REFINITIV STREETEVENTS

EDITED TRANSCRIPT

CAR.OQ - Q4 2022 Avis Budget Group Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 14, 2023 / 1:30PM GMT

CORPORATE PARTICIPANTS

Brian J. Choi *Avis Budget Group, Inc. - Executive Vice President & Chief Financial Officer*

David T. Calabria *Avis Budget Group, Inc. - Treasurer & Senior Vice President of Corporate Finance*

Joseph A. Ferraro *Avis Budget Group, Inc. - Chief Executive Officer & President*

CONFERENCE CALL PARTICIPANTS

Chris Jon Woronka *Deutsche Bank AG, Research Division - Research Analyst*

Christopher Nicholas Stathoulopoulos *Susquehanna Financial Group, LLLP, Research Division - Associate*

Diego Ortega Laya *Morgan Stanley, Research Division - Research Associate*

John Michael Healy *Northcoast Research Partners, LLC - MD & Equity Research Analyst*

Ryan J. Brinkman *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Stephanie Lynn Benjamin Moore *Jefferies LLC, Research Division - Equity Analyst*

PRESENTATION

Operator

Greetings, and welcome to the Avis Budget Group Fourth Quarter 2022 Conference Call. (Operator Instructions) As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, David Calabria, Treasurer and Senior Vice President of Corporate Finance. Thank you. Please go ahead.

David T. Calabria - *Avis Budget Group, Inc. - Treasurer & Senior Vice President of Corporate Finance*

Good morning, everyone, and thank you for joining us. On the call with me are Joe Ferraro, our Chief Executive Officer; and Brian Choi, our Chief Financial Officer.

Before we begin, I would like to remind everyone that we will be discussing forward-looking information, including potential future financial performance which is subject to risks, uncertainties and assumptions that could cause actual results to differ materially from such forward-looking statements and information. Such risks and assumptions, uncertainties and other factors are identified in our earnings release and other periodic filings with the SEC as well as the Investor Relations section of our website. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results and any or all of our forward-looking statements may prove to be inaccurate and we can make no guarantees about our future performance. We undertake no obligation to update or revise our forward-looking statements.

On this call, we will discuss certain non-GAAP financial measures. Please refer to our earnings press release which is available on our website, for how we define these measures and reconciliations to the closest comparable GAAP measures.

With that, I'd like to turn the call over to Joe.

Joseph A. Ferraro - *Avis Budget Group, Inc. - Chief Executive Officer & President*

Thank you, David. Good morning, everyone, and thank you for joining us today.

Yesterday, we reported the best annual results in our company's history. We delivered over $4.1 billion of adjusted EBITDA in fiscal year 2022 and set a new standard for what excellence means at this company. I want to thank our 24,000 employees for the work they put in last year to achieve this milestone.

When it comes to our business, our operators focus on one checkout at a time, but it's worth stepping back and reflecting on what's possible when an entire organization brings their best day in and day out. This focus and dedication is ingrained in how our team operates and it doesn't stop at the end of the calendar year. We're bringing the same level of intensity to 2023 and I'm looking forward to showing everyone what we can accomplish this coming year.

But before we get into that, let's review our fourth quarter and as usual, let's start with our Americas segment. On our last call, I spoke about a stabilization happening within the industry where we're seeing a return of normal demand seasonality. We saw this continue into the fourth quarter and the business metrics reflect what we typically see in the last 3 months of the year. The quarter showed strong commercial demand. In fact, it was the highest amount of commercial volume we have seen during the fourth quarter in company history and well above levels we achieved in 2019. It's apparent that the commercial customer is traveling and using our brands at an elevated level.

Our commercial re-signings for the year are approximately 100%, and on average, coming in at an increased price. Leisure followed the traditional patterns that exist in the fourth quarter, which is mostly around holiday periods with Christmas being the largest.

While there were challenges surrounding travel late into December, we were able to offset air travel disruptions with robust one-way rentals as customers in need of reaching their destinations, used our cars to get where they were going. We have great airline partners and work well together for the best possible outcome for our customers in times of need.

The fourth quarter always represents a pullback from the height of the third quarter, and this year was no different. Like I said, we are seeing a return to more normal seasonal trends, which allows for better forecasting and matching of supply to demand. Price in the quarter was up 1% from 2022 and rebounded from the 3% decline we saw in the third quarter. Peak period pricing and improved ancillary sales helped to fuel this growth. We are supported by great technology with our proprietary demand fleet pricing system, which forecasts demand down to the car level by location, by day of the week and time of day and prices accordingly. This technology, combined with our experienced team of operators, both in our headquarters and our field allow us to capture this opportunity.

While it may be early to say whether the industry has found an equilibrium between supply and demand, what we saw in the last quarter is encouraging. The holiday travel disruptions, combined with supply chain challenges and a desire to rotate older units, so as to position us better heading into January had a slight impact this quarter to utilization. But as usual, our teams didn't advocate responsibilities due to factors out of their control. Instead, we continue to focus on cost discipline and deliver results that showcase the streamlined and lean operating structures we built during the pandemic.

We're keenly aware of the inflationary pressures we face in 2023, and we'll continue to combat rising costs with sustainable productivity gains driven by technology and data.

Moving on to the income statement results of these metrics. In the Americas, revenue increased by $104 million year-over-year. However, Americas adjusted EBITDA during the same period decreased by $46 million primarily due to a $68 million headwind in vehicle depreciation and interest. If you compare our most recent results to the fourth quarter of 2019, Americas revenue increased by $674 million while adjusted EBITDA increased by $480 million for an incremental margin of 71%.

Gain on dispositions contributed $163 million to our results this quarter. As I said on our previous call, we will be nimble and proactive when it comes to fleet dispositions, if we see an opportunity in the market.

I'll get into more detail during the fleet portion of our prepared remarks. But again, this quarter, we ensure proper fleet rotation by exiting high mileage vehicles at favorable prices as we brought in new fleet.

Overall, the Americas had a great quarter and a terrific year and we see positive trends going into January and February. Demand is strong and forward-looking reservations show this, and our price discipline we saw in the fourth quarter is continuing into the first. Lastly, there's improved demand for our car sales and the prices have shown improvement, which is encouraging.

With that, let's move over to our International segment, which had a historic fourth quarter and full year. Our International story and playbook for the fourth quarter is consistent with what you've seen out of the team the entire year. A strong rate and volume environment was met with stringent cost discipline in order to maximize the results to adjusted EBITDA.

Rental days in the fourth quarter were 15% higher than the fourth quarter of 2021, but still 22% below the fourth quarter of 2019, which signals a lengthy runway for volume recovery. RPD in the fourth quarter of 2022 was 5% higher year-over-year or a significant 18% excluding exchange rate effects. Similarly to the Americas, we are seeing normal seasonality return to much of EMEA as well. Adjusted EBITDA in the fourth quarter of 2022 was a record $63 million on a reported basis, including a $16 million negative impact from currency exchange rate movements. This brought our full year adjusted EBITDA to $560 million on a reported basis, including a $79 million negative impact from currency exchange rate movements and marks the highest full year adjusted EBITDA achieved by our International segment.

We're proud of what this team achieved in 2022 and expect continued excellence out of this segment in the coming year.

Moving on to Fleet. Where consistent with last quarter, we'll focus more on the Americas segment. Our fleet disposition teams maintained busy this quarter and continued to rotate the fleet exiting high mileage vehicles to make room for our new 2023 model year vehicles. In fact, we sold more cars this fourth quarter than any fourth quarter prior, which shows the elevated demand for our product.

The selling price of our disposed vehicles remained above net book value. But as discussed on earlier calls, we are seeing a moderation in the used car market and do not expect gains at these same levels in 2023. The moderating gains on sales, combined with higher straight-line depreciation resulting in a higher monthly depreciation cost than we recently experienced.

We reported monthly per unit in the Americas of $175 versus $170 per month in the fourth quarter of 2021. However, due to the rising interest rate environment, our vehicle interest per month per unit, went from $50 in the fourth quarter of 2021 to $73 in the fourth quarter of 2022. Our AESOP facilities include a floating rate conduit facility, which impact our vehicle interest negatively in a rising rate environment.

As we pointed out on our last call, we expect this to continue into the full year of 2023. With rising interest costs and moderating used car values, making sure that we have the optimal fleet size where utilization is more important than ever. This fleet cost environment severely penalizes excess fleet capacity and will not risk putting ourselves in that position.

Our disciplined fleet disposition this quarter illustrates how we're constantly trying to match our supply to industry demand. We're demonstrating that same discipline to taking on new vehicles as well. As I mentioned on our last call, fleet purchases are the largest use of capital in our business, and we realize that optimizing for return on that capital is our responsibility as stewards of this business. Therefore, we are being very conscious with both the number of vehicles and the purchase price of those vehicles for our 2023 buy.

On the margin, we'd rather run out of an incremental vehicle than have an unutilized vehicle on our line. Our fleet plan for 2023 reflects this stance. We're not trying to maximize number of units we can absorb. Instead, we're optimizing the overall health of our fleet which means younger and lower mileage cars, we're also optimizing the overall vehicle mix of our fleet, which means having a product portfolio that our renters demand.

Thankfully, our key OEM partners are coming out with exciting new launches in 2023, and we secured key allocations for both traditional internal combustion vehicles and of course, electric vehicles. So going into the first quarter, we've seen continued demand for our used cars and prices have continued to improve. Our fleet size is currently just under demand levels, showing improved utilization and a continued rationalized approach to fleet levels in our industry.

While we're on the subject of EVs, let me reference the press release we issued on January 26th jointly with SK Group's EverCharge. For those who haven't seen it, allow me to recap the key takeaways as I believe this partnership clearly represents our vision and strategy around rental fleet electrification.

Electric vehicle share is increasing as a percentage of new car sales, a macro industry trend that nobody disputes. However, how to take advantage of these trends specifically in the car rental industry is less obvious. At Avis, we believe the road to electrification rests on a foundation of charging infrastructure. An optimal charging framework is a necessary condition to support an electrified fleet.

Our approach to creating this infrastructure at scale involves 4 key pillars that build upon each other. The first is power availability. This means coordinating with the appropriate utilities and airport municipalities to secure access to enough power to support a large rental fleet. The second pillar is hardware. Each site has its own specific needs, both in terms of physical footprint and customer composition. A covered garage will have different hardware requirements versus an open-air lot. The check-in, check-out dynamics can vary dramatically from a leisure heavy airport versus a commercial heavy airport. These factors, along with many others, need to be considered before developing a thoughtful portfolio of L2 chargers, DC fast chargers and energy storage solutions. Having unified hardware that can dynamically manage electrical loads is necessary to optimize the power availability.

The third pillar is software. The majority of residual value in electric vehicle resides in its battery. Therefore, it's necessary to monitor and optimize charging history while meeting the turnaround time for our customers' demand. We need software solutions to draw on the grid at off-peak times, store for peak times and load managed throughout the day to minimize cost per kilowatt. The daily movement and life cycle of a rental car is fundamentally different from a retail owned personal vehicle, which is why we require a purpose-built software that offers visibility and guidance around the unique challenges we face. Comprehensive data capture that powers the right software is the only way to get the most out of your hardware portfolio.

The fourth and last pillar is operations process. Normal ICE vehicle can be gassed in 3 minutes and any pump can be used for any car. That's not the case for an EV fleet. The operations flow changes based on the state of charge of the vehicle. There's an optimal charging port for certain vehicles based on when it's expected to be rented next, and variables change as new vehicles enter the lot or charging thresholds are met. The legacy methods in our handbooks won't work for this. We require new tools and better real-time connection with technology for the vehicle journey to adapt an electrified world. Without the right operational process, all the kilowatts, charging stations and dashboards in the world won't help you.

These are daunting challenges but we at Avis have been working quietly through them for years. We've engaged the foremost subject matter experts on developing airport-specific roadmaps and we've been in constant dialogue with our OEM partners to forecast our upcoming EV mix, which, in my opinion, is extremely diverse and a fleet that our customers will enjoy. We've waited to show what we've been working on until we felt confident that the product was reflective of the meticulous consideration and substantial effort given by our internal team and external partners.

We believe what we have installed in Houston, together with SK Group and EverCharge represents the most advanced large-scale charging system in the fleet ecosystem. It addresses all our 4 of our key EV pillars and serves as a proof-point of what we've been developing as an example of what's yet to come. I want to thank the SK Group and the EverCharge teams by helping us achieve this milestone and convey how excited I am for the additional airports we have slated to launch this year.

I'll pause here and wrap up my prepared remarks by once again saying how proud I am of our team and the results of 2022. It's definitely one for the record books and marks an incredible turnaround from the challenges we faced just 2 years ago, and I'm excited for what we can still accomplish in 2023. Demand is strong. Industry fleets are rationalized, Price has started the year performing well. And there continues to be demand for our used vehicles at improved prices.

With that, I'll turn it over to Brian to discuss our liquidity and outlook.

Brian J. Choi - *Avis Budget Group, Inc. - Executive Vice President & Chief Financial Officer*

Thank you, Joe, and good morning, everyone. I'll now discuss our liquidity and near-term outlook. My comments today will focus on our adjusted results, which are reconciled from our GAAP numbers in our press release.

I'd like to start off by addressing capital allocation. In conjunction with our earnings release yesterday, we also announced the authorization of an additional $1 billion to our share repurchase program, which brings our total available authorization for buybacks to $1.7 billion. Last quarter, we bought nearly 4 million shares for roughly $750 million, which comes to an average purchase price of $192 per share. Avis' share repurchase program has led to substantial value creation over time for its long-term shareholders. Since the program began in 2013, Avis has retired 96 million shares and converts at an average price of $71. That's over 70% of the original shares outstanding retired at a 67% discount to the closing share price as of February 10th.

However, we firmly believe that our share price today does not fully reflect the fair value of the company we've transformed into post pandemic which is why we believe it's our fiduciary responsibility to ensure that our repurchase program continues unimpeded for the benefit of all shareholders. I'm pleased to announce that along with the $1 billion increase in authorization, we also clarified language in our credit agreement to ensure we could do just that. Let me point out that this new authorization and amendment simply gives us the option to deploy cash towards share repurchases. As I've said in the past, we will be nimble with how we allocate capital at Avis. Just because we viewed share repurchase as the best use of capital in 2022 does not mean we will formulaically allocate a similar amount of capital to this area in 2023. We will opportunistically allocate capital to those areas that best benefit all stakeholders of Avis Budget Group.

We continue to find ourselves in the privileged position of being in the strongest financial standing in the history of our company. Our adjusted EBITDA has grown from $2.4 billion in 2021 to $4.1 billion in 2022. During the year, we've repurchased $3.3 billion of shares, invested nearly $1 billion back into our vehicle programs, deployed over $300 million into investments in our systems and operations, customer experience and electrical vehicle capabilities. All while having a net leverage ratio of less than 1x.

As of December 31st, we had available liquidity of approximately $1.6 billion with additional borrowing capacity of $1.9 billion in our ABS facilities. Our corporate debt is well laddered with approximately 86% of our corporate debt having maturities in 2026 or beyond and we are in compliance with all of our secured financing facilities around the world with significant headroom on our maintenance covenant tests as of the end of December.

Let's move on to outlook. As you know, we've made the decision as a management team to forego giving formal annual guidance to allow ourselves the flexibility to make agile decisions as the business environment changes. But I do want to provide a bit of color on what we're currently seeing for the first quarter.

As Joe mentioned earlier on the call, we are seeing a return to normal seasonality in the business, which means that for the first quarter of 2023, we believe RPD will see a seasonal decline from 4Q '22 as we enter a shoulder period in our leisure segment and commercial rates make up a greater portion of our business mix. Our best estimate at this point is that RPD in 1Q '23 will be in between 1Q '22 and 1Q '21. However, due to the commercial accounts we signed in the Americas throughout 2022, we believe sequential rental days and average fleet size will be close to flat for our consolidated company.

Depreciation costs in the first quarter will see a sequential increase as our fleet mix continues to weigh more heavily to model year '23 vehicles. Our straight-line depreciation in the fourth quarter was in the high 200s and we expect this figure to settle in the 300 to 320 range for 2023. As Joe mentioned, while the used car market is currently healthy, we do not expect to realize anywhere near the gains we realized in 2022. Therefore, you should expect a convergence in reported depreciation, net of gains and our straight-line depreciation as the year progresses.

Let me shift over to vehicle interest expense, which I touched on during our last call. I'll focus more on the Americas segment. In the Americas, vehicle interest sequentially rose from $62 per month in 3Q '22 to $73 per month in 4Q '22. Due to rising interest rates and increased cap costs of incoming vehicles, we expect monthly per unit interest expense in the Americas to be approximately $100 in 2023. Increases to straight-line depreciation and interest expense means that the cost to deliver a rental day will be going up in 2023. Therefore, we must be prudent with how much capital we allocate towards fleet growth and carefully evaluate the appropriate return we require on the capital we deploy.

I'll reiterate something that Joe said in his prepared remarks. On the margin, we'd rather run out of the incremental vehicle than have an unutilized vehicle on the lot. This reflects the ROI-driven rigor we hold ourselves to when making fleet decisions. We apply that same rigor towards price optimization, cost discipline and asset utilization every day across every location in our business, which is what gives us confidence that despite certain macroeconomic headwinds, we will continue to deliver strong EBITDA and free cash flow throughout 2023 and beyond.

With that, let's open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question today is coming from Chris Woronka of Deutsche Bank.

Chris Jon Woronka - *Deutsche Bank AG, Research Division - Research Analyst*

Congratulations on a fabulous year. So question is, I guess, Joe, when we look back to the teens, you guys were always in this kind of $100-ish million range of EBITDA, much smaller numbers, of course. And if we look at what you did in 2022, and we strip out the gains which we can figure out, do you think you go back to being in a range of $100 million or $200 million of EBITDA, whatever that might be? I mean is that a realistic way to just think about it at the highest level?

Joseph A. Ferraro - *Avis Budget Group, Inc. - Chief Executive Officer & President*

Chris, thank you. We're a structurally different company than we were back in -- I think you said in the teens. I was the President of Americas then, so I could tell you that for a fact. The way we look at our business, how we use our -- how we manage our fleet, how we look at our demand, how we use data and technology for some of our decisions is completely different than we had in the past. And if you recall, during the height of the pandemic, we had to take a good amount of cost out of this business. And while some comes back over time, yes, but we've managed to have stringent cost controls to drive -- to drive our output.

And what we're seeing is in the -- if you go back to those teen years, we didn't quite see the demand that we see -- that we have today. As I reported, we have high commercial demand. And unlike in this period, which I would call a shoulder period for travel as you come up the busy fourth quarter and holiday season, it started off really well.

If you look at TSA volume compared to '19, which is interesting in the month of January, the first week actually started off relatively flat compared to 2019. And the last week finished flat compared to 2019. And over the last couple of years, you've seen that we've run -- our volume is a little bit higher than TSA volume as it stands. So I think we're in a different place than we were back in the teens, Chris, and that's the way I would think about it.

Chris Jon Woronka - *Deutsche Bank AG, Research Division - Research Analyst*

Okay. And then as a follow-up, and I appreciate all the detail you guys gave on the approach to bringing EVs into the fleet. But the question would be, as those do become more significant, you're prepared to bring on a larger number, how do you think about the economics of those in terms of lower maintenance costs, but maybe longer hold periods and depreciation? And it's not necessarily a specific number, but just high-level thoughts on the economics.

Joseph A. Ferraro - *Avis Budget Group, Inc. - Chief Executive Officer & President*

Yes. I think the best way to categorize it is we're learning. There's every indication that these cars should perform better from a maintenance standpoint, less moving parts and things of that nature. As far as life and mileage, we're going to get into that as time goes on. But my early indications are probably the cars should run a little bit longer as we see it. I'll tell you, as we go forward, we're going to most likely learn a little bit more about what the maintenance costs are. We haven't seen hardly any so far, right, yet. But I do say it's kind of early to tell on that. We will start increasing our fleet sizes over the year. We have a good array of new models coming in. And like I said earlier in my prepared remarks, I think the infrastructure designs that we have and the layouts will -- will ultimately determine our success.

And at the end of the day, Chris, we look at our per unit economics, what we can drive in revenue for the car, how that -- how long we use it, how it drops through to determine our overall success of that entity.

Operator

The next question is coming from John Healy of Northcoast Research.

John Michael Healy - *Northcoast Research Partners, LLC - MD & Equity Research Analyst*

I wanted to ask you guys a little bit about fleet for the year. Your competitor kind of gave us some perspective of how they were thinking about fleet from just kind of a quarter-to-quarter and kind of year-over-year standpoint. Would just love to get your perspective on how you're thinking about the fleet size in Q1 relative to a year ago. And maybe as you look out to the summer, maybe what the kind of initial thought process is in terms of fleet commitments and what we might see in kind of the scenarios that you're developing to kind of strategize for that?

Brian J. Choi - *Avis Budget Group, Inc. - Executive Vice President & Chief Financial Officer*

John, this is Brian. I'm going to start and then hand it over to Joe. I think we said in our prepared remarks that fleet costs are increasing this year. Vehicle interest is increasing this year. So we would rather have a tighter fleet going forward, and our fleet plan in 2023 reflects that. We're not trying to maximize the number of units we can absorb, as Joe said, I think from our perspective, what we're trying to do is match our fleet to industry demand. And given that the cost to hold this fleet are higher this year, I think maximizing utilization and being very tight on that front is more important than ever.

Let me get to Joe.

Joseph A. Ferraro - *Avis Budget Group, Inc. - Chief Executive Officer & President*

Yes. Thanks, Brian. I certainly agree with that. And John, we made a concerted effort over the last 2 quarters to rotate our fleet out. It did a couple of things for us. One was it allowed us to exit higher mileage cars that you know come with a higher maintenance platform, and we were able to do that in the third and the fourth quarter. The third quarter, we sold more cars than we did in any of the quarters prior -- if you exclude the pandemic year when we got rid of a lot of cars. And the fourth quarter was the best we ever had in the fourth quarter.

It was really designed to set ourselves up. Those 6 months were designed to set ourselves up for entry into January. We wanted to go into January with the fleet size that we thought was to generate the demand and also generate utilization to give us the best possible outcome as we started the year up early. I think as Brian said, we're going to look very heavily at what our forecasted periods are including the peak, obviously, as we get closer.

And I think what we did in the third and fourth quarter gives us the agility and nimbleness to take action. Should the peak develop bigger than we thought or should it not? And then we could be at a place that's probably a little best to jump off for if we had a lower fleet size.

So I think you'll see us look at that very critically. We have DFP, which I mentioned in my earlier remarks that gives us good forecasting insight, and we've been tracking both leisure and commercial trends for a long period of time that should help us develop our strategies.

John Michael Healy - *Northcoast Research Partners, LLC - MD & Equity Research Analyst*

Great. That's super helpful. And I just wanted to ask just on the capital allocation front, clearly, buyback has been a successful lever you [fold] but the environment has changed a little bit in terms of maybe assets out there -- that are out there that are distressed. As you look at kind of the landscape, is there any facets of the business where you look at things and say, hey, there might be some strategic transformational M&A out there that might fit us, maybe even in the mobility space or the auto remarketing space or retail space. Like are those things -- what I would say, relevant in your thought process? Or are you guys looking at '23 and just saying, hey, we're just going to keep running the same playbook that we've done in the last couple of years and putting those things a little bit off to the future. Just would love to think about how you -- want to hear how you're thinking about that.

Brian J. Choi - *Avis Budget Group, Inc. - Executive Vice President & Chief Financial Officer*

Yes, John, I think we've been consistent in saying that we won't be formulaic in terms of share repurchases. As we look at the free cash flow that we generate, we look across like all platforms in terms of where we can reinvest that. So yes, M&A is one of them. Obviously, reinvesting in ourselves has been a significant portion of our free cash flow usage, and we think that will continue this year as well. And given rising interest rates and just general macroeconomic uncertainties, we're focused on corporate debt paydown and fleet equity contribution as well.

So when it comes to M&A, we're always looking. We do look at adjacencies. And as opportunities arise, we're not going to be shy about acting proactively, but that's something that we evaluate on a case-by-case basis.

Operator

(Operator Instructions) The next question is coming from Diego Ortega of Morgan Stanley.

Diego Ortega Laya - *Morgan Stanley, Research Division - Research Associate*

I had a very quick one in terms of average fleet age. So do you have a metric for that in terms of months or miles? And how does that compare versus history? And how long do you think you can extend that?

Joseph A. Ferraro - *Avis Budget Group, Inc. - Chief Executive Officer & President*

This is Joe. Let me try to answer that the best way I can. Over the pandemic, obviously, the car rental companies had to increase the hold periods on their cars. We did a whole lot to try to reduce that in the second half of this year, as I mentioned, in the amount of cars that we sold. And so we -- I said if -- say if on average is our age increased tremendously over the previous -- post pandemic, I would say it really hasn't.

And as far as mileage, we have -- we've developed technology a while back that we, [in time,] called mileage optimization. And basically, the technology allows us to deploy a car to a customer based on their anticipated mileage needs. And over the years, as that starts to learn and get smarter, we've managed to reduce our monthly per unit mileage a little bit over time, which helped our over mileage attrition. And as I said before in our earlier commentary, we spent a lot of time in these past 2 quarters exiting higher mileage cars at pretty high gains, I would think, to get our fleet back in line so that we have a fleet size that's right for the time of year and also a product that's commercially acceptable to our customers.

And we keep getting new cars in, which is going to obviously help the per unit mileage and the overall mileage of the -- of the average -- health of our cars and the average mileage of our fleet.

Operator

The next question is coming from Ryan Brinkman of JPMorgan.

Ryan J. Brinkman - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

I would like to ask on the trend in revenue per day after track stronger than we expected in the fourth quarter. I heard the comments on 1Q, but what are your thoughts on what the new normal might be here or what the structural versus cyclical drivers of RPD may be and how that could shake out going forward? I mean it seems like there's so much focus on what's happened with new and used vehicle prices and what the split of structural versus cyclical drivers there might be which, of course, is somewhat related, but used prices down 15% in 2022, but your U.S. RPD up.

Is that still driven by like present -- like cyclical factors? Joe, I remember you saying in 2021 that the rental car industry will be at the bottom of the total pool for receiving vehicles from the automakers when they do get their semiconductors. So I guess I'm just trying to ask like how much of this good news on RPD, do you think is driven by still present cyclical factors, such as shortage of rental cars, et cetera, versus how much might be driven more by structural factors, such as discipline on the part of the rental car firms even after supply normalizes or anything else?

Joseph A. Ferraro - *Avis Budget Group, Inc. - Chief Executive Officer & President*

Okay. Thanks. I -- let's take a look at a couple of factors. First of all, over the years, the amount of cars that the car rental companies have bought are certainly a lot less than they were. I don't see that changing in this year. What things do in the years to come, hard to say, but I don't see that changing. As the demand for new cars continues to be robust.

There's a lot of demand out there, a lot of travel-related demand. And there are things in our environment that may be causing that. Obviously, we have more commercial business than we had in the past. But if you take a look at what's happening to the traveling consumer. I think that hybrid work has some significant effect on potential travel. You work in your office 3 days a week and you have off maybe Monday and Tuesday, that allows someone to look at their life maybe differently and say, I'm going to work remotely for 2 days and experience the benefits of an enhanced experience or improve through travel and go see -- go to a sporting event or see a show or things of that nature.

I also think bleisure is much more prominent than it was in the past. Bleisure being someone who goes on a business trip and then decides to stay over a couple of more days. I think that has increased, and that's structurally different than what we saw pre-pandemic. And I think that has a heightened effect on demand. And when demand is high and supply is somewhat constrained, you're always going to see the improvement in price. And I think we'll see that -- we have seen that in January and February. What happens in the future is hard to say, but we intend to stay disciplined.

Brian J. Choi - *Avis Budget Group, Inc. - Executive Vice President & Chief Financial Officer*

Yes, Ryan, without getting into any kind of like specific guidance here. I think you mentioned discipline in the rental car industry about kind of the demand of absorbing new vehicles. I think another thing to consider is discipline in the OEM industry as well. The automakers are just making fewer cars and they're allocating a fewer portion of that to the rental car providers. So that's one thing that we view as structural.

And -- and also from our perspective, we are laser-focused on just a return on invested capital and RPD will reflect that. Does that move lockstep quarter-to-quarter as depreciated? No. But over the course of time, we do require an appropriate return on our invested capital, and we're going to price our assets to reflect that.

Ryan J. Brinkman - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Okay. Very helpful. And then just lastly, did you share or are you able to say how much buyback you might have done here so far in year-to-date 2023?

Brian J. Choi - *Avis Budget Group, Inc. - Executive Vice President & Chief Financial Officer*

We haven't said that yet. But our 10-K will come out, and you'll see that our total shares outstanding is 39.5 million shares right around there. So nothing in the first quarter.

Operator

The next question is coming from Stephanie Moore of Jefferies.

Stephanie Lynn Benjamin Moore - *Jefferies LLC, Research Division - Equity Analyst*

I wanted to touch on the commercial travel business. It continues to be quite robust and I think a nice upside over the last couple of quarters here. Can you really talk about what you're seeing with your commercial customers? Is there anything that we can kind of cling to so you're able to kind of take incremental share because of either additional programs that you have running or would love just to get a sense of what's driving such a strong outperformance here beyond what I think we all realize is a return to some normal business travel behavior? But any other color that's more in your control would be helpful.

Joseph A. Ferraro - *Avis Budget Group, Inc. - Chief Executive Officer & President*

Yes. Okay. Thanks. So yes, we've seen a good abundance of commercial travel. We said when we came out of September, at least I said it was the best September I've seen. It was largely due to an abundance of commercial travel, that continued into October, it didn't slow down. And then we had pretty good commercial travel in November and December, which is usually -- those months are usually predicated on holiday and holiday travel.

We came out of the gate in January, as I mentioned, with travel being strong, especially commercial. We're seeing growth from a good number of our partners in aerospace, defense contracting, healthcare, tech companies, as I said, there's probably some bleisure in there as customers who travel commercially, then stay a little bit extra and take some leisure activities, which has certainly helped. We've had, over the past couple of years, 100% retention rate in our commercial accounts.

And I think that's important because we resign hundreds and hundreds of these every year.

And over the years, we've had people attracted to our company due to some of the product offerings that we have. I mentioned in a previous call, our Quickpass. And for those of you who don't know what it is, it's a product that allows a customer to choose a car on their phone prior to their landing at one of our airports. They can exchange it if they would like through the use of their phone, they can bypass the counter due to facial technology that we have to say that you are who you say you are, you can exit the gate using your phone and -- over an exit gate reader that allows you to leave the gate. When you come back, our connected car technology will allow you to check in and give you a receipt in seconds and our commercial accounts like that opportunity.. If they need help, there is obviously someone that they can go to but more so than not, it's kind of a contactless experience.

We have plans to enhance our Budget Fastbreak offering, which is kind of more small business related. We think -- and we've been working heavily on our digital properties to how you deploy and get reservations and things of that nature so that we can continue to enhance the customer experience, which allows, I guess, our retention rate and the fact that people have come to our company of late and travel the way they have.

Stephanie Lynn Benjamin Moore - *Jefferies LLC, Research Division - Equity Analyst*

Absolutely. That's helpful. And then I think depending on who you listen to or your own opinion, there's a lot -- there's a good number of people that are assuming the U.S. is in some kind of a recession either right now or hit on at some point in 2023. So I'd love to just kind of hear what you view would be your recessionary playbook if we do indeed enter one here in 2023?

Joseph A. Ferraro - *Avis Budget Group, Inc. - Chief Executive Officer & President*

Yes. Listen, we're keenly aware of that. You're talking to someone who's been around for the last recession and who also managed through this pandemic. So our antennas are always up as far as that concerns. And you hear a lot of that as you -- especially on TV and the like. We haven't seen it yet. We just haven't, not in travel. Does that mean it won't happen? No, but we have not yet seen it. And I think there's one other element of travel that we haven't spoken about, and that's inbound business, right? I think that's going to be pretty powerful this coming year as well.

Now, it started last year as countries started to open up and people start to travel. But as you remember, there wasn't many flights and capacities were challenged in last year's summer and airports were challenged. So I think you're going to have people who now have the confidence to book, and I think that will help, which will increase the travel opportunities as we get to midyear.

But to answer your question, we are keenly aware, we reacted really quickly in 2020 with getting costs out of the business, as I said earlier, we took out $2.5 billion. Now we made some tough decisions as it pertains to what we were doing back at that time, we were faced with an 80% or 90% decline in revenue and we reacted and we came through it on the other side. So I'm fully confident in the team that we would be able to do what we need to, to get through and then come back a stronger company as we are today.

Stephanie Lynn Benjamin Moore - *Jefferies LLC, Research Division - Equity Analyst*

Great. And just one follow-up to that point. Could you quantify what percent of your business pre-COVID was that inbound business?

Joseph A. Ferraro - *Avis Budget Group, Inc. - Chief Executive Officer & President*

I don't recall that as it stands right now, but I will tell you this past year, our inbound business was up quite a bit. And we think that we'll be exploring the opportunity to better that going into this year.

Operator

Our next question is coming from Chris Stathoulopoulos of Susquehanna.

Christopher Nicholas Stathoulopoulos - *Susquehanna Financial Group, LLLP, Research Division - Associate*

Just one question for me, Joe. So in your prepared remarks, throughout the call, you talked about supply-demand dynamic gradually moving back towards equilibrium. And so curious to hear your thoughts as we think about demand and some of the arguably structural changes within airlines hybrid work, blended travel, uneven recovery in international travel and view from some of that capacity is going to remain tighter for some time. So given these dynamics, how are you thinking about -- I understand about seasonality moving closer towards more typical patterns. But if these dynamics persist here with your airline partners or just with travel in general, how are you thinking about managing the fleet under this kind of new construct, if you will?

Joseph A. Ferraro - *Avis Budget Group, Inc. - Chief Executive Officer & President*

Yes. Well, listen, we've been managing fleet here, and certainly, I have for a long period of time, and we are keenly aware of both close in and longer-term patterns that we might see. We have systems that help us understand what they could be based on reservation demand and trend and what holidays look like and what peak period summer travel might be. I think if you had to ask me, we are going in with a cautious amount of optimism. And we're going to keep the fleets, as the way I see it, tight for a number of reasons, as we said earlier, fleet costs are higher, interest costs are higher. We don't want to get ahead of ourselves.

And I believe our success over the past years has been our ability to react whether it be 2020, react to the fact that we needed to get out of cars and get out of cars in a very, very quick fashion and sell them in the ways we did through the channels that we had. Or we did last year to react and say, you know what, the peak is going to be bigger than we actually thought. And is there an opportunity to have more fleet.

The beauty of it is we have terrific relationships with our OEM partners. We deal with all of them. We have a large array of vehicles coming in that are both gas and EVs. And we've been able to sell cars in the last 2 quarters and allow us to go into January with the fleet size at the right level. And I do believe that gives us a tipping point to say should demand get up -- come up, we can react and should it go down, we could certainly react. So I'm pretty positive where we are with our fleet size. And I think we have the experience and technologies at our disposal to ensure that, that goes on throughout the rest of the year.

Operator

At this time, I'd like to turn the floor back over to Mr. Ferraro for closing comments.

Joseph A. Ferraro - *Avis Budget Group, Inc. - Chief Executive Officer & President*

Sure. Thank you. So to recap, we reported our best yearly earnings in our company's history. Our team continues to deliver in every business metric, including enhanced revenue generation, diligent fleet management and stringent cost control. These efforts were highlighted by the Americas reporting over $3.6 billion of adjusted EBITDA during the year and International achieving historic fourth quarter and full year results.

Most importantly, I really want to acknowledge and thank all the employees for their continued tireless efforts in helping us achieve these results, and I'm excited for what we accomplished in 2023 with this same level of intensity. And thank you all for your time and interest in our company.

Operator

Ladies and gentlemen, thank you for your participation. This concludes today's event. You may disconnect your lines at this time or log off the webcast and enjoy the rest of your day.
