MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to the Avis Budget Group Third 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 head, sir.

Neal Goldner, 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; and David Wyshner, our Executive Vice President and Chief Financial Officer.

Before we discuss our results for the third 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 the 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 earnings release, which was issued last night and our second quarter Form 10-Q and our Form 10-K and other SEC filings.

If you did not receive a copy of our press release, it is available on our website at 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.

Ronald L. Nelson, Chairman and Chief Executive Officer

Thanks, Neal, and good morning to all of you. While many of the people listening to this call probably spent a lot of time this summer dissecting every word regarding the Dollar Thrifty situation. Our strong third quarter results clearly illustrate that for the 21,000 Avis Budget Group employees around the world, it has thankfully been business as usual.

Amidst the challenge and distraction that a lengthy M&A process necessarily involves, the store was being minded. We continued our focus on driving growth, profitability and margins. We continued our important work on improving the rental experience at every customer touch point. And we continued to diligently pursue cost savings and productivity opportunities that still exist within our infrastructure.

I do want to comment briefly on the Dollar Thrifty opportunity upfront so that we can then focus most of our time this morning on our business fundamentals. As you know, in July, we submitted a bid to acquire Dollar Thrifty Automotive Group for 46.50 per share in cash and stock, and in September increased our offer to approximately $53 a share.

On September 30th, Dollar Thrifty's shareholders voted not to approve the proposed merger with Hertz, and Hertz subsequently terminated its merger agreement with Dollar Thrifty and withdrew its antitrust application from the FTC. On October 5th, we and Dollar Thrifty announced that we had agreed to cooperate to pursue antitrust clearance of our proposed acquisition of DTG.

We also affirmed our commitment to pursue an acquisition of Dollar Thrifty on the previously announced terms. Dollar Thrifty represents a substantial growth opportunity for our company and our offer represents a premium evaluation of the Dollar Thrifty shareholders.

Beyond that there isn't much to report. We continue to diligently pursue the proposed transaction. We and Dollar Thrifty have provided the FTC with literately millions of pages of documents and data. We believe several of our competitors' licensee and others have also provided large amounts of requested information to the government. The FTC is reviewing that information. And while we continue to have a regular productive dialog with the FTC, they have not provided us with a view as to whether, when, or under what conditions they will approve our proposed transaction.

We do believe it is appropriate for them to take the time to understand the fundamentals and competitive realities of the vehicle rental business. There are a significant number of details that cause our industry to differ sharply from others. We continue to work cooperatively with the FTC to bring those details into clearer focus. With that we don't intend to say anything else or to speculate regarding the Dollar Thrifty transaction on this call. So we'd ask you to refrain from asking any related questions during the Q&A.

Turning to our business. We're happy to report strong third quarter results that reflect positive revenue growth, strengthening travel trends, continued cost control, expanded margins and increased earnings. I think the headline speaks for itself. We delivered our best quarterly bottom line performance since 2005 with adjusted EBITDA of 219 million, up over 30%, excluding certain items. Year-to-date, our international EBITDA is up 31%, our domestic EBITDA is up 53%, and our truck EBITDA is up 114%, all on an adjusted basis. At the risk of being immodest, we think this growth is a significant accomplishment in an otherwise tepid economic recovery.

As we anniversaried the initiatives we undertook last year to step away from unprofitable or marginally profitable business, the market growth that is returning to the economy began to be reflected in our numbers, as we said it would. We reported revenue growth of over 3% in the third quarter, our first quarter of positive revenue comparisons since mid 2008.

In U.S. car rental, our pricing declined 3.7%, which in part reflects a shift in our business mix to longer rentals. Given that the longer length rentals tend to be more profitable, this is a trade-off we're happy to make. In addition, our recorded pricing was impacted by somewhat faster growth at Budget than at Avis.

You also need to take into account the very difficult comparison with last year's third quarter, when our pricing was up over 9%, in order to get the complete picture. We believe the two-year comparison is the better measure, and with that we maintain considerable price improvement, with price up over 5% overall versus the third quarter of 2008. Put that in perspective, our two-year increase of over 5% compares to a 2% decline by our largest public competitor over that same time period.

Domestic volume growth was up over 4%, with year-over-year volume growth actually accelerating through the end of the quarter, as we anniversaried last year's actions and successfully captured available demand. October was up as well. The acceleration was most pronounced in our commercial business, with commercial volume up 2% for the quarter, but up 6% in September. We had a particularly solid quarter in our large commercial accounts, with volume up nearly 6% for the quarter, and up double-digits in September. Commercial account retention remained well over 99%

and we continued to win new accounts, particularly in the small business area, which tends to have a higher average pricing than other commercial segments.

Leisure volume grew 7% this quarter reflecting improved consumer confidence compared to last year and stronger overall travel trends. We also saw good off-airport growth, with same-store volume up over 6%. When you look at our volume growth of 4% in total, it's worthwhile to remember that the closing of certain unprofitable off-airport locations last year and turning Budget LAX back over to the franchisee, cost us approximately two points of total volume, but were also profit-positive moves. Even with that headwind our volume growth was a few hundred basis points better than employment's, which tends to be the historical relationship in a growing market.

The most significant news on the volume front are the new, renewed and expanded agreements with a number of airlines, in particular, during the third quarter and more broadly over the course of this year. As part of our longer-term strategy, we have relooked at the revenue generation opportunities that we gain from co-marketing and co-promotion relationships with third parties.

Our affiliations with organizations such as AARP, Costco, the Make-A-Wish Foundation, American Express, Pep Boys and dozens of frequent flyer programs have long been a part of how we market our brands to likely renters, and we've taken action to expand our presence in these channels.

As you may recall, we began the year by announcing an exclusive agreement with the largest airline in Canada, Air Canada, and a continued expansion of our agreement with their related marketing and loyalty organization, Aeroplan. This international relationship joins the already very successful existing relationship we have with the largest airline in New Zealand, Air New Zealand.

Over the last three months, we have signed new, renewed and expanded partnership agreements with American Airlines. JetBlue, Qantas and Southwest Airlines. In the American agreement we're the exclusive media partner in promoting Avis and Budget in all of their venues and publications. With Qantas, which is by far the largest airline in Australia, we will be the exclusive car rental partner in the frequent flyer path effective November 19th.

These broader agreements will provide Avis and Budget access to millions of leisure and business travelers both domestically and abroad, which should provide incremental volume for years to come. We expect that these four agreements will generate additional revenue next year, best described as in the tens of millions.

In addition to growing our rental volumes, we continue to pursue opportunities to grow our revenue per rental. As we've noted previously, a key element of our earnings growth strategy has been growth in ancillary revenue. Our ancillary product and service revenue continued to expand in the third quarter, up 2% on a per rental day basis compared to last year, and up 15% over the last two years, all in a period of otherwise anemic economic growth.

The improvement was driven by increased penetration of our product portfolio, in particular, emergency roadside assistance product and our eToll payment service, as well as the launch of XM blast, a portable satellite radio offering. We also had a good quarter in customer upsells, which not only improves the customers' rental experience but enhances our margins in the process.

Ancillary product offerings have been a priority for us on two fronts; continued innovation in the products themselves and continued sharpening of the sales efforts by our customer facing employees. We believe there remains more opportunity on both fronts. It's a launch of our company-wide CRM initiative this year as part of our customer-led service-driven initiative. We will be able to personalize the rental transaction and target more closely the revenue opportunity of each customer by offering the right product to the right person at the right time, all with the desired effect of improving the customer experience and enhancing our close rate.

Moving to truck, our truck rental operations have directly benefited from the year-over-year improvement in the global economy and our efforts to control costs. One-way business, which approximates a third of our truck revenue stream and is the most profitable, continues to grow, is now in its eighth consecutive quarter of year-over-year revenue growth.

Revenue, price and length of rental all showed single-digit gains in the quarter. As long as unemployment remains high, we believe this segment will be driven by people moving to find jobs. The other stand-out performer in truck was commercial. Also accounting for about a third of the business, revenues were up 25% during the quarter, as the business remains the beneficiary of the reluctance of companies large and small to invest in new fleet, given the uncertainty of the recovery.

The soft performer in this group was our third segment, consumer rentals or local market. This business tends to be correlated with the real estate market, so understandably it is not performing as well as the other segments. But for truck, in total, while our rental day volume is up year-to-date, our average fleet is down 9%, driving our utilization up 12% with the prior year.

With the business cycle turning and our year-to-date adjusted EBITDA margin exceeding 10%, we are reinvesting modestly, modestly with a capital M in truck rental, purchasing about 1,000 cargo vans in the second half of 2010, all of which are already committed to a few large commercial accounts. We will also need to refresh a portion of our truck fleet next year. In the process, we'll simply replace older trucks, but will continue our focus on reducing the overall fleet size to improve utilization. This strategy should yield both brand and profitability benefits, as demand continues to strengthen.

A word on international. Our international business, which represents 35% of our year-to-date EBITDA, continues to perform well. Margins are north of 18%. We have leading positions in our core markets, and we derive a significant amount of licensee revenue in the more than 60 countries where we don't operate directly. Our game plan is to fortify our strong position in countries like Australia, New Zealand and Canada where we operate directly.

In each of these territories, we have significant, if not exclusive agreements with the largest airline carriers in each market, which is an important marketing advantage. These markets also tend to have larger inbound volumes, which generate higher levels of ancillary revenue, and in turn drive higher margins. We are focusing on investing and reinvesting in initiatives to grow these businesses in a variety of ways; by acquiring licensees where it makes economic sense, wiring new customers through affiliation and marketing agreements, developing new markets, strengthening our customer service and reducing costs.

I want to spend just a few minutes on fleet and the used car market. As we discussed on our last call, our fleet was tighter than ideal entering the third quarter, which cost us some profitable commercial volume in shared or non-affiliated accounts. This was evident in the competitive comps in the first half and exacerbated by the fact that commercial was the largest component of market growth in the same period.

And as we began to course-correct over the summer and judiciously add fleet in late August in certain markets, we saw a marked improvement in mid-week and weekly volume, which contributed to the strong commercial growth we saw in September. Going forward, we have to balance the trade-offs between utilization and revenue per unit to make sure we have the fleet capacity to capture all of the profitable volume available to us. In a growing market, we found that a singular focus on utilization tends to understate demand, the risk is fleets being too tight. In this market a balance between the two will drive the appropriate fleet levels.

We've also begun taking deliveries of model year 2011 vehicles and expect to have a much richer mix of cars. We are the first and currently the only major domestic car rental company to offer the new Chevrolet Cruise, which is not only very well appointed but has a highway fuel economy near 40 miles per gallon. We're also adding more hybrid vehicles to our fleet, including the Toyota Prius and Nissan Altima. We will have BMWs and Mini Coopers in our fleet for the first time ever in 2011. We're looking forward to taking delivery of the fully redesigned Ford Explorer. We've already started taking delivery of the brand new jeep, Cherokee. The Chevrolet Camaro and Corvette will also be back in the fleeting in this year as part of our line-up of Cool Cars. Several of these fleet commitments reflect the attractive trade-off of revenue per unit for utilization.

As we reported last quarter, we do expect our model year '11 unit fleet cost to be flat to slightly down next year, despite having a richer mix of cars, which should deliver higher pricing. Staying with fleet for a minute, the used car market was stable and strong throughout the third quarter, enabling us to achieve our normal seasonal de-fleeting, while pocketing some modest car sale gains. Our car sales continued to outperform our peer group at traditional auction channels, according to both ADESA and Manheim, and we've expanded our use of alternative wholesale channels.

We also recently partnered with a number of large multi-site dealer groups, enabling them to source cars directly from your used car fleet. And while we are already active in the arena of online sales with over 30% of our cars sold online year-to-date, continue to look for new opportunities to reduce the number of days it takes us to sell cars, as well as lower the expenses associated with the traditional sales channel.

As we mentioned in the past, we believe a generally strong used car market is likely to persist for some time, but the significant decline in new vehicle leasing and the sizable de-fleeting of the rental car industry over the past few years, the supply of late-model used vehicles remains lower than demand and we expect this imbalance to remain for the foreseeable future. This should support continued strength in late-model used car pricing over the next few years. The car manufacturers seem to see the market the way we do. There's no doubt what's causing the cost to program cars for model year '11 to narrow relative to risk cars. This has enabled us to renew our fleet at attractive rates while modestly increasing our mix of program cars and maintaining the youngest fleet in the industry.

Just a few comments on non-cancellation fees before moving to our outlook. We continue to be pleased with the result of our test and plan to expand the implementation carefully and prudently. We conducted a limited test of non-cancellation fees on avis.com last quarter and we'll continue to expand the test of this program in other channels to assess consumer and competitive reaction. For us, this is really more about efficient fleet management and being able to deliver exactly what the customer orders, rather than doing it as an additional profit opportunity.

Also a word about a program that we've had at Budget for some time that is now coming to Avis. Specifically we'll be launching the functionality to accept prepaid reservations on avis.com later this month. We launched Budget PrePay in 2009 and the results have been favorable, not only because we get paid earlier, but because of the significant cost savings and utilization benefits associated with reduced no-shows.

In an era of consumer cost consciousness, we believe providing these pricing schemes are an absolute essential to capture the full range of consumer demand. We do expect this initiative will drive incremental volume at Avis.

To wrap up, we remain optimistic about the prospects for our industry and our company. Volume growth is positive and we continue to hold on to most of last year's pricing gains. We have strengthened our fleet and customer mix and have intensified our focus on the rental experience through our customer-led service-driven initiative.

Preliminary October results are in line with our expectations. October has traditionally been a good month for both commercial and leisure travel and this year held true to pattern. October volume was up 6% with pricing essentially unchanged from the September pattern, though it did show improvement as the month progressed, and the res build points to continued good volume growth in both Avis and Budget in November.

It's also important to highlight the cumulative effect of our cost reduction and process improvement initiatives, our focus on profitable transactions and now the strengthening of demand. Our adjusted EBITDA margin, excluding items, over the last 12 months is 7.2%, up over 400 basis points, putting us clearly within striking distance of the 8% average we have spoken about. We are excited to be well on the path to returning closer to historical margins as we said we would.

More importantly, as we look ahead, we are increasingly confident that the difficult decisions we have made to reduce costs and focus on profitable volume, as well as strengthening our customer relationships and growing ancillary revenues, give us an opportunity for stronger margins and earnings than our historical averages. Airline capacity data suggested employment growth should be around 3% over the next six months with commercial travelers leading the recovery.

We certainly expect to capture our fair share of the available demand. We believe we're still in the early stages of a multi-year upswing in the business, particularly since travel demand is still well below 2007 levels and only marginally above 2000 levels. As a result, we currently expect our results will continue to reflect the continued improved travel environment, lower fleet costs, and the leverage of a dramatically lower cost infrastructure. With that let me turn the call over to David to provide some more details on the quarter, and our full-year outlook.

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

Thanks, Ron, and good morning, everyone. Today I'd like to discuss our third quarter results, our fleet, and our capitalization and liquidity, as well as expand on some of Ron's comments regarding our outlook. My comments will focus on our results excluding certain items. As Neal mentioned, these results are reconciled to our GAAP numbers in our press release.

In the third quarter, revenue increased 3% to more than $1.5 billion. Adjusted EBITDA grew by 33% to $219 million, and margins expanded over 300 basis points. Net income increased 41% to $97 million and diluted earnings per share increased 20% to $0.78. For the fourth consecutive quarter all three of our operating segments reported double-digit adjusted EBITDA growth.

In our domestic car rental segment, our topline grew 2%, reflecting a year-over-year increase in ancillary revenues. We kept most of last year's increased pricing and also grew our rental volumes. Adjusted EBITDA was up $40 million for the quarter, driven by higher revenue, ancillary revenue growth, the benefit of cost saving initiatives, and a 7% decline in per unit vehicle costs.

Fleet cost declined despite the fact that we recorded $23 million of car sale gains in the third quarter of 2009. The decline in fleet costs in 2010 was driven by lower costs per model year 2010 vehicles, as well as the stability of the used car market. International revenue grew 10% year-over-year, driven by a 4% increase in pricing, and 3% volume growth. Excluding the impact of foreign exchange, revenue grew 3%, pricing declined 2%, and ancillary revenues were up 7% per rental day.

Adjusted EBITDA grew 11% year-over-year, with half of the increase being organic and half due to a favorable impact from foreign currency. Operationally, we benefited from the growth in rental volumes and cost savings.

Truck rental revenue increased 5% versus last year due to a 1% increase in pricing and a 5% increase in volume. Importantly, pricing for one-way transactions was up 7%, but overall pricing was negatively impacted by mix as we grew our commercial volumes significantly as part of our strategy to increase utilization.

Adjusted EBITDA increased 46% and margins expanded nearly 500 basis points. The sixth consecutive quarter of year-over-year margin growth primarily due to increased revenue, lower fleet costs, increased utilization and our cost saving initiatives.

Regarding fleet, we have completed our negotiations with substantially all of our vehicle suppliers for the purchase of model year 2011 vehicles. We are pleased with both the pricing and availability of cars. We expect no single manufacturer to account for more than around 30% of our U.S. rental car fleet next year. As Ron mentioned, our model year '11 per unit vehicle cost should be in line with or modestly lower than our model year '10 costs.

We expect to maintain a balance of risk and program cars, with program cars continuing to represent approximately half of our fleet. As we've said previously, program cars give us the flexibility to adjust our fleet quickly, without the potential negative consequence of trying to sell a large number of vehicles in a short time period, and also enable us to offer new and specialty vehicles, such as large SUVs and convertibles, without taking on the residual value risk of these models.

Turning to the balance sheet. Our liquidity position remains strong. We ended the quarter with $623 million of cash and we had no borrowings under our $1.2 billion corporate revolver. We also have $1.4 billion of capacity under our vehicle-backed financing programs, but clearly we have substantial liquidity. Our results put us well within our covenant requirements. Our leverage ratio at September 30th was 3.6 times compared to a permitted maximum of 5.75 times. This also means that we have achieved our articulated target of less than four times corporate leverage sooner than we had planned. Our coverage ratio was 2.9 times, more than double the requirement of at least 1.3 times.

In early October, we sold $400 million of high yield bonds at an attractive 8.25% yield. We intend to use the proceeds of the offering to help fund our proposed acquisition of Dollar Thrifty, or to repay outstanding corporate debt. We've also been active in the ABS markets. We renewed our Canadian bank facility for another year, and in Australia we renewed our bank facility for two years. Domestically, we renewed our $2 billion vehicle-backed conduit facility and upsized it by $100 million, extending the maturity on half of the facility to two years while lowering the interest rate by about 100 basis points.

Also, as we announced last week, we closed a $700 million asset-backed bond offering, which effectively refinances the $600 million of term ABS debt maturity that occur in 2011. The 3.2% weighted average interest rate on the new debt, more than 200 basis points below the rate of the debt it's replacing, it had a similar advance rate of more than 75%. Combined, we expect the lower cost conduit facility and the ABS debt offering to save us at least $20 million in vehicle interest expense in 2011. Capital expenditures totaled just $16 million in the third quarter and $39 million year to date. CapEx is expected to be $60 million to $70 million for full year 2010.

We finalized the audit of the company's 2003 through 2006 Federal tax returns during the quarter as expected, and made payments to the IRS in conjunction with the audit, all of which were funded by our former Realogy and Wyndham subsidiaries. In connection with the conclusion of the audit, Wyndham reimbursed us $86 million in cash for certain tax attributes, which we had not expected to be able to utilize until at least 2014. Be clear this was a significant positive outcome for Avis Budget.

Let me now review our outlook. The key elements of our strategy remain the same; striving for revenue growth and intense focus on cost controls and process improvement, a persistent drive for improved profitability, keeping fleet levels in line with demand, aggressively pursuing ancillary revenue growth opportunities, and refining and improving the vehicle rental experience we offer to our customers.

We've seen a modest economic recovery this year, which we believe is driving increased vehicle rental demand in volumes with a rebound in both commercial and leisure demand. Based on our October results and reservation trends for the rest of the year, we expect year-over-year volume increases to continue in the fourth quarter.

We also expect year-over-year pricing comparisons to remain challenging in the fourth quarter, due to double-digit leisure price increases achieved last year. Just to remind you, we reported an overall price increase of 9% in domestic car rental in fourth quarter 2009.

On the expense side, we now expect a 9 to 11% reduction in domestic per unit depreciation costs for the current year, a point better than our prior guidance. We've also narrowed the estimated range of incremental benefits in 2010 from our cost saving initiatives. We now expect these actions to provide an incremental $60 million to $70 million in savings for 2010 compared to 2009, much of which was realized in the first half of the year.

The cumulative benefit of the actions we've taken over the last several years is now approaching $1 billion, including about $480 million of savings in 2010. Of course, some of the cost savings benefits are offset by inflation on our approximately $2 billion non-vehicle related cost base.

Finally, our 2010 GAAP tax rate is expected to be less than 40%. We expect full year cash taxes to be $30 million to $35 million. We will likely become a partial federal cash taxpayer in 2011.

We continue to be intensely focused on and excited about growing earnings and margins this year and beyond. The car rental industry is recovering from a cyclical trough. Volume is growing, company's cost structure is significantly leaner than just two years ago, and our continued emphasis on profitable rental transactions, ancillary revenue growth, and fleet diversity, provides the opportunity to move margin levels above those achieved during previous economic cycles.

With that, Ron 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, John Healy with Northcoast Research. You may ask your question.

<Q – John Healy>: Question about, I guess, 2011, as we move into 2012, Ron. If you see the vehicle financing coming down pretty dramatically that we've seen over the last couple of months with some of the deals that you've done, how do you feel about the industry's commitment to discipline and commitment to maintaining tight fleet? I mean if I think about your comments, a couple of things that I pulled out of there is financing is cheaper, the OEMs are looking to give you some attractive terms on program cars. Do you think the industry has really learned its lesson or continue to remain as disciplined as we've seen over the last 12 months?

<A – Ronald Nelson>: I don't think much has changed, John. If you look at fleets over the course of the summer and frankly into September and October where people tend to be over-fleeted, virtually everyone was posting LOR restriction sometime during the course of the week, which tells me that everyone is right sizing their fleet. And that's really the key to sort of keeping pricing in sync. I think as volume comes back into the market, there's probably going to be a little jostling of price back and forth. But I think for the most part over the long run, as long as fleets continue to stay in sync with demand, then pricing should be relatively stable. I'm -- maybe I'm an optimist about this, but I do think the last 24 months has changed the industry's view of pricing in relation to -- I don't see anything frankly in the last three months or nine months that would change that.

<Q – John Healy>: Okay. Great. And, Ron, I think you mentioned that you said the Budget business did a little bit better than the Avis business this quarter. Were there -- any way you could kind of give us some color on how each of those businesses performed from a transaction-based standpoint?

<A – Ronald Nelson>: Yeah, we really don't get into individual volumes by brand, John, but I will say that over the course of the summer, the Budget brand did perform a couple hundred basis points better in terms of transaction volume. And actually days was probably a little more, because Budget during the course of August and September was booking a lot of weekly business, really in the mid teens in terms of a year-over-year gain, and I think that's why you see the sort of the impact on pricing during the quarter, is that we are getting a lot of weekly business.

<Q – John Healy>: Okay. Fair enough. And then just kind of a housekeeping question, I might have missed it. But did you mention what you expected overall company vehicle depreciation expense to decline this year, not just the domestic piece, but what you expected for the -- all the business units?

<A – Ronald Nelson>: We don't -- I do think the trends that you've seen so far this year will be there on a full year basis, though, driven on the truck side primarily by a decline in the average fleet there.

<Q – John Healy>: Okay. Thank you.

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

<Q – Emily Shanks>: Hi, good morning. I had a question about the cash balance. Is any of that posted as collateral under the vehicle-related debt?

<A – David Wyshner>: The cash balance is free and clear as of quarter end. Sometimes during the quarter if we have a cash balance, we will use it to replace collateral as an interim use of cash that will save us some LC costs, but all of the $623 million of cash was free and clear and not posted as of September 30.

<Q – Emily Shanks>: Okay. Great. And then in terms of the pricing, I know that you said that you're up against difficult comps, but can you give us a little bit more color on how we should think about that particularly versus some of your competitors that posted positive pricing during the quarter?

<A – David Wyshner>: Sure. I think it's very important to look at the two-year pricing comps, using 2008 as a starting point and rather than just focusing on the year-over-year comps. That's why Ron highlighted the fact that on a two-year basis we were up five points, whereas others in the industry were sort of -- were flat or down a bit. And so I do think the two-year numbers are a very useful way of looking at things in the context of where pricing is going to go. As I mentioned last year, our pricing in Q4 was up 9% versus third quarter -- versus fourth quarter of 2008. And that means that we do again have a difficult pricing comparison coming up in the fourth quarter.

<Q – Emily Shanks>: Okay. And then my last question is just around the debt raise that you did subsequent to quarter end. Is there a potential that you would come back to the debt markets to raise more funds for potential Dollar Thrifty acquisition or does that take care of it?

<A – David Wyshner>: You know, the Dollar Thrifty acquisition probably would require some additional -- would require additional funding compared to the $400 million we've already raised, and we have not yet decided what form that would take. But we would need additional funding to complete the Dollar Thrifty transaction.

<Q – Emily Shanks>: Okay. So visiting the debt markets is still on the table then, is that a fair assumption?

<A – David Wyshner>: That would be fair.

<Q – Emily Shanks>: Okay. Great. Thanks. Good luck.

Operator: Our next question, Chris Agnew with MKM Partners. You may ask your question.

<Q – Chris Agnew>: Thank you. Good morning. First question, I wonder if you'd be willing to break out domestic pricing that you saw in the quarter month-by-month? And then can you repeat the comments you made, I just want to make sure I took them correctly, on pricing in October? I think you mentioned the sort of improvement at the end of October over September. Thanks.

<A – Ronald Nelson>: Yeah, Chris, we're not going to get into month-by-month pricing. I think you've got the pricing for the quarter and I think our comment was that the pricing trends that we saw in the third quarter and in September continued into October and actually October got better as the month got longer, because, as you know, October is traditionally a fairly strong month for us, because there's both commercial and leisure volumes and so fleets got tighter as the month went on and volumes grew.

<Q – Chris Agnew>: And just -- I mean did you say anything on November? I mean, is that the October trend, does that continue into November, December, or how do they differ from...?

<A – Ronald Nelson>: Well, it's a little early for December. It's just -- what we're seeing, quite honestly, as commercial volume comes back into our mix that the booking curve is pretty close in. And December is always kind of a screwy month, because of the Christmas holiday, and Thanksgiving, and, and where it all falls. So, as I look at the res build right now, I think we're sitting with maybe 8% or 10% of December reservations relative to last year in-house. So you really can't draw any conclusions. But November, the res build in November, which I think actually is pretty good, at least up to the Thanksgiving period, is strong. It continues the patterns from September and October. And pricing actually seems to be holding and really continuing the third quarter trend in terms of year-over-year.

<Q – Chris Agnew>: Okay, thanks. And then changing tack, can I ask about ancillary revenues. I know you had tough comp, but I think last year you reported 13% growth to 2% this year. But, I mean, are we starting to see that max out? I know, David, you mentioned that you're aggressively pursuing ancillary revenue growth. I mean can you just put a little bit of color around that and some examples of what the aggressive actions are? Thanks.

<A – David Wyshner>: I think part of it has to do, too, with the fact that we started this initiative about 18 months ago, and we went through the top 50 airports and did sales training, and as we anniversaried the training issues, you don't see the same kinds of increases that you did. We're now moving into markets 50 to 100. We have an initiative going on in the local markets to do the sales training.

And the things -- every product in the portfolio has a lifecycle. And while GPS is starting to sort of even out, Roadside Safety Net is growing pretty nicely. XM is going to grow pretty nicely as we roll out more units, and we're always thinking about some new innovations and products that we can introduce. So I think that until you see – until we come out with another product that has the penetration potential of GPS', I don't think we're going to see the mid-teens kind of gains that we got last year. But, we do think that we're going to be able to continue to grow this, particularly as we enhance the training in smaller markets.

Operator: Our next question, Neil Portus with Goldman Sachs. You may ask your question.

<Q – Neil Portus>: Thanks. Good morning. You talked about not pursuing unprofitable business. I just wanted to ask how we should expect that to flow through the volume and pricing results in the coming quarters. This quarter, for example, volumes were up and pricing was down. Should that trend start to reverse somewhat going forward, given your increased focus on profitable business?

<A – Ronald Nelson>: Neil, I think the right way to think about the focus on profitable volumes is a continuation of the discipline we've put in place. A lot of the actions we took to step away from unprofitable transactions were taken in the 2009 timeframe. We have anniversaried substantially all of them, and as a result we are expecting our volume trends to return back to being more in line with the market. And I think that is actually what you saw in our third quarter numbers as well, as we have now anniversaried most of the actions to step away from unprofitable business.

We continue to focus on this area, though, and refine our analyses, because I do think there are opportunities for us to continue to prune a little bit, as well as to look at areas where we were perhaps too aggressive and ended up losing some profitable transactions when we stepped away from unprofitable transactions. And so as we become more and more knowledgeable and sophisticated in this space, we'll have opportunities, I think, to step away from certain pieces of unprofitable business and grow our presence in more profitable areas. But I think net the two we're going to have, shouldn't have much of an impact on volume. But it is going to continue to be an area of strategic focus for us.

<Q – Neil Portus>: Okay. And just one more. As you've increased your announced cost savings program throughout the year, what are some of the operational areas where you've been able to sort of drive that increase, and is there more room to go beyond what you guys have announced?

<A – Ronald Nelson>: Let me work backward. I do think there are additional opportunities, and as we put together our 2011 plans for our performance excellence process improvement initiative, we're actually excited about the opportunities that continue to exist. Most of our savings end up being tied to our field locations, and I think that's simply a factor of the math associated with that being where most of the costs are. And when we find ways to save money at a given airport or off-airport location, we can replicate those savings hundreds of times over. The savings tends to be in the productivity and efficiency areas, particularly related to people and staffing and how we utilize our folks, and that continues to be a big area of what we are looking at. Particularly, for how we move vehicles around, both cars that need to be moved as well as items such as bussing that we provide in certain airports, how we manage the efficiency and staffing levels for those sorts of activities has continued to be a key source of savings for us. But it really runs throughout our entire P&L, and we continue to look for savings in the maintenance and damage areas, which have been a big source of savings so far this year. But between staffing levels and maintenance damage and fleet maintenance, we see a significant amount of savings.

<**Q – Neil Portus**>**:** Okay. Great. Great. Thank you.

Operator: Our next question, Chris Doherty with Oppenheimer & Company. You may ask your question.

<**Q – Christopher Doherty**>**:** I just wanted to follow up a little bit on the non-T&M revenue. You know, I think you answered a lot of it, but if I look at the international one, you're actually down quarter-over-quarter. Is that seasonality or FX rates?

<**A – David Wyshner**>**:** Just give us a second to look at something. No, on a -- in international, excluding the impact of foreign exchange, as I mentioned, ancillary revenues were up 7% per rental day. The focus continues to be there across all three of our business segments, domestic, truck and international, on finding opportunities to grow international -- grow ancillary revenues and to train our folks to be more effective at counter sales, and sales through all of our reservation channels as well. And that, as Ron mentioned, will continue to be the case.

<**A – Ronald Nelson**>**:** You know, the big opportunity internationally, frankly, is in upsells. The penetration of insurance products is actually pretty good. If you look at the rental day dollars that we generate from ancillary revenue internationally, it's about 20% to 30% higher on average than it is domestically, because of the insurance penetration. Where they don't match the domestic achievement is in upsells. And so we've put a particular focus this year on pushing the three MDs of those big territories to focus on upsells and get their numbers up, approximating the domestic. So there is a good opportunity there. But again, it's on a relative basis. It's going to be about a third of the size of domestic, just given the absolute size of the markets we're in.

<**Q – Christopher Doherty**>**:** And if you think about, I guess, the actual penetration, have you seen a shift in ancillary products from commercial accounts? Are there some – I had heard that there were some restrictions in terms of what was allowed from some commercial accounts. So I'm just wondering whether that's come back and people are willing to spend for that on the commercial side?

<**A – Ronald Nelson**>**:** You know, I don't think we've seen any change frankly in the commercial accounts willingness to purchase ancillaries. It's either – for the most part it's either in their profile and it's been approved by the Travel Manager, or the main guy, or it's not. And I would say that – that's really what drives penetration rate in those accounts, but I haven't seen a lot of change in the commercial accounts willingness to buy.

<**Q – Christopher Doherty**>**:** Okay, thank you.

Operator: We have time for one final question. Michael Millman with Millman Research Associates. You may ask your question.

<**Q – Michael Millman**>**:** Thank you. I guess, sort of related fleet questions. Maybe you could discuss the economics that you're seeing in program versus risk, and do you think that you reach a different conclusion because of different mix possibly? And regarding fleet, just give us what the

year-over-year ending September 30th fleet was -- regarding fleet? And is fleet savings part of your cost savings numbers that you give us? Thank you.

<A – Ronald Nelson>: The answer to the last question, Mike, is no. The savings on fleet are not part of the cost savings number we give you. I don't know that anybody in the industry sees any difference in fleet costing. It really comes down to a tolerance for risk and flexibility. I don't think our mix is a lot different than Hertz's. They actually have more leisure than we do. We tend to be a little more commercially oriented, which tends to be more peaky. But more leisure would suggest that you are actually going to have more of a total fleet peak over the summer months, so the flexibility would be just as important to them as it is to us.

But we've seen the pricing spread narrow between program and risk, particularly in the model year '11 fleet prices. We actually went into the year thinking that we were going to up our risk, our mix into the 60s -- 60% or plus -- plus risk and the balance program, but with the improvement in pricing, we just felt that there wasn't enough incentive to give up the flexibility. So we essentially kept our risk and program mix the same for most of the model year '11 -- for all of the model year '11 buy that we've done thus far.

<A – David Wyshner>: And lastly with respect to the September fleet, the fleet in September was generally consistent with the up 5% that we had for the quarter as a whole, give or take a -- give or take a point or two.

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

Thanks, operator. Again, thanks to all of you for your support of Avis Budget Group. We do feel very good about our business. Volume growth has returned. We're holding most of last year's pricing gains. We continue to find new opportunities for cost savings, and our model year '11 fleet cost look good. We're focusing our efforts on improving our customer's rental experience, building brand loyalty with our customer-led service-driven initiative, and we've bolstered our revenue generation and customer acquisition capabilities by signing several significant co-marketing affiliations.

As a result, we remain optimistic about where we're headed. David, Neal and I will be presenting at a number of investor conferences this month. We hope to see you there. We also look forward to speaking with you in February about our fourth quarter progress and 2011 initiatives. Thanks again, and we'll talk to you soon.

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