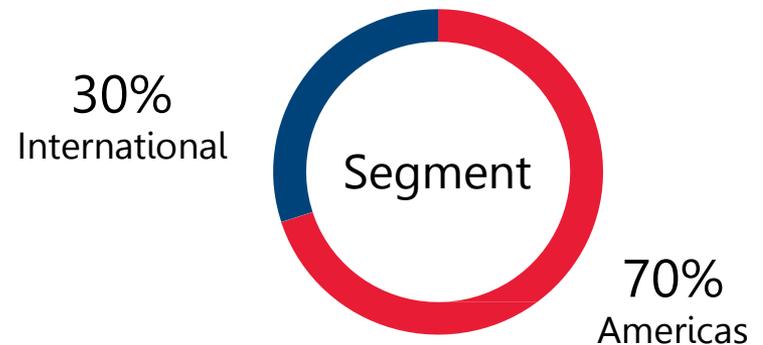
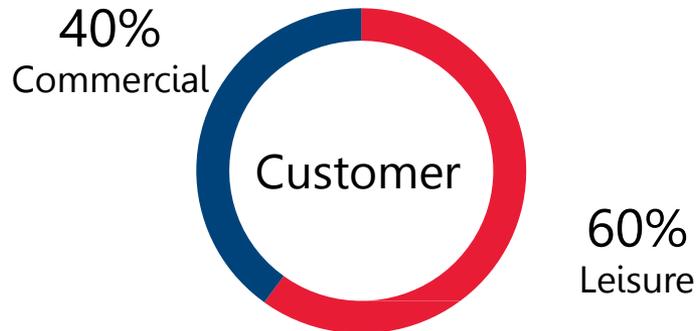
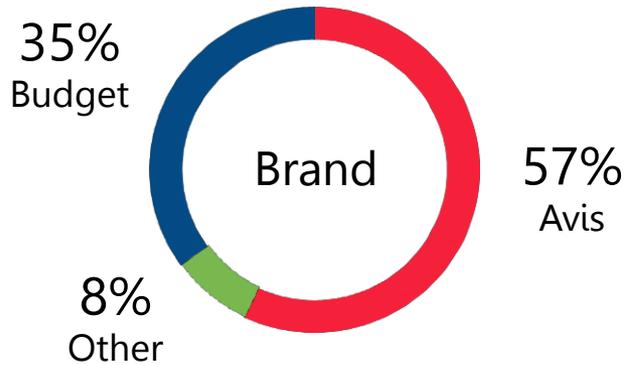
**Budget**<sup>®</sup>

**zipcar**

**Payless**<sup>®</sup>  
CAR RENTAL

**avis budget group**

# Diversified Revenue Stream

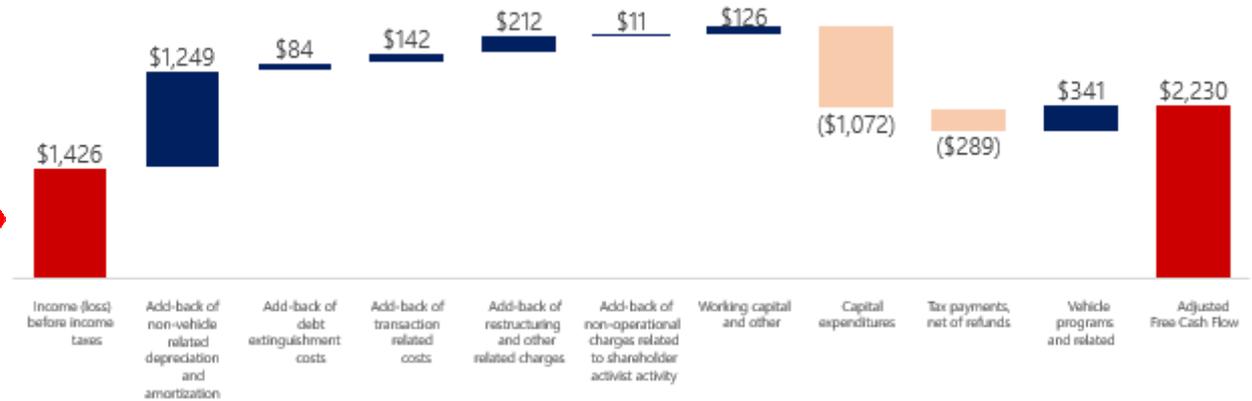


All numbers are approximate as of year ended December 31, 2019  
Budget brand includes Budget Truck. Other brands include Zipcar, Payless, Apex, Maggiore, FranceCars, Amico Blu, Turiscar, and Morini

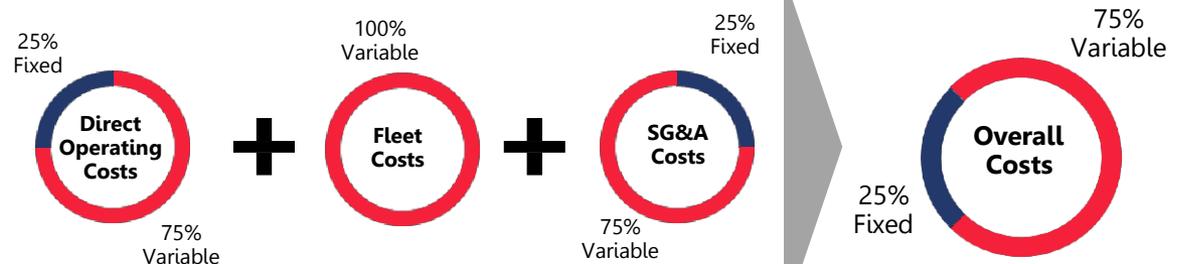
# Attractive Financial Model



Five-Year Adjusted Free Cash Flow (\$ in millions)



Data is cumulative for years 2015, 2016, 2017, 2018 and 2019 and adjusted for the adoption of ASU 2016-09 "Improvements to Employee Share-Based Payment Accounting".



All numbers are approximate based on the twelve month period ended December 31, 2019

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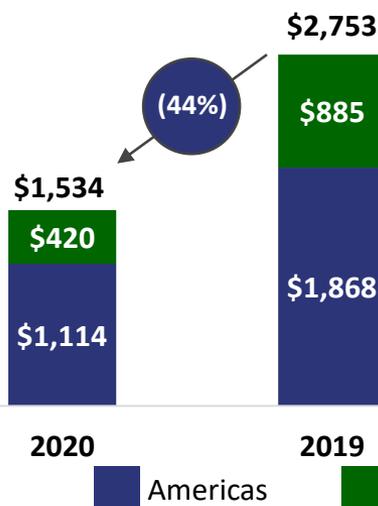
# Q3 2020 Results

## Revenue & Other Metrics

- Revenue declined 44% to \$1,534m in the quarter, but improved sequentially each month. July was down 50%, August was down 43%, and September finished down 37%.
  - Americas Revenue decreased 40% to \$1,114m. Utilization peaked in the quarter at approximately 70% range.
  - International Revenue declined 53% to \$420m. Utilization ended the quarter at approximately 67%.
- Adjusted EBITDA was \$220m, significantly better than our expectations in July, and showed strong sequential improvement each month.
  - Americas Adjusted EBITDA was \$222m, highlighted by strong revenue improvement and peak utilization in the 70% range.
  - International Adjusted EBITDA was \$6m, turning positive when combined with cost saving measures and 16% lower per-unit fleet cost, excluding exchange rate effects.

*\$ Millions Reported*

### Revenue



### Adjusted EBITDA



### Monthly Revenue Improvement YoY%

(50%)

(43%)

(37%)

July

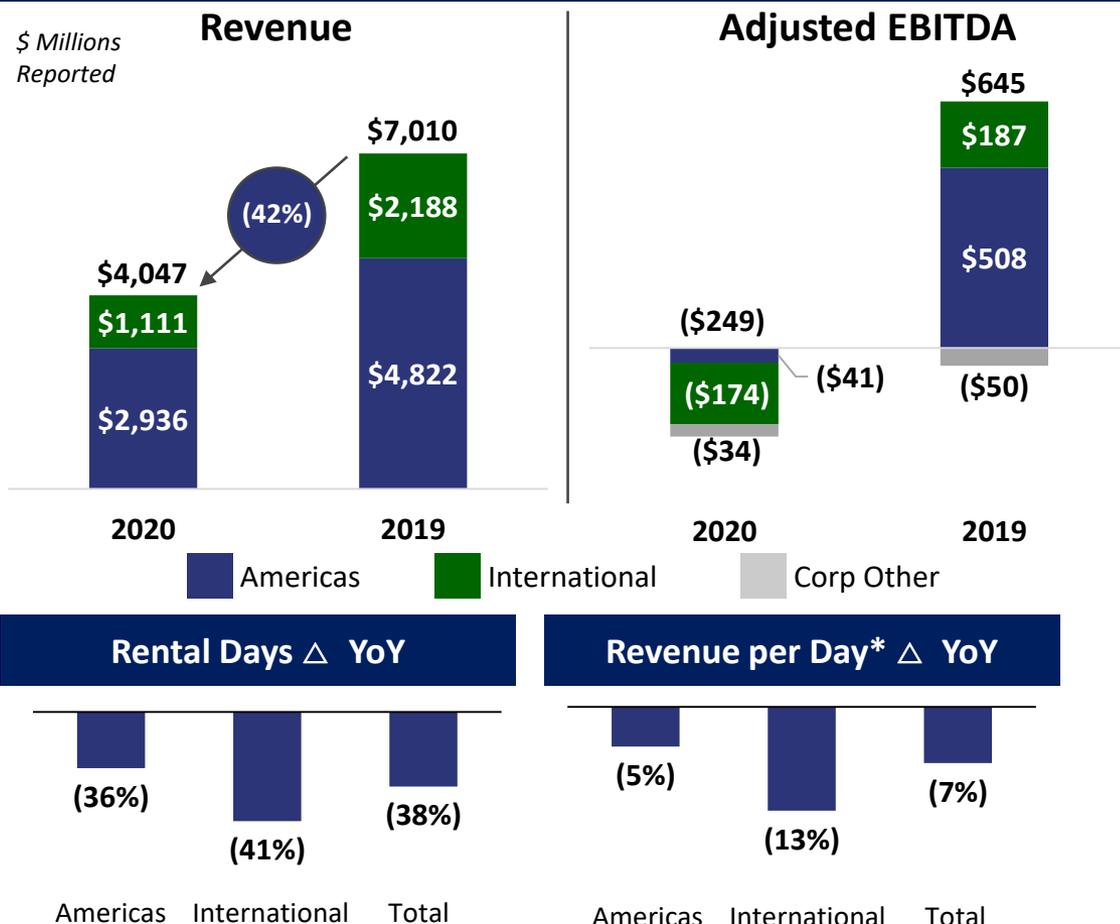
August

September

# YTD 2020 Results

## Revenue & Other Metrics

- Year-to-date Revenue decreased 42% to \$4.1b in constant currency.
  - Americas Revenue decreased 39% to \$2.9b, with Rental Days down 36% and Revenue per Day down 5%.
  - International Revenue, including \$11m of currency exchange rate effects, decreased 49% to \$1,122m, with Rental Days down 41% and Revenue per Day down 13%.
- Adjusted EBITDA loss was \$(249)m, with every month in the third quarter producing positive Adjusted EBITDA.
  - Americas Adjusted EBITDA recovered to a loss of \$(41)m, with revenue improving sequentially.
  - International Adjusted EBITDA loss was \$(174)m, and improving significantly due to cost mitigation efforts.



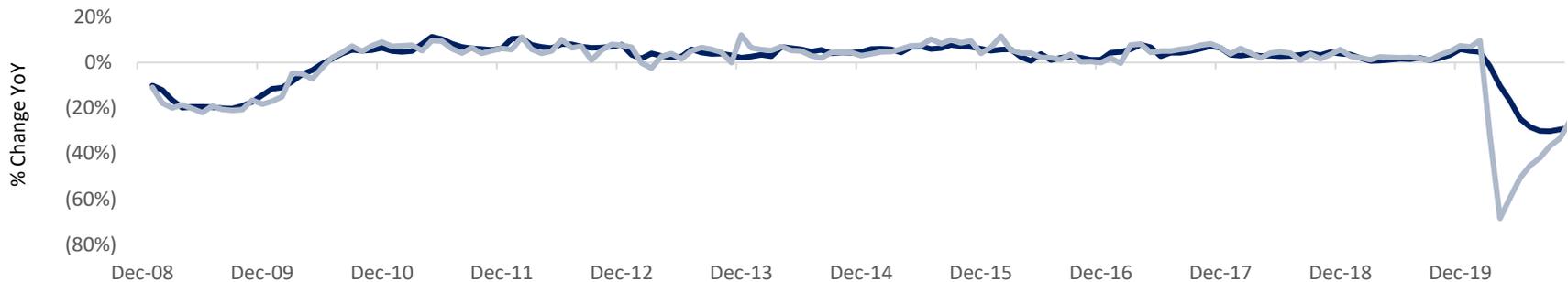
# Significant Cost Removal Efforts & Dramatic Fleet Actions

- Third quarter expenses finished 39% lower than the prior year, as we removed **\$1.0 billion** of costs in the last three months.
- We have removed more than **\$2.0 billion** of costs to date, well on our way to deliver \$2.5 billion of cost savings this year.
- We capitalized on a robust used car market to shrink the fleet, selling nearly 75,000 vehicles in the United States, the most we have ever sold in any quarter in the company's history.
- We profitably sold of nearly 100,000 vehicles worldwide, right-sizing our fleet to demand.
- Global utilization peaked in the 70% range and maintain the ability to flex our fleet size up or down depending on demand.

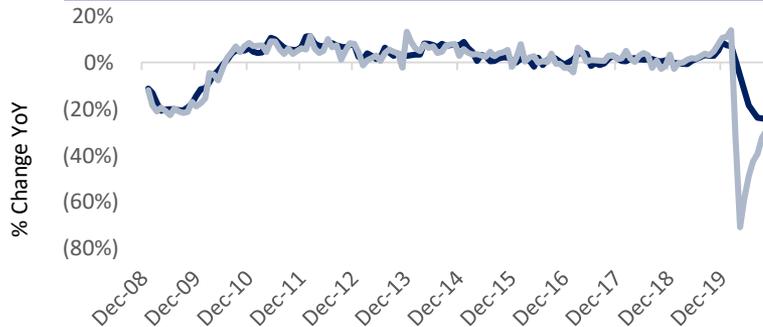
# Ability to Match Fleet to Demand

- Unlike other travel-related industries, we have repeatedly demonstrated our ability to rapidly scale fleet to match demand.

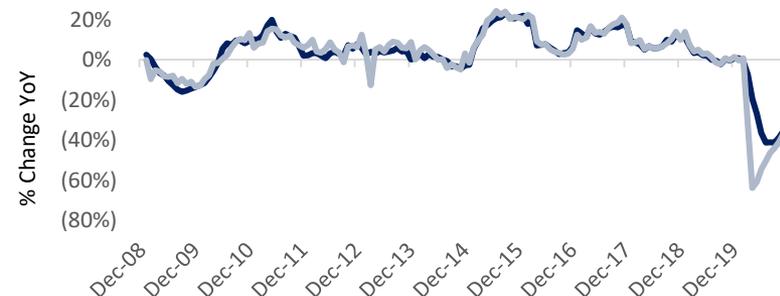
Total Company – Average Fleet vs. Rental Days



Americas – Average Fleet vs. Rental Days



International – Average Fleet vs. Rental Days



**Footnote:**

For the period October 2011 through September 2012, EMEA figures have been removed due to the acquisition of Avis Europe, and the Americas and APAC growth rates have been used as a proxy.

— Average Fleet — Rental Days

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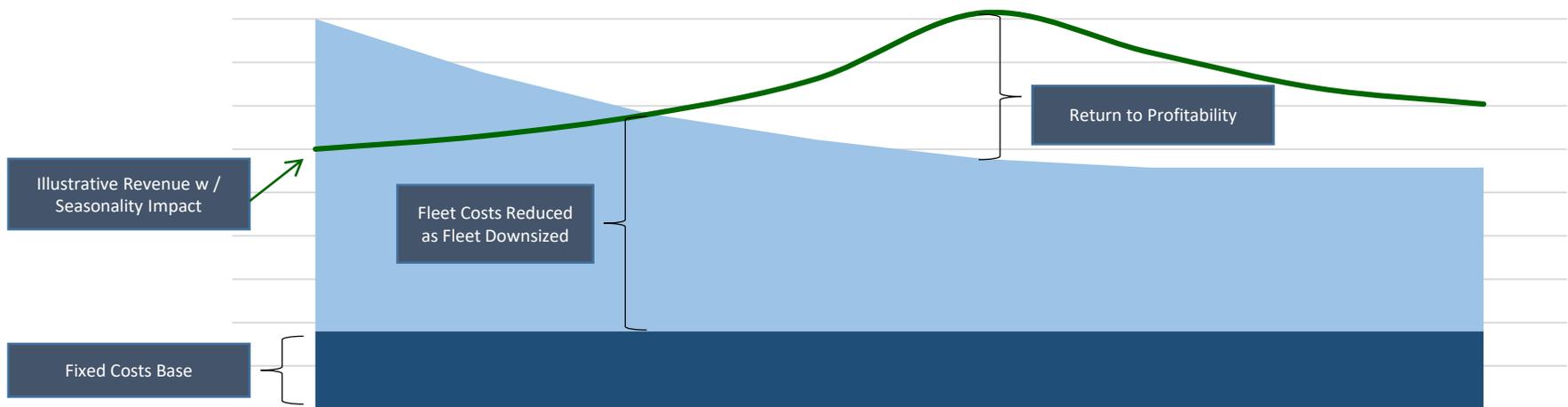
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# Liquidity and Cash Burn

- Adjusted Free Cash Flow for the quarter was positive \$100 million<sup>1</sup>, driven by our record fleet sales and successful cost removal strategies.
- We ended the quarter with \$2.4 billion in liquidity.
- Excluding the return of vehicle equity, we anticipate both positive Adjusted Free Cash Flow and Adjusted EBITDA for the remainder of 2020.

## Illustrating How Fleet Management Drives Profitability



(1) Adjusted Free Cash Flow of \$426m for the nine months ended September 30, 2020; Adjusted Free Cash Flow of \$326m for the six months ended June 30, 2020. Refer to slide A-5 for reconciliation.

# Corporate Debt Overview

## Covenant Relief and Financial Management

- On April 27th, we amended our Credit Agreement providing for the suspension of their leverage maintenance covenant through June 2021 and allowing additional first lien indebtedness of \$750 million.
- On May 12th, we issued \$500 million of Senior Secured Notes due in 2025.
- Proactive management of duration and sizing provides significant runway to navigate the next three years with no required refinancing transactions.
- In August, we accessed the market opportunistically to tack on an additional \$350 million of Senior Unsecured Notes due in 2027 of which \$100 million was used to redeem the remaining stub of Senior Notes due 2023.

## Debt Maturities



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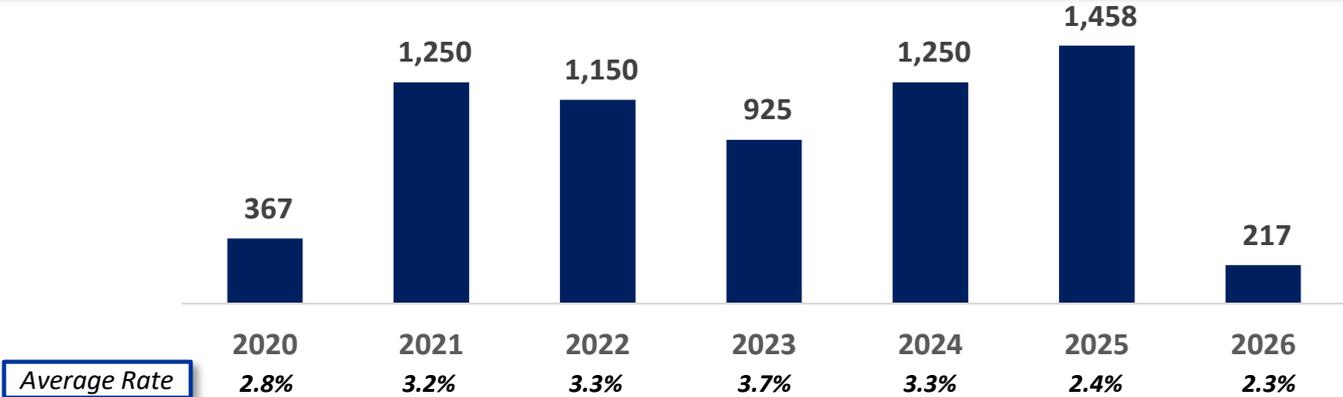


# Fleet Debt Overview

## Structural Highlights

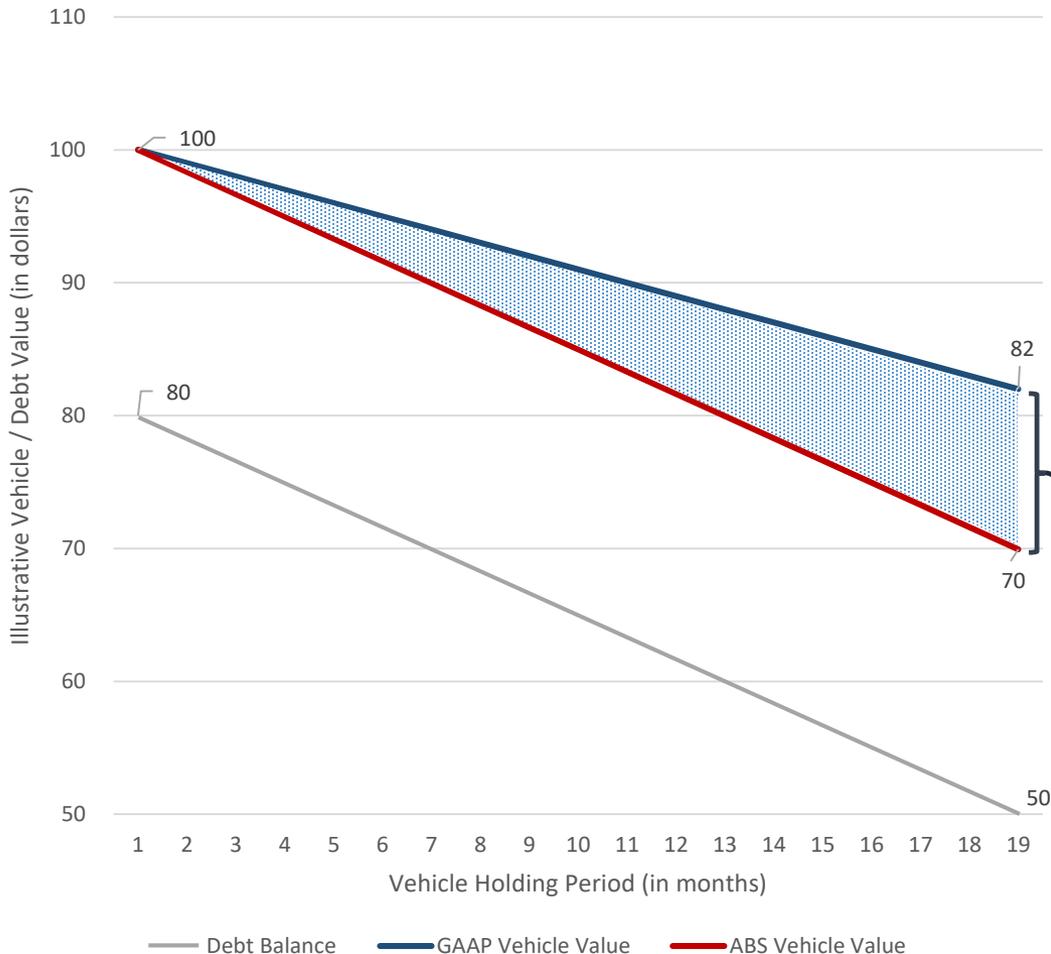
- Our vehicle securitization debt is comprised of ABS term debt and bank conduit facilities around the world.
- We were in compliance with all requirements as of the end of the quarter, and did not require equity injections.
- Our ABS maturities have a six month controlled amortization in lieu of bullet payments.
- Despite not needing to refinance any fleet debt this year, we did access the markets in August completing one of our best AESOP transactions at the lowest rates since 2013.

## AESOP Term Debt Maturities



Note: Maturity schedule amounts in millions. Data excludes Risk Retention tranche, if any.

# ABS Structure – One Vehicle Example



- Assume a vehicle is purchased for \$100 and financed through our ABS structure at 80%, or \$80.
- GAAP depreciation is ~1% per month; over 18 months is ~18%, resulting in a residual value of \$82.
- ABS depreciation is 1.67% per month per vehicle; over 18 months is ~30%, resulting in a residual value of \$70.

The conservative depreciation amortized into the structure creates an equity cushion of approximately 12% at time of disposal.

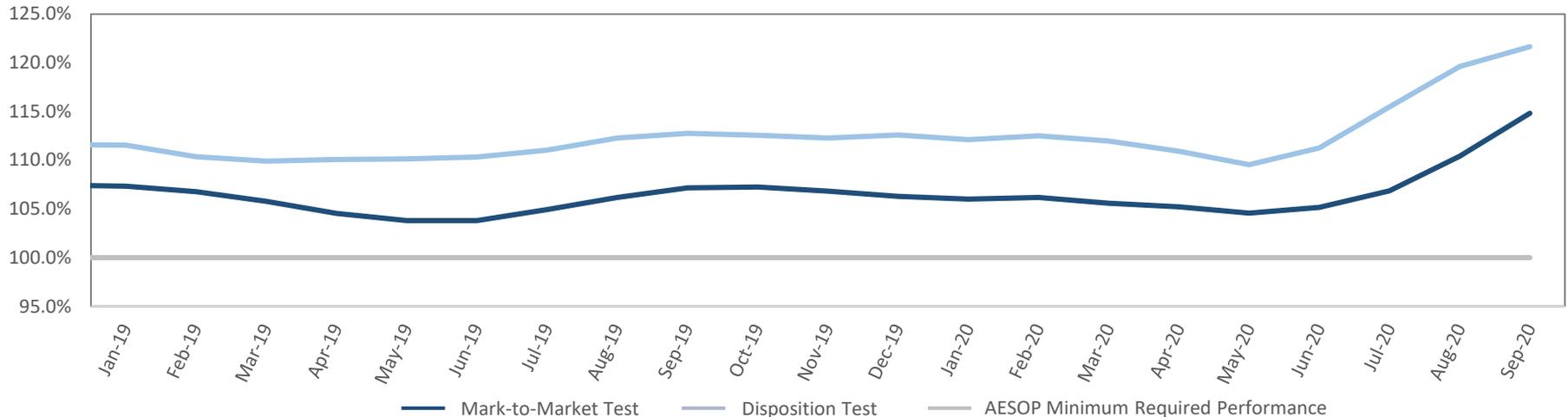
- ABS structure contemplates a straight line depreciation despite increase in vehicle equity.

# ABS Depreciation vs Residual Decline

Month	ABS Minimum Monthly Depreciation	ABS Compliance NBV	ABS Monthly Effective Depreciation Rate	Our GAAP Net Book Value	1% Residual Value Drop from our GAAP Net Book Value	Residual Value
0	-	\$25,000	1.67%	\$25,000	-	\$25,000
⋮						
10	418	20,825	2.00%	22,500	225	22,275
11	418	20,408	2.05%	22,250	223	22,028
12	418	19,990	2.09%	22,000	220	21,780
13	418	19,573	2.13%	21,750	218	21,533
14	418	19,155	2.18%	21,500	215	21,285
15	418	18,738	2.23%	21,250	213	21,038
16	418	18,320	2.28%	21,000	210	20,790
17	418	17,903	2.33%	20,750	208	20,543
18	418	17,485	2.39%	20,500	205	20,295

- Our ABS minimum depreciation payment is 1.67% on each vehicle monthly, compared with a GAAP depreciation rate of ~1%. This equates to ~50% more cash depreciation per vehicle each month.
- As a result, by the tenth month in the ABS facility, the monthly rent paid into the ABS would cover a ~2% drop in vehicle value before it touches the increasing equity cushion.
- As a vehicle ages, residual values are more volatile. However, the longer a vehicle is in the ABS structure, the cushion in cash depreciation compared to market value increases. Therefore, the pool can sustain substantial declines in vehicle values before jeopardizing the maintenance covenant.

# Maintenance Covenant Performance



- The required mark to market test for our AESOP program utilizes a three month weighted average of vehicle values in our fleet compared to NADA Black Book value<sup>1</sup>.
- The required disposition test for our AESOP program utilizes our disposition proceeds compared to our compliance net book value on a three month weighted average.
- We met the monthly mark-to-market test by approximately 115% and we met the disposition test by approximately 122% at the end of September. Our mark-to-market test improved sequentially each month through the quarter.

1) When NADA Black Book is unavailable Utilize GAAP NBV as a proxy.

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# Our Unwavering Commitment to Safety



The Avis Safety Pledge is our commitment to keep you safe. We've built strategic partnerships with RB, the maker of Lysol, and health experts to provide the latest guidance and best practices for disinfecting vehicles, training our employees and helping to protect your health.



# Longer Term: Six Areas of Strategic Focus

- Our strategic priorities remain unchanged despite the pandemic.

### Customer Experience

**#1** in Customer Satisfaction with Rental Car Travel Apps



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### Local Market, Ride-hail, and Package delivery



### Alternative Disposition Channels

**AVIS** | CAR SALES



### Connected Cars and Technology



### International Integration



### Organizational Efficiencies





# Appendix

# Definitions

This presentation includes certain non-GAAP (generally accepted accounting principles) financial measures as defined under SEC rules. We have provided below reasons why we present these non-GAAP financial measures and a description of what they represent. The GAAP measures most directly comparable to Adjusted EBITDA, Adjusted free cash flow, Adjusted pretax income (loss), and Adjusted diluted earnings (loss) per share are net income (loss), net cash provided by operating activities, income(loss) before income taxes, and diluted earnings (loss) per share, respectively. Because of the forward-looking nature of the Company's forecasted non-GAAP Adjusted EBITDA, Adjusted free cash flow, Adjusted pretax income (loss), and Adjusted diluted earnings (loss) per share, specific quantifications of the amounts that would be required to reconcile forecasted net income (loss), net cash provided by operating activities, pretax income (loss), and diluted earnings (loss) per share are not available. The Company believes that there is a degree of volatility with respect to certain of the Company's GAAP measures which preclude the Company from providing accurate forecasted GAAP to non-GAAP reconciliations. Based on the above, the Company believes that providing estimates of the amounts that would be required to reconcile the range of the non-GAAP measures to forecasted GAAP measures would imply a degree of precision that would be confusing or misleading to investors for the reasons identified above. Additional definitions and reconciliations of non-GAAP measures not included herein are provided in Appendix I and the tables of our press release furnished on Form 8-K on February 19, 2020.

## Adjusted EBITDA

The accompanying press release presents Adjusted EBITDA, which represents income (loss) from continuing operations before non-vehicle related depreciation and amortization, any impairment charges, restructuring and other related charges, early extinguishment of debt costs, non-vehicle related interest, transaction-related costs, net charges for unprecedented personal-injury legal matters, non-operational charges related to shareholder activist activity, gain on sale of equity method investment in China, COVID-19 charges and income taxes. Net charges for unprecedented personal-injury legal matters and gain on sale of equity method investment in China are recorded within operating expenses in our consolidated condensed statement of operations. Non-operational charges related to shareholder activist activity include third party advisory, legal and other professional service fees and are recorded within selling, general and administrative expenses in our consolidated results of operations. COVID-19 charges include unusual, direct and incremental costs due to the COVID-19 global pandemic such as minimum annual guaranteed rent in excess of concession fees for the period, overflow parking for idle vehicles and related shuttling costs, incremental cleaning supplies to sanitize vehicles and facilities, and losses associated with vehicles damaged in overflow parking lots, net of insurance proceeds and are primarily recorded within operating expenses in our consolidated condensed statement of operations. We have revised our definition of Adjusted EBITDA to exclude COVID-19. We did not revise prior years' Adjusted EBITDA amounts because there were no other charges similar in nature to these. Adjusted EBITDA includes stock-based compensation expense and deferred financing fee amortization totaling \$9 million and \$11 million in third quarter 2020 and 2019, respectively and totaling \$22 million and \$34 million in the nine months ended September 30, 2020 and 2019, respectively.

We believe that Adjusted EBITDA is useful to investors as a supplemental measure in evaluating the aggregate performance of our operating businesses and in comparing our results from period to period. Adjusted EBITDA is the measure that is used by our management, including our chief operating decision maker, to perform such evaluation. Adjusted EBITDA is also a component in the determination of management's compensation. Adjusted EBITDA should not be considered in isolation or as a substitute for net income or other income statement data prepared in accordance with GAAP and our presentation of Adjusted EBITDA may not be comparable to similarly-titled measures used by other companies. A reconciliation of Adjusted EBITDA from net income (loss) recognized under GAAP is provided on Table 5.

## Adjusted Free Cash Flow

Represents Net Cash Provided by Operating Activities adjusted to reflect the cash inflows and outflows relating to capital expenditures, the investing and financing activities of our vehicle programs, asset sales, if any, and to exclude debt extinguishment costs, transaction-related costs, restructuring and other related charges, COVID-19 charges and non-operational charges related to shareholder activist activity. We have revised our definition of Adjusted Free Cash Flow to exclude COVID-19 charges and have not revised prior years' Adjusted Free Cash Flow amounts as there were no other charges similar in nature to these. We believe this change is meaningful to investors as it brings the measurement in line with our other non-GAAP measures. We believe that Adjusted Free Cash Flow is useful to management and investors in measuring the cash generated that is available to be used to repay debt obligations, repurchase stock, pay dividends and invest in future growth through new business development activities or acquisitions. Adjusted Free Cash Flow should not be construed as a substitute in measuring operating results or liquidity, and our presentation of Adjusted Free Cash Flow may not be comparable to similarly-titled measures used by other companies. A reconciliation of Adjusted Free Cash Flow to the appropriate measure recognized under GAAP is provided on Table 4.

## Foreign Currency

We present currency exchange rate effects to provide a method of assessing how our business performed excluding the effects of foreign currency rate fluctuations. Local currency results are calculated using functional currencies outside the United States. Foreign currency exchange rate effects are calculated by translating the current-year results at the prior-period average exchange rate plus or minus any related gains and losses on currency hedges.

## Net Corporate Debt

Represents corporate debt minus cash and cash equivalents.

## Net Corporate Leverage

Represents Net Corporate Debt divided by Adjusted EBITDA for the twelve months prior to the date of calculation.

# Reconciliation of Non-GAAP Measures

Reconciliation of net income to Adjusted EBITDA (in millions):

	Three Months Ended September 30,	
	2020	2019
<b>Net income</b>	\$ 45	\$ 189
Provision for income taxes	8	139
<b>Income before income taxes</b>	<u>53</u>	<u>328</u>
Add certain items:		
Restructuring and other related charges	17	22
Acquisition-related amortization expense	17	13
COVID-19 charges <sup>(A)</sup>	10	-
Early extinguishment of debt	2	10
<b>Adjusted pretax income</b>	<u>99</u>	<u>373</u>
Add:		
Non-vehicle related depreciation and amortization (excluding acquisition-related amortization expense)	57	49
Interest expense related to corporate debt, net (excluding early extinguishment of debt)	64	49
<b>Adjusted EBITDA</b>	<u>\$ 220</u>	<u>\$ 471</u>

(A) For three months ended September 30, 2020 consists of \$8 million within operating expenses, \$1 million within selling, general and administrative expenses, net and \$1 million within vehicle depreciation and lease charges, net in our consolidated statements of operations. Primarily consisting of \$18 million of incremental cleaning supplies to sanitize vehicles and facilities, and overflow parking for idle vehicles and related shuttling costs, \$11 million of minimum annual guaranteed rent in excess of concession fees and \$(19) million associated with vehicles damaged in overflow parking lots, net of insurance proceeds.

# Reconciliation of Non-GAAP Measures

Reconciliation of net income to adjusted net income (in millions, except per share data):

	Three Months Ended September 30,	
	2020	2019
<b>Net income</b>	<b>\$ 45</b>	<b>\$ 189</b>
Add certain items, net of tax:		
Restructuring and other related charges	14	17
Acquisition-related amortization expense	12	10
COVID-19 charges	7	-
Early extinguishment of debt	1	7
<b>Adjusted net income</b>	<b>\$ 79</b>	<b>\$ 223</b>
<b>Earnings per share - Diluted</b>	<b>\$ 0.63</b>	<b>\$ 2.50</b>
<b>Adjusted diluted earnings per share</b>	<b>\$ 1.13</b>	<b>\$ 2.96</b>
<b>Shares used to calculate Adjusted diluted earnings per share</b>	<b>70.2</b>	<b>75.7</b>

# Reconciliation of Non-GAAP Measures

## Reconciliation of net income (loss) to Adjusted EBITDA (in millions):

	Twelve Months Ended September 30,	
	2020	2019
<b>Net income (loss)</b>	\$ (452)	\$ 173
Provision for (benefit from) income taxes	(355)	103
<b>Income (loss) before income taxes</b>	<b>(807)</b>	<b>276</b>
Add certain items:		
Restructuring and other related charges	103	74
COVID-19 charges <sup>(A)</sup>	90	-
Acquisition-related amortization expense	58	59
Early extinguishment of debt	11	24
Non-operational charges related to shareholder activist activity <sup>(B)</sup>	6	-
Transaction-related costs, net	7	8
Gain on sale of equity method investment in China <sup>(C)</sup>	-	(44)
<b>Adjusted pretax income (loss)</b>	<b>(532)</b>	<b>397</b>
Add:		
Non-vehicle related depreciation and amortization (excluding acquisition-related amortization expense)	224	202
Interest expense related to corporate debt, net (excluding early extinguishment of debt)	202	188
<b>Adjusted EBITDA</b>	<b>\$ (106)</b>	<b>\$ 787</b>

(A) For the twelve months ended September 30, 2020 consists of \$87 million within operating expenses and \$2 million within selling, general and administrative expenses, net in our consolidated statements of operations. Primarily consisting of \$41 million of minimum annual guaranteed rent in excess of concession fees, \$35 million of incremental cleaning supplies to sanitize vehicles and facilities, and overflow parking for idle vehicles and related shuttling costs and \$14 million of losses associated with vehicles damaged in overflow parking lots, net of insurance proceeds.

(B) Reported within selling, general and administrative in our Consolidated Statements of Operations

(C) Reported within operating expenses in our Consolidated Statements of Operations

# Reconciliation of Non-GAAP Measures

Reconciliation of loss before income taxes to Adjusted Free Cash Flow (in millions):	Nine Months Ended September 30, 2020	Six Months Ended June 30, 2020
<b>Loss before income taxes</b>	<b>\$ (821)</b>	<b>\$ (874)</b>
Add-back of non-vehicle related depreciation and amortization	214	140
Add-back of debt extinguishment costs	9	7
Add-back of restructuring and other related costs	89	72
Add-back of non-operational charges related to shareholder activist activity	4	4
Add-back of transaction-related costs	3	3
Add-back of COVID-19 charges	90	80
Working capital and other	111	182
Capital expenditures (A)	(99)	(78)
Tax payments, net of refunds	(12)	(5)
Vehicle programs and related (B)	838	795
<b>Adjusted Free Cash Flow</b>	<b>\$ 426</b>	<b>\$ 326</b>

(A) For the nine months ended September 30, 2020 and the six months ended June 30, 2020, includes \$24 million and \$14 million of cloud computing implementation costs, respectively.

(B) Includes vehicle-backed borrowings (repayments that are incremental to amounts required to fund incremental (reduced) vehicle and vehicle-related assets).