## PARTICIPANTS

### Corporate Participants

**Neal Goldner** – Vice President-Investor Relations
**Ronald L. Nelson** – Chairman & Chief Executive Officer
**David B. Wyshner** – Global Chief Financial Officer & SEVP

### Other Participants

**John Healy** – Analyst, Northcoast Research Holdings LLC
**Afua A. Ahwoi** – Analyst, Goldman Sachs & Co.
**Michael Millman** – Analyst, Millman Research Associates
**Chris Agnew** – Analyst, MKM Partners LLC
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## MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to the Avis Budget Group Fourth Quarter Earnings Conference Call. Today's call is being recorded.

At this time, for opening remarks and introductions, I would like to turn the conference over to Mr. Neal Goldner, Vice President of Investor Relations. Please go ahead, sir.

### Neal Goldner, Vice President-Investor Relations

Thank you, Tanya. Good morning, everyone, and thank you for joining us. On the call with me are Ron Nelson, our Chairman and Chief Executive Officer; and David Wyshner, our Senior Vice President and Chief Financial Officer. Before we discuss our results for the fourth quarter, I would like to remind everyone that the company will be making statements about future results and expectations, which constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Such statements are based on current expectations in the current economic environment, 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, 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 ir.avisbudgetgroup.com. Also, certain non-GAAP financial measures will be discussed in this call and these measures are reconciled with the GAAP numbers in our press release.

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

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

Thanks, Neal, and good morning to all of you on the call. As we sit here today, not only is Avis Budget Group a bigger company than it was a year ago, it's a stronger one, better positioned to compete in the global vehicle rental industry. We strengthened our company throughout 2011 by focusing our efforts to grow disproportionately in the most attractive segments of the market while completing a transformational acquisition that [positions us] as a global leader in the vehicle rental market.

In our existing businesses, we implemented a multi-faceted strategic plan last year designed to profitably accelerate our growth, improve our customer experience and strengthen our brands and competitive position. I'm delighted to report that we achieved measurable success against every one of those objectives.

We saw top-line revenue growth in all of our operating segments without the benefit of price and against the backdrop of tepid employment growth. We expanded our margins and delivered strong year-over-year increases and adjusted EBITDA, excluding certain items, which is our primary measurement of profitability. We enhanced the vehicle rental experience we offer to our customers in numerous ways as evidenced by increased voice of the customer scores and in winning eight world travel awards including World's Best Business Car Hire. And we invested in our world-class brands with a national ad campaign for Avis and a highly successful direct response advertising campaign for Budget, among other things.

Looking beyond the walls of our pre-existing businesses, we also had a productive year in 2011, with the acquisition of Avis Europe, which had long been a strategic objective for us. This transaction reunites our brands globally under the Avis Budget Group umbrella, better positioning us to compete in the global vehicle rental industry. But with virtually all of our investor feedback over the past quarter being laser-focused on Europe, let's begin there.

The strategic rationale for the acquisition of Avis Europe is as we've discussed. It allows us to achieve brand consistency for Avis and Budget around the globe, while effectively managing multi-national accounts. It allows us to drive volume with our travel partners on a truly global scale. It unifies the incentives to drive very profitable cross-border traffic in all geographies, and it allows us to attain leading market positions across Europe, Asia, the Middle East and Africa, including two of the markets that will be growth engines for us over the long run, India and China.

We also expect the acquisition to provide significant financial benefits as a result of both its pre-acquisition earnings power and integration-related synergies. In that regard, there are three headlines; Avis Europe grew its adjusted EBITDA by over 20% in 2011 on a pro forma basis, excluding certain items. Avis China increased its footprint by nearly 40% year-over-year, while maintaining profitable operations. And based on the extensive integration done since the acquisition, we are comfortable projecting that we will achieve run rate synergies of at least $35 million this year, up from our initial estimate of $30 million.

Nonetheless, the macroeconomic climate in Europe is predominant in our investor dialogue who are obviously paying very close attention to it, but here are just a few points to consider that should alleviate some of those concerns. First, amid the persistent concerns in daily news reports, our fourth quarter rental revenue in Europe declined 1% year-over-year, and in fact, increased 1%, excluding insurance replacement. In other words, business travel remained relatively stable. Other travel companies have reported similar trends.

Second, in 2011, about 45% of the adjusted EBITDA and 80% of the pre-tax income of EMEA was attributable to licensees on a pro forma basis. And a significant part of their revenue comes from longer-term fleet leasing, which is a more stable revenue stream that is less susceptible to economic swings.

Third, nearly 50% of Avis Europe's licensee profit comes from outside of Europe with a substantial portion of that coming from growth markets like South Africa, Israel, Saudi Arabia, Turkey, India and China. And finally, we have a fair amount of flexibility in our fleet, which is our largest cost item. 75% of the European fleet purchases are on a program basis, which does give us greater control over the size of the fleet while limiting our exposure to what is a lesser-developed auction market for used cars. More importantly, approximately 30% of our fleet buy remains uncommitted until the spring, which positions us to adjust our fleet level to travel demand that's either stronger or weaker than our current expectations.

Just to punctuate those risk-mitigating elements, Avis Budget EMEA gives us global diversity, not concentration risk as only approximately 25% of our total company revenue comes from Europe on a pro forma basis with less than 4% coming from each of Italy and Spain, two of the more troubled economies.

So putting aside the glass half full empty – glass half empty considerations and looking at the fourth quarter in more detail, our 2.7% volume decline in Europe was part of a full year 5% increase in rental days in 2011. Both figures were stronger than the levels one might have expected if all one did was read the newspaper headlines. Volume did trend down in the fourth quarter but pricing was up over 1% on a constant currency basis and adjusted EBITDA was positive, all consistent with the expectations we shared with you last quarter. Revenue from our corporate customers, however, was up over 4% in December. A recent survey of European travel managers suggested corporate travel-related spending in 2012 should increase compared to 2011 levels.

Fourth quarter leisure revenue, which is driven by Christmas, New Year's and other holidays was down approximately 2%. No doubt European domestic leisure travel will be impacted by the economic malaise to some extent. As a result, we're not expecting anything more than modest growth this year out of Europe, aided by our expanding budget and certain leisure destinations, notably in Spain. It is worthwhile to note that inbound travel into Europe remained positive in the fourth quarter and outbound revenue from Europe to North America increased 10% in December. Stability in growth and cross-border volume should help mitigate any revenue impacts from the economy, positively impacting margins.

So, while the overall business environment may remain uncertain, our integration efforts are not. We've moved aggressively and have made substantial progress in achieving our goals. The good news is that our work over the first 120 days of ownership made us even more confident. We've raised our estimate of run rate synergies from $30 million to $35 million. And we're even more confident that the longer-term opportunity could be significantly greater.

So, let's talk about some of the things we've completed or have set in motion. First, the straightforward items; already we have reduced the size of the senior management team, which we expect will save us $6 million per year, eliminated public company expenses, which we expect will save us $2 million a year. We expect to move staff positions from in-country to our shared services center, which in addition to other reorganizations will produce $13 million in annual savings. We've begun renegotiating several leases, which will let us make decisions about where certain of our facilities will be and save us at least $1 million a year. We've effected a wholesale change in EMEA's understanding of its spending by category and the associated procurement opportunities, with the expectation that procurement management and consolidation in categories such as fuel, glass, tires and maintenance will generate savings of nearly $5 million per year. We staffed and set in motion a performance excellence team, which we expect will initially produce savings of $5 million a year. By the way, $5 million is a small fraction of the [$250+ million] that we've achieved in our North American operations alone and one of the reasons we're confident that over time there's incremental profit potential in our European operations. And then finally, we expect the initial IT consolidation both within Europe and globally will save some $3 million a year.

But those are the items that we've actioned over the last three months that will provide near-term benefit and the category of actions that will take a little longer to develop we put in place some €350 million Pan-European fleet financing structure, which is the first step towards eventually securitizing our European fleet and driving lower cost financing.

We've merged what was previously separate Budget management group into a single EMEA infrastructure, an important cultural message to our EMEA team and our plans to develop a multi-brand strategy across Europe.

We've refined our recruiting process and launched the sales training initiative that's been successful here in the U.S. to drive ancillary revenue penetration in Europe. We've already begun the process of developing the Budget brand with initial expansion across the south of Spain. The initial res build by the way is more than encouraging helping to drive an almost 50% increase in leisure volume during the month of January.

And while we don't think that's where it will settle, this does prove the notion that the brand can get traction fairly quickly and attract leisure volume when distribution fleet and marketing are brought to bear. Just to put a finer point on the opportunity with the development of the Budget brand. Budget currently has a market share of approximately 2.5 points of the $10 billion European car rental market while all of our other corporate and licensed Budget operations around the world generally exceed a 10% share. Every share point in Europe is $100 million of revenue. So moving Budget closer to the 10% share we have in North America is a large opportunity that doesn't require taking on the majors, as over 30% of the European market is widely distributed among small, lesser capitalized independents. And then finally we're expanding our inbound initiatives launched last year to go after cross border business on a truly global scale.

As we thought about it this is really much broader than driving business from one corporate location to another. The breadth of our licensee network and travel partnerships around the world provides an opportunity to structure a program that not only works for us but gives our licensees and partners incentives to drive business beyond their own territories. This may well be the largest profit opportunity in front of us and we want to do it right.

So if there's a theme that's emerged in our first 120 days in integration, it's that our EMEA business has been so capital constrained over the last five years that high ROI opportunities to invest in and grow the business were not being realized. Seizing these opportunities, therefore, shouldn't require unprecedented innovation or risky investment. More than anything, it will just require hard work.

So, to take away from this, the run rate total has been raised from $30 million to $35 million by the end of this year and we expect that about $15 million will be reflected in this year's P&L.

Meanwhile the outlook for our Asia Pacific and Latin American markets which represent roughly 15% of our pro forma EBITDA also remain positive. Our operations in Australia and New Zealand both met their planned targets for 2011 despite the challenges of multiple natural disasters. And we saw strong licensee growth in Latin America.

In 2011, fee revenue from Asia Pacific and Latin America continued its long run as a meaningful contributor to earnings with over $45 million of high margin royalty revenue, up approximately 20% from the prior year. All indications suggest these reasons should grow further in 2012.

We also had a very strong year in China with 17% revenue growth and pre-tax profit growth of nearly 25%. The number of Avis locations in China increased to nearly 70 in 2011, with another 40 to 50 locations expected to be opened in 2012.

We will be watching carefully how the recently filed IPO of China Auto Rental proceeds. Our 50% owned joint venture in China, which operates under the Avis brand, one of the largest Chinese car rental companies, with revenues that are roughly 80% of China Auto Rentals. And our joint venture has three advantages compared to China Auto Rental. First is the strength and know-how associated with being part of a global brand. Second, is the strength and know-how of our joint venture partner, Shanghai Auto, then third, is that unlike China Auto Rental our joint venture has consistently been profitable. As a result, a publicly traded China Auto Rental could frame the value of our investment in China.

India is also performing well. In our 33% owned joint venture there is now turning the corner to profitability. China and India are quickly becoming two of the world's top business travel destinations and we are well positioned in both countries to capture that growth.

So despite the economic headwinds in Europe, we remain extremely encouraged with respect to our international operations, both for 2012 and the longer term. While there is significant growth potential just from harvesting the efficiencies in EMEA, the burgeoning growth from Latin America added to the development of India and our significant presence in China make our international business an exciting opportunity for us.

Moving now to North America, it was a year ago when we first shared with you our initiatives to accelerate revenue and profit growth, sharpen the value proposition we offer to our customers and reposition our company to be more innovative to capture new revenue opportunities and further reduce costs. At that time, we laid out a number of near-term, clear line of sight projects that we would be initiating during the year, as well as a few longer term cross-functional initiatives that we expected would lay the foundation for achieving growth above the industry's natural growth rate. At the one-year mark, I couldn't be more pleased to report that we have made real progress towards delivering on these objectives and just as important, if not more so, they contributed significantly to our growth and success in 2011.

Let me spend a few minutes reviewing how we did during the past year and how we plan to grow in 2012. We decided after a couple of years of primarily focusing on rebuilding our margins, it was time to step up our support for our brands. For Avis, we significantly increased our media and print investments, which helped Avis grow faster in the leisure segment. We believe the breadth of the advertising campaign for Avis made a significant contribution to the nearly 10% growth in leisure volume we achieved in 2011.

We similarly increased our advertising for Budget with a television and online campaign that consistently generated several hundred basis point rise in reservations with each flight we ran. Given this experience, you should expect to see us continue to invest in advertising at generally the same levels in 2012.

We also signed a number of new partnership agreements over the course of the past 18 months that will help drive volume. One of the most significant is our new multi-year agreement with United Airlines, which we announced yesterday through which United and Continental will offer Avis products and services to their customers globally.

The other significant agreement we recently signed was with the PGA TOUR making Avis its official car rental company. This new multi-year agreement provides Avis with the opportunity to promote its products and services efficiently to millions of fans and viewers that align perfectly with our target market.

The second clear line of sight initiative we discussed with you last year was our focus on small business customers, who generate over $1 billion of car rental revenue annually in the U.S. alone. When we embarked on this initiative, we believed that with our two brands and a different approach to customer acquisition, we could differentiate ourselves. The results suggest we were right. Last year we increased our small business volume by over 10% with Budget volume increasing by more than 20% as its value proposition clearly resonated with small business owners.

Looking ahead, there are over 20 million small businesses in the EU. Many of the things we've learned and done in North America will be applicable overseas; we're actively analyzing the best way to replicate our small business success in Europe.

The third initiative we discussed last year was strengthening our results, specifically our margins, in local market, which is a growing $5 billion business, excluding insurance replacement. We saw a need and an ability to expand the contribution we get from local market operations. There were two pillars to this effort. First we co-branded and, where feasible, tri-branded with Budget Truck over 400 stores in 2011. Not only did we get incremental lift from the expense leverage but the co-branded stores actually grew faster than those that are single branded.

Second, we created a separately managed fleet for local market. Separating fleets accomplished a number of important objectives: it challenged the operators to be more aggressive with local marketing to keep the cars on-rent, and it shifted fleet control from the airport to the local store, giving them an ability to count on fleet for future reservations. The results speak for themselves. Off-airport revenue growth was two points higher than our [airport growth] in 2011 and pricing increased as we better communicated our local market presence and fleet availabilities to our commercial customers and re-won their off-airport business.

Looking forward; the benefit of last year's actions will be reflected for a full-year in 2012 and we'll also have the benefits from co-branding more than 100 additional locations. In addition [we're in the early stages of broadening our sales training] initiative to the local [market to] replicate the success we've had at the airport and seen our ability to sell ancillary products and services.

The last near-term initiative we laid out a year ago is possibly the most important today given our acquisition of Avis Europe is international inbound. Each year international visitors traveling to and from U.S. and Europe generate over $2 billion in car rental revenue. Since these travelers tend to have a longer length of rental and above average propensity to purchase ancillary products and services, their transactions are quite profitable yet our share in that business has been approximately half of our other global competitor.

So in 2011 we made a significant investment to grow our rental volumes to international travelers and our efforts were effective. Inbound revenue to North America increased nearly 15% in 2011 including a 35% increase from the BRIC countries alone. And as we get a full-year benefit in 2012 from that investment, we should see further incremental growth in 2012.

But that's just the beginning. Cross-border travel is one of the fastest-growing segments of the rental industry [and Avis Europe gives us a] global footprint, unified marketing approach which should allow us to significantly be more effective in driving business to our locations around the world. Already, we've [signed a number of new affinity relationships in] Europe, which is being implemented as we speak. We've also signed a significant marketing partnership in Latin America, and Avis is now a preferred car rental partner in China for American [Express] Travel. For these reasons and more, 2012 should be an important growth opportunity for our inbound [outbound] initiative.

These initiatives and others helped accelerate our revenue and profit growth last year and we expect all of them to continue to add incrementally in 2012 and beyond. In addition, we launched several intermediate and long-term initiatives that are still largely in investment mode, but we fully implemented or expected to provide even greater benefits than our near-term initiatives. We will be happy to go through these in more detail in subsequent conferences but for today let me just enumerate each with a sentence or two about their objective.

We're continuing to test virtual rental technology. This self service technology will allow us to expand in local market and corporate campuses without the costs typically associated with opening new stores. We've received positive feedback from corporate customers who were using our technology. And over time, we see a significant expansion opportunity and not just to corporate campuses and clearly not just in North America.

More generally, we believe we are in the early stages of a major technological change in our industry, an evolution in which among other things, smartphone interactions may significantly displace car rental check-in desks. The investments we're making today are clearly positioning us to lead this change and to benefit from it.

We're also making investments that will ultimately enable us to further optimize our fleet cost. The tactics are twofold, using alternative channels to optimize the residual value for risk cars, including expanding our direct-to-consumer sales partnership that leverages our partners' retail infrastructure and increasing the use of technology to optimize the deployment of vehicles.

We continue to believe that every vehicle we purchase should have a mission when we acquire it, a usage plan while it's in our fleet and, in the case of risk cars, a strategy to maximize its residual value at the end of its life. We made great progress towards this goal in 2011. We fully identified the right cars for our local market segment, put in place the cascading of selected vehicles among brands, locations and renter-types, and are in the process of testing and implementing additional actions.

Another long-term initiative for us is an ongoing one, Performance Excellence process improvement. David will spend some time talking about PEx, but I just want to reiterate how successful the Performance Excellence initiative has been in both generating benefits and instilling a culture where changes in policies and practices are positively received.

The last initiative we discussed in 2011 is our focus on improving the rental experience we offer and strengthening the relationship we have with our customers to drive, not only customer loyalty but customer advocacy. As I mentioned a year ago, the volume of rentals that our existing customers do with other rental car companies is over $2 billion. So the financial implications of even a relatively small improvement in customer loyalty and ideally customer advocacy are substantial.

So I hope we've given you a good sense of how our strategic initiatives to profitably accelerate our growth performed in 2011 and what we'll be investing in this year and how good we're feeling about integrating Avis Europe. Looking forward, you should expect us to continue to be focused on growing disproportionately in the most profitable segments of the vehicle rental market and balancing a laser-like focus on costs with the need to invest in our brands.

For North America, if recent trends continue, we'd expect to see mid-single-digit volume growth in the first quarter, partially offset by downward pricing pressure we saw in January. We've initiated two leisure price increases, the first of which became effective February 13th and the second effective March 1st. Both price increases have been widely followed by others in the industry, which is encouraging.

To be clear, though, we continue to experience headwinds in the commercial segment as pricing on commercial renewals was down in 2011. Overall pricing was down about 3.5% in January, though, our res build for the remainder of February and into March, would suggest pricing in the second half of the quarter will be better than the first half. We are encouraged by the wide following on the price increases.

In our International segment, nearly 70% of our revenues come from our owned operations in Europe, roughly 25% are from our operations in Australia and New Zealand, and 5% are royalty revenues from licensees. Although from a profit perspective, licensees represent approximately 40% of our International pro forma Adjusted EBITDA.

In the fourth quarter, our International rental volumes and pricings were essentially flat on a pro forma basis. Based on the fourth quarter, year-to-date results and our res build and what others are seeing in travel trends and macroeconomic pressure, we don't expect our volume growth in Europe to be positive in the first half of 2012, so the balance of our International segment should show good growth. The weak spots are not a surprise. Italy, which is tracking down about 10% in revenue, continues to face economic pressures. And insurance replacement is actually down about 20% as winter in Western Europe has been mild this year compared with difficult weather conditions a year ago.

We're managing accordingly, particularly as we make fleet and expenditure decisions. But it is important to keep in mind that, Italy in particular, doesn't really make any money until the summer, and the other markets are seeing trends that are similar to the fourth quarter in what is always a seasonally slow and non-indicative quarter for the summer peak results. Generally speaking, though, we're seeing commercial travel demand in the international markets hanging in pretty well. And the leisure picture will become clearer as we get closer to Easter.

So to summarize, we are encouraged by the impact of our strategic initiatives to win profitable customers by our progress in the integration of Avis Europe and by our continuing ability to control costs and by the opportunities in front of us.

With that, I'll turn the call over to David.

**David B. Wyshner, Global Chief Financial Officer & SEVP**

Thanks, Ron, and good morning, everyone. Today I'd like to discuss our fourth quarter and full year results, our fleet, our Performance Excellence process improvement initiative, our balance sheet and our outlook. My comments will focus on our results excluding certain items. As Neal mentioned, these results are reconciled through to our GAAP numbers in our press release and on our website.

Our acquisition of Avis Europe closed on October 3rd, and thus, fourth quarter 2011 is the first full quarter of consolidating Avis Budget EMEA into our reported results. These results are now included in our International segment and our Canadian operations, which were previously reported as part of our International segment, are now reported within our new North America segment. We know that segment realignments can be confusing, unfortunately we are required to move Canada out of International to align our segment reporting to our new regional operating structure. We have provided supplemental information on Table 3 of the press release and on our website as well as in the 8-K we filed to try to make our reporting changes as transparent as possible, and we're prepared to work with you to help clarify these issues.

Turning to our results. In the fourth quarter, revenue increased 33% to more than $1.6 billion, primarily due to the inclusion of Avis Europe. Excluding Avis Europe, revenue was up 4%. Adjusted EBITDA increased 19% to $64 million in the fourth quarter including a $5 million contribution from Avis Europe. Results benefited from organic revenue growth and lower per unit fleet costs.

Our direct operating costs decreased 120 basis points as a percentage of revenue in the fourth quarter. Excluding Avis Europe, direct operating expenses declined 20 basis points as a percentage or revenue and SG&A was up 130 basis points primarily reflecting our strategic decision to increase marketing investments to support our brands.

For the quarter, net income declined $8 million and earnings per share declined $0.08 primarily due to incremental debt used to fund the acquisition of Avis Europe. For the year, revenue increased 14% to $5.9 billion including $359 million from Avis Europe. And Adjusted EBITDA grew 49% to

$610 million, making 2011 the most profitable year in the company's history. All of our operating segments reported significant growth in Adjusted EBITDA for the year, reflecting strong rental volumes, a robust used vehicle market and savings from our company-wide productivity improvement efforts.

Net income increased 93% to $206 million and earnings per share increased 83% to $1.65. Excluding the transaction-related charges we incurred, our 2011 results show what our business is capable of earning even before the contribution that EMEA can make going forward.

In our North America segment, in the fourth quarter, revenue increased 3% to $1 billion, reflecting a 5% increase in volume and a higher penetration of ancillary products and services, partially offset by a 3% decline in pricing. Volume growth was strong throughout the quarter and we saw good increases both on- and off-airport. In addition, our average length of rental increased 3% year-over-year, reflecting both a modest change in customer demand and actions we've taken to attract longer length transactions.

Leisure volume was up 9% in the quarter, driven by our marketing partnerships, partially offset by a 4% decline in pricing. Commercial volume was up 1% with growth in our corporate accounts, small business and inbound commercial, partially offset by a decline in the insurance replacement as we continue to focus on growing in our most profitable channels.

Commercial pricing was down 2% in the quarter, consistent with the full year, while commercial account retention remained north of 99%. Ancillary revenues increased 10% in the quarter, five points ahead of volume growth, reflecting the benefits of our continued sales training. Penetration rates for damage waivers, insurance products, portable satellite radio and roadside protection all increased while GPS take rates remained fairly constant.

Adjusted EBITDA was $18 million in the quarter, down $5 million year-over-year. The decline was due to a $15 million increase in marketing spending to support our brands, partially offset by increased ancillary revenue per rental day and a 5% decline in per-unit vehicle depreciation.

In our International segment, revenue more than doubled in the fourth quarter, primarily due to the inclusion of Avis Europe. Excluding Avis Europe, fourth quarter revenue increased 11% (sic) [10%] year-over-year, driven by a 7% increase in volume and a 3% increase in price due to exchange rates. Australia and New Zealand each experienced good growth in the fourth quarter, with New Zealand benefiting from stronger pricing and increased demand due to the Rugby World Cup.

Adjusted EBITDA increased 29% to $40 million in the quarter, driven by a $5 million contribution from Avis Europe and organic revenue growth. As Ron mentioned, Avis Europe's fourth quarter results were largely consistent with our expectations, with revenue declining less than 2%, driven by a 3% decline in volume, partially offset by a 1% improvement in pricing. On a pro forma basis, Avis Europe's Adjusted EBITDA was within $1.5 million of the prior year.

In our Truck Rental segment, revenue increased slightly in the fourth quarter, driven by 3% growth in pricing. We benefited from the trend toward online holiday shopping, as our volume of rentals to package delivery companies in December increased 35% year-over-year. Adjusted EBITDA from Truck Rental tripled to $9 million in the quarter, our best fourth quarter since becoming a standalone company. Utilization improved 4%, driving significant margin improvement. Volumes in our Truck Rental segment have fully recovered from pre-recession levels while our average fleet has declined 14%, driving a 900 basis point improvement in margins.

Turning to our car rental fleet, we continue to expect the North American used car market to remain strong in 2012, and possibly longer. In fact, Manheim and ADESA each believe used car market conditions can remain healthy beyond this year for many of the reasons we've talked about in the past: lower OEM production compared to pre-recession levels, fewer off-lease vehicles entering the used car market to compete with off-rental vehicles, and the fact that the CPI for new cars is at a 15-year high, while manufacturer incentives remain rational. Our experience thus far in 2012 has definitely indicated that the used car market is healthy.

As we discussed on last quarter's call, we don't anticipate the same magnitude of gains on risk car sales in 2012 that we recorded in 2011. As a result, we expect our North American per-unit fleet costs to increase 15% to 20% this year. For modeling purposes, please note that approximately 20% of the $120 million to $140 million earnings benefit we achieved in 2011 related to the Japanese earthquake occurred in last year's first quarter. And approximately 50% occurred in the second quarter. This issue will obviously create difficult comparisons for our North America segment in 2012, particularly in the first half.

I should also note that in spite of the year-over-year cost increase we're projecting, our 2012 per-unit fleet costs are expected to be five to eight points lower than our 2010 levels. This is due to the continued secular strength in the used car market and steps we have taken to lower our fleet costs, such as disposing of more of our fleet through online channels.

Finally, we expect our fleet to remain diversified with no single manufacturer representing more than 25% of our global car rental fleet in 2012.

Our highly successful Performance Excellence program continues to provide significant benefits, generating incremental savings of more than $70 million in 2011. Since the inception of the initiative, the savings from PEx have grown to more than $265 million per year. We are counting on PEx to provide incremental benefits of approximately $45 million in 2012 to help offset any inflation we experience in our non-vehicle cost base.

Some of the most impactful Performance Excellence projects recently have let us to better control gasoline costs, enhance yield management throughout the organization, grow ancillary revenues in our local market operations, shuttle vehicles more efficiently, better manage our vehicle maintenance process, reduce the time it takes to dispose of vehicles, and increase our share of certain transactions that we've identified as particularly profitable.

I hope you saw our press release in January regarding the Performance Excellence Initiative. Our pipeline of process improvement projects continues to expand, and we know that some of the changes we've implemented in our North American, Australian and New Zealand operations will be applicable in Europe as well.

Moving to the balance sheet; our liquidity position remains strong. We ended the quarter with $534 million of cash, no borrowings under our $1.4 billion corporate revolver, more than $750 million of availability under that facility. Good unused capacity under various vehicle-backed funding programs of $3.8 billion. We ended the year with pro forma net leverage of approximately 3.4 times and we have no corporate debt maturities until 2014.

We are projecting lower North American per-unit vehicle interest costs this year. We have $1.9 billion of term ABS debt rolling off in 2012 at a weighted average interest rate of over 6%, much of which was pre-funded by the issuances of $1.3 billion of new ABS debt in 2011 at a weighted average rate of slightly over 3%.

Year-over-year savings worked out to about $15 million to $20 million in 2012. Asset-backed borrowing rates remain low by historical standards and we expect to be in the ABS market during the first half of 2012.

In the near-term, we look to use free cash primarily to fund organic growth and for debt reduction. At the same time, the acquisition of Avis Europe has provided a new crop of potential licensee and bolt-on acquisitions for us to evaluate, although history would suggest that such deals will usually be relatively small.

Now that we have Avis Europe's full year numbers, we know that our pro forma 2011 acquisition multiple was under 7 times adjusted EBITDA, including synergies and transaction costs. On a pro forma basis, Avis Europe added $68 million to our full year pre-tax earnings even before synergies and since we paid for the acquisition with cash and debt, we added these earnings with no increase in our shares outstanding.

At the risk of doing the math for a pretty analytical audience, if you put an 8 times multiple on incremental pre-tax earnings, the acquisition arguably added about $4 a share of value to our stock and the initial synergies of more than $35 million a year can add another $2 a share. That's why we've consistently described the transaction as financially attractive in addition to being strategically compelling.

Turning to our outlook, Ron already covered the key business trends we foresee as well as our expectations for significant benefits from the integration of Avis Europe's operations. There are a few additional points I'd like to cover, particularly for the modelers among you. We expect high margin ancillary revenues to grow on a per rental day basis as we continue to train our rental sales agents and further develop the selling tools we use in all of our customer interactions. We've hedged most, but not all, of our projected exposure to 2012 movements in the euro, the British pound, and the Canadian, Australian and New Zealand dollars. And we generally did so at the exchange rates that were prevailing at the start of the year.

We expect non-vehicle depreciation and amortization expense to be in the $125 million range, including $16 million of new non-cash expense for the amortization of intangible assets that were recognized in purchase accounting for Avis Europe. We will exclude this incremental amortization when we discuss results excluding certain items. We project corporate interest expense to be approximately $260 million in 2012. Our 2012 GAAP tax rate should be in the 34% to 38% range, excluding items and we expect full year cash taxes to be $60 million to $65 million.

Earnings in Europe, the Middle East, Asia and Africa are typically concentrated in the second and third quarters, which previously may not have been apparent since Avis Europe historically reported results semi-annually, not quarterly. For modeling purposes, you should know that Avis Europe's first quarter generally looks similar to the fourth quarter without the benefit of Christmas, so we do not expect EMEA to make a positive contribution to EBITDA in the seasonally slow first quarter.

More generally we've seen that the lack of visibility into Avis Europe's seasonality and the effects of the Japanese earthquake with difficult pricing environment in the first six weeks of the year has made it unusually difficult for analysts and investors to project our first quarter 2012 results. We look at last year's adjusted EBITDA excluding items of $83 million in Q1 and attribute around $25 million of fleet sales gains to the earthquake in Japan, that puts our baseline at $58 million of adjusted EBITDA.

Our goal in first quarter 2012 is for organic growth to try to offset any seasonal loss that Avis Europe will bring to our results. As a result, we project adjusted EBITDA in first quarter 2012 of $55 million to $65 million. Obviously the same math will work in our favor in the quarters when Avis Europe is additive to adjusted EBITDA.

We expect our capital expenditures to be approximately $125 million in 2012, substantially higher than in recent years due to integration-related CapEx, required spending for some significant consolidated car rental facilities and some incremental capital to support our strategic initiatives. We do not expect to be a U.S. Federal cash tax payer in 2012.

  

To summarize, we are proud of our 2011 results and the actions we took to achieve them. We have a clear game plan for integrating Avis Europe and are executing against it. Our strategic initiatives continue to deliver meaningful benefits and we are enthusiastic about our prospects for 2012.

With that, Ron and I would be happy 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 comes from John Healy with Northcoast Research. You may ask your question.

**<Q – John Healy – Northcoast Research Holdings LLC>:** Hi. Good morning. Wanted to ask about fleet holding cost. I appreciate the disclosure on North America, but was hoping to get a better understanding of the fleet cost anticipated increase for the European fleet. Is there anything to think about specifically for that? And how much does that normally increase on an annual basis there?

**<A – David Wyshner – Avis Budget Group, Inc.>:** We're expecting a year-over-year decline in our international fleet costs. And I think we feel good about how the negotiations for fleet have gone both in Europe and in other parts of the world. So we're looking this year at a reduction in international fleet cost of several points on a per-unit basis.

Operator: Our next question, Afua Ahwoi with Goldman Sachs. You may ask your question.

**<Q – Afua Ahwoi – Goldman Sachs & Co.>:** Thanks. I just had a question on 4Q pricing and your commentary in January. Is there anything specific you can point to that drove the worse than expected pricing in North America that we had expected? Is there any competitor action, or is it some Avis-specific initiatives that drove prices down? And if there's an opportunity to have a second one.

**<A – Ronald Nelson – Avis Budget Group, Inc.>:** Yeah. If you'll indulge me, let me sort of give you some background and describe what I think is going on in terms of pricing. First, one of the things is you can't separate price from fleet. If you're going to have a discussion on our price, you're always going to talk about fleet. The second point I'll make is that we always try to optimize price. We are not in the business of cutting price to gain share.

Now that being said, I think one of the things that you need to consider is that the entirety of this story in terms of revenue generation isn't in just T&M RPD. And it's particularly in driving eligible volume which I would call leisure volume where you have the opportunity to up-sell your customer either with an upgrade in car class or insurance or GPSs or emergency road service. Those products generate 75% to 90% margins depending on what they are. And on eligible volume, our per capita rate is somewhere in the $7 to $8 range.

So selling ancillaries offsets a lot of pricing issue. Now if you have them in the fleet, then obviously ancillary sales is the same as price cutting. But the point I want to make is that if you adjust your fleet and take yourself out of the volume business, you're giving up an opportunity to sell ancillaries, which I think is an important piece of the puzzle.

The other thing that I would say about fleet is that I know that a couple have noted that our utilization was down. We're actually not too troubled by that. I think what you'll hear from us over time is that we've increased our fleet in our higher-end cars a fair amount, and the metric that you follow there is RP – revenue per unit, not utilization. We're finding these to be very profitable rentals and so the decrease in utilization is partly explained by the increase in fleet in areas which drive more revenue.

That said, I think the fourth quarter is really sort of a tale of two cities, if you will. From October to Thanksgiving, that is predominantly a commercial period. Pricing in the commercial business has been soft for a couple of years now and it's a period where the industry is de-fleeting. So at some measure, everybody is a little over-fleeted and competing for volume and I think that sort of drove pricing in the first half of the quarter.

I think in the period from Thanksgiving to really February 13, which is when we announced the price increase, it's really a different issue. Last year we took several thousand turndowns because our fleet was short. And this year we decided that we would hold on to additional fleet to go after those turndowns because primarily most of those turndowns were in Florida.

And so we held fleet, and I think what happened and what's really continuing to happen is that the weather was pretty good over the course of December and early in January and so the volume didn't materialize and I think it's one of the reasons why our marketing spend was up in the fourth quarter. We had the fleet. We decided to spend some additional marketing to drive it. And I think that really drove more pricing competition over the December and early January than we would've expected.

I think being short-fleeted last year, we probably were getting something like $600 a week for rentals in Florida. Being long-fleeted now as we come into the Florida season in February, maybe that drops to $450, but I'd rather have 10,000 rentals at $450 than 6,000 at $600. And I think we're starting to see fleets tighten up a fair amount in Florida.

So I think really the general answer is that pricing was influenced by weather in December and by commercial business in February. But I don't want anybody for a minute to think that – I know this has been – this is on everybody's mind about pricing discipline, we continue to maintain our discipline on pricing. We initiated two price increases in February and March. But I just thought a fulsome discussion of what really influenced pricing in the fourth quarter was worth taking up a little bit of your time. So, anyway, that's the answer to your question. Thanks for giving me the opportunity.

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

**<Q – Michael Millman – Millman Research Associates>:** Thank you. Assuming normal conditions, you can define what that may mean, can you compare what the European versus North American markets should generate in ROA and EBITDA margin and revenue growth, maybe even in free cash flow? Thank you.

**<A – David Wyshner – Avis Budget Group, Inc.>:** Sure. I think one way to look at it is certainly in terms of margins and when you look at our margin last year, overall, it was right around 10% and then when you look at Avis Europe, they generated for us about $180 million of pro forma EBITDA on about a little over $1.6 billion of revenue. So they also worked out to be in the 10% to 11% range. And so we see the margin contributions and returns on assets being fairly similar between the two businesses.

They obviously get there in slightly different ways with Avis Europe having the benefit of some incremental high margin licensing revenues, but they really are quite similar. And our expectation is that the cash flow attributes of the business will also be quite similar. The nature of our business is that it's a cash business. We expect to make some investment in capital spending and integration this year, but over time, we would expect pre-tax income to be a proxy for free cash flow from our acquired business the same way it has been for our existing business.

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

**<Q – Chris Agnew – MKM Partners LLC>:** Thank you. Good morning. I was wondering, if you could help us think about OpEx and SG&A for the combined entity. I know with the inclusion of Avis Europe it's a little more complicated and we don't quite have pro forma numbers, but can you maybe split out or help us think about variable versus fixed costs for the combined company? And should we be thinking about either of those items as a percentage of revenues or maybe based on rental day growth or even on an absolute basis? Thanks.

**<A – David Wyshner – Avis Budget Group, Inc.>:** Sure, Chris. I can try and we can follow-up as well to walk you through some of the pro formas we've provided. Generally speaking, I think operating expenses will be a fairly consistent portion of our – of revenues, still in the 50-ish percent range, the same 50-ish percent range that we see for our existing businesses. SG&A will, at this point, is tending a bit higher. And I think this is an area where we'll hope to see some of the synergies have a favorable impact, information technology costs being a good example of that.

And I think as we look at the operations in Europe, the differences that we deal with is the fact that the average location across Europe tends to be smaller than what we have in the U.S., even some of the largest airports in Europe are significantly smaller than what we would see for large airports here in the U.S. in terms of their revenues. And so we have a lot of locations that have a somewhat higher percentage of fixed costs than in the U.S.

And I think as we look at the business and the integration opportunity, getting at fixed costs on a company-wide basis becomes a key to achieving synergies, because to the extent we can make administrative and back office and information technology more efficient, that creates – that will create opportunities for us to bring SG&A down as a percentage of revenue.

Operator: Our next question, Brian Johnson with Barclays Capital. You may ask your question.

**<Q – Brian Johnson – Barclays Capital, Inc.>:** Yeah. Just want to follow up on the pricing and fleet discussion. Thank you for tying some loose ends together. So as we look at the minus 4%, a couple of questions on the leisure side. First does that include your off-airport initiative? Do you roll that into leisure? Do you do it in corporate? Or is it just a separate category? And was that influencing that? And then second, if you take Florida and give it back to Spain and just look at the rest of the country, how is leisure pricing through the quarter?

**<A – Ronald Nelson – Avis Budget Group, Inc.>:** A couple of things, Brian. Don't make pricing any worse than it was. I think it was only down 3%.

**<Q – Brian Johnson – Barclays Capital, Inc.>:** Okay. Yeah, excuse me, I meant 3%. I was thinking of the -- no, excuse me, didn't you say leisure down 4%? Pricing down overall down 3%.

**<A – Ronald Nelson – Avis Budget Group, Inc.>:** [indiscernible] (54:50). Composite pricing was down...

**<Q – Brian Johnson – Barclays Capital, Inc.>:** Yeah. Just I wanted to drill down within that leisure number.

**<A – Ronald Nelson – Avis Budget Group, Inc.>:** And our – off-airport business is really a mix of both commercial and leisure. It all depends on how the reservation is made, if somebody uses an AWD number or through an affinity channel then we know that it falls into the commercial area, if they don't, then it falls into leisure. It's not a precise calculation or a precise determination but it's the best we have. So I think that, that's the way it works.

In terms of Florida, actually, this past week things have gotten very tight. I think every car rental company is on suspend or LOR restrictions. The typical season in Florida runs from Presidents' Day until Easter. And I was just looking this morning at our res build and we're actually, I think, on suspend in every market we have in Florida.

You know the irony is we're probably recording an RPD decline because last year we were short-fleeted and getting very – creaming high weekly rates. This year we're still getting high weekly rates, but they're not going to be as high as last year, just simply because we're getting more volume. But it will clearly be compensatory. And then you had a question about Spain, Brian, is that...

Operator: Our next question, Yilma Abebe with JPMorgan. Your line is open.

**<Q – Yilma Abebe – JPMorgan Securities LLC>:** Thank you. Good morning. Two questions; one, can you tell us what the gains on risk cars was for the full year 2011. And two, in terms of the balance sheet and you mentioned that pay down as a potential use of cash. Can you give us a little bit more context around that, either how much debt you expect to pay down or where you expect leverage to be? Thank you.

**<A – David Wyshner – Avis Budget Group, Inc.>:** Hey, Yilma. Our gains in full year 2011 were right around $230 million. To be clear, though, we're expecting the year-over-year impact on fleet costs associated with the benefits we realized following the earthquake in Japan to be $120 million to $140 million and some of this will come through in depreciation, some of it may come through in gains, but I think the important number to use from a modeling perspective is really the $120 million to $140 million because that's sort of the year-over-year impact that you need to model in. But the gains that we actually realized were about $230 million because I think in hindsight we ended up having been conservative in our depreciation estimates.

And with respect to deployment and free cash flow, I don't have a particular or specific number for debt pay down at this point. We work, as we said in the past, to keep our leverage in a range of three to four times. And we're much more comfortable in the lower half of that range than in the higher half. And so that will be part of our thinking. And I think the fact that we ended 2011 north of the $530 million in cash on our balance sheet does give us some flexibility.

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

**<Q – Steve O'Hara – Sidoti & Co. LLC>:** Yes. Hi. Good morning. You talked about the amount of cash on the balance sheet. Maybe you could just talk about is that high? What's a good cash level that you are comfortable with running the business maybe on a yearly basis or on average?

**<A – David Wyshner – Avis Budget Group, Inc.>:** I think generally speaking, the minimums required to run the business have obviously increased a bit as a result of having a global organization now. I would estimate it to be in the $150 million to $200 million range. I think our level of comfort, given the nature of our business is probably to have a higher cash balance than that a fair amount of the time. But based on what we've seen so far, that's the estimate that I would use.

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

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

Thank you. To summarize, we're very excited about the investments we're making to integrate Avis Europe, to profitably grow our revenue and reduce our costs not just for 2012, but we really feel like we're making all the right decision for the long run.

As we conclude our integration, we're going to leave no stone unturned and find ways to drive true differentiation for our customers and the value for our shareholders. We will be presenting a number of conferences this quarter and hope to see many of you there.

Until then, thank you for your continued support and confidence. And we look forward to talking to you on the April call. And we look forward to seeing you at Investor Day in May, which we will announce shortly. Thank you.

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

Editor's Note: Text in brackets denote areas of audio gaps. The Company submitted the missing text to replace the audio gaps in the transcript.