



# Investor Day Presentation

November 2016

**avis** budget group

# Agenda

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## **Larry De Shon**

Chief Executive Officer and Chief Operating Officer

## **Scott Deaver**

Executive Vice President and Chief Marketing Officer

### Q&A

## **Mark Servodidio**

President, International

## **Joe Ferraro**

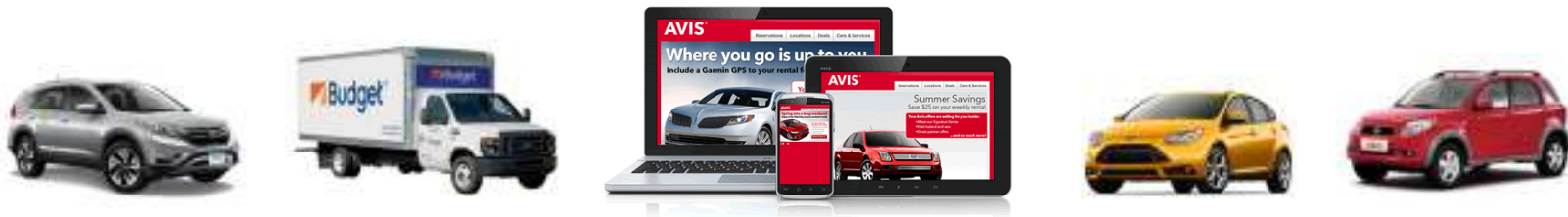
President, Americas

### Q&A

## **David Wyshner**

President and Chief Financial Officer

### Q&A



**avis budget group**

# Forward-Looking Statements

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Statements about future results made in this presentation constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include projections.

These statements are based on current expectations and the current economic environment. Forward-looking statements and projections are inherently subject to significant economic, competitive and other uncertainties and contingencies, many of which are beyond the control of management. The Company cautions 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 and projections are specified in the Company's most recently filed Form 10-K and other SEC filings.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated, or if no date is stated, the date of our last earnings conference call.

This presentation includes certain non-GAAP financial measures as defined under SEC rules. Important information regarding reconciliation of such measures is contained within this presentation, including in the Glossary section, which is available on the Investor Relations section of our website at [ir.avisbudgetgroup.com](http://ir.avisbudgetgroup.com)

Our outlook includes non-GAAP financial measures. Due to the forward-looking nature of these forecasted adjusted earnings metrics, the Company believes that it is impracticable to provide a reconciliation to the most comparable GAAP measures due to the degree of uncertainty associated with forecasting the reconciling items and amounts. The Company further believes that providing estimates of the amounts that would be required to reconcile the forecasted adjusted measures to forecasted GAAP measures would imply a degree of precision that would be confusing or misleading to investors. The after-tax effect of reconciling items could be significant to the Company's future quarterly or annual results.



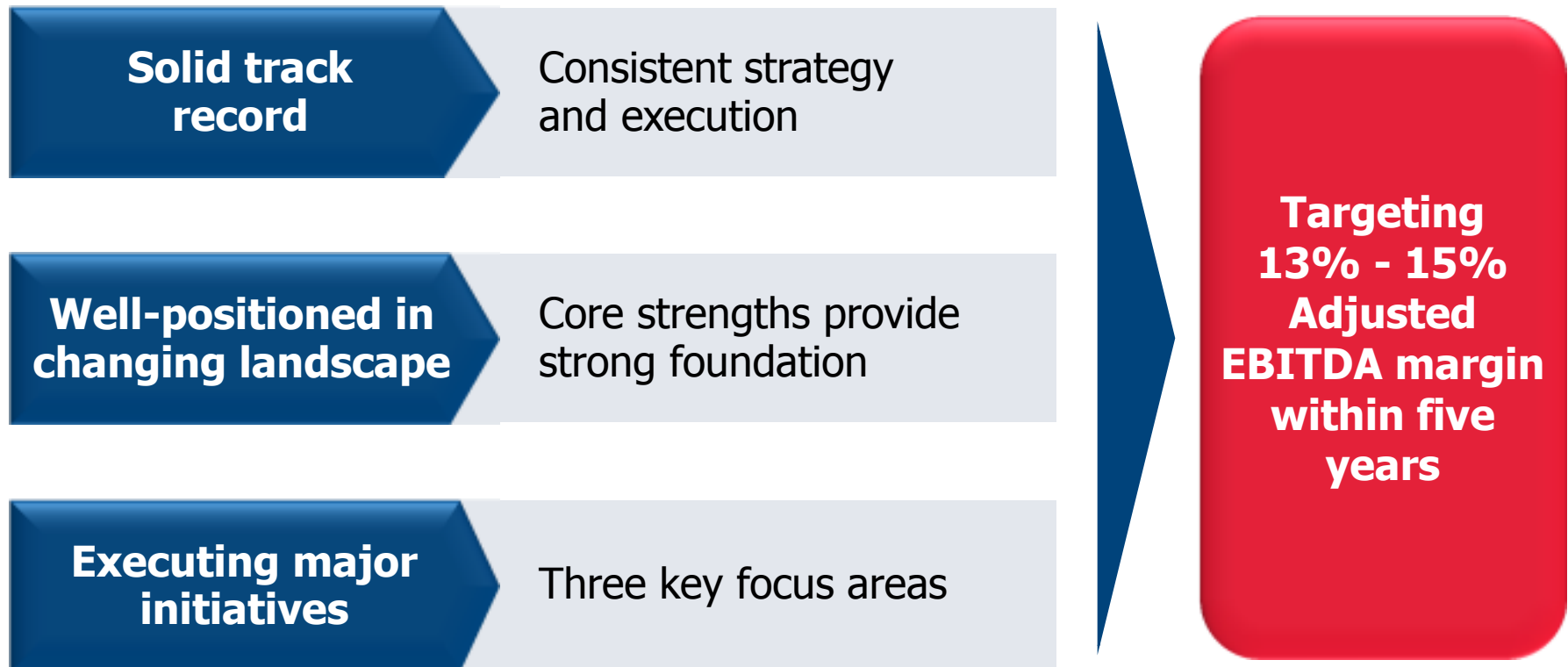
Larry De Shon

Chief Executive Officer

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# Key Messages Today

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# Agenda

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The Business Today

Industry Fundamentals

Five-Year Vision



# A Global Leader in the Vehicle Services Industry

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**11,000**  
Locations  
Worldwide

**560,000**  
Vehicles

**33**  
**million**  
Transactions

**147**  
**million**  
Rental Days

**\$8.7 billion**  
Annual Revenue Worldwide

# We Expanded Our Global Footprint

2014

- ▶ Budget Southern California
- ▶ Scandinavia Licensee
- ▶ Budget Edmonton
- ▶ Budget Portugal

2016

- ▶ Avis Poland
- ▶ France Cars<sup>(a)</sup>



2015

- ▶ Maggiore (Italy)
- ▶ Brazil Licensee



# Powerful Global Brands Serve Diverse Customer Base

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**AVIS**<sup>®</sup>

Premium brand harnessing technology to transform the rental experience

 **Budget**<sup>®</sup>

Smart car rental choice for the value-conscious customer

  
**zipcar**<sup>®</sup>

The #1 brand in car sharing

# Agenda

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The Business Today

Industry Fundamentals

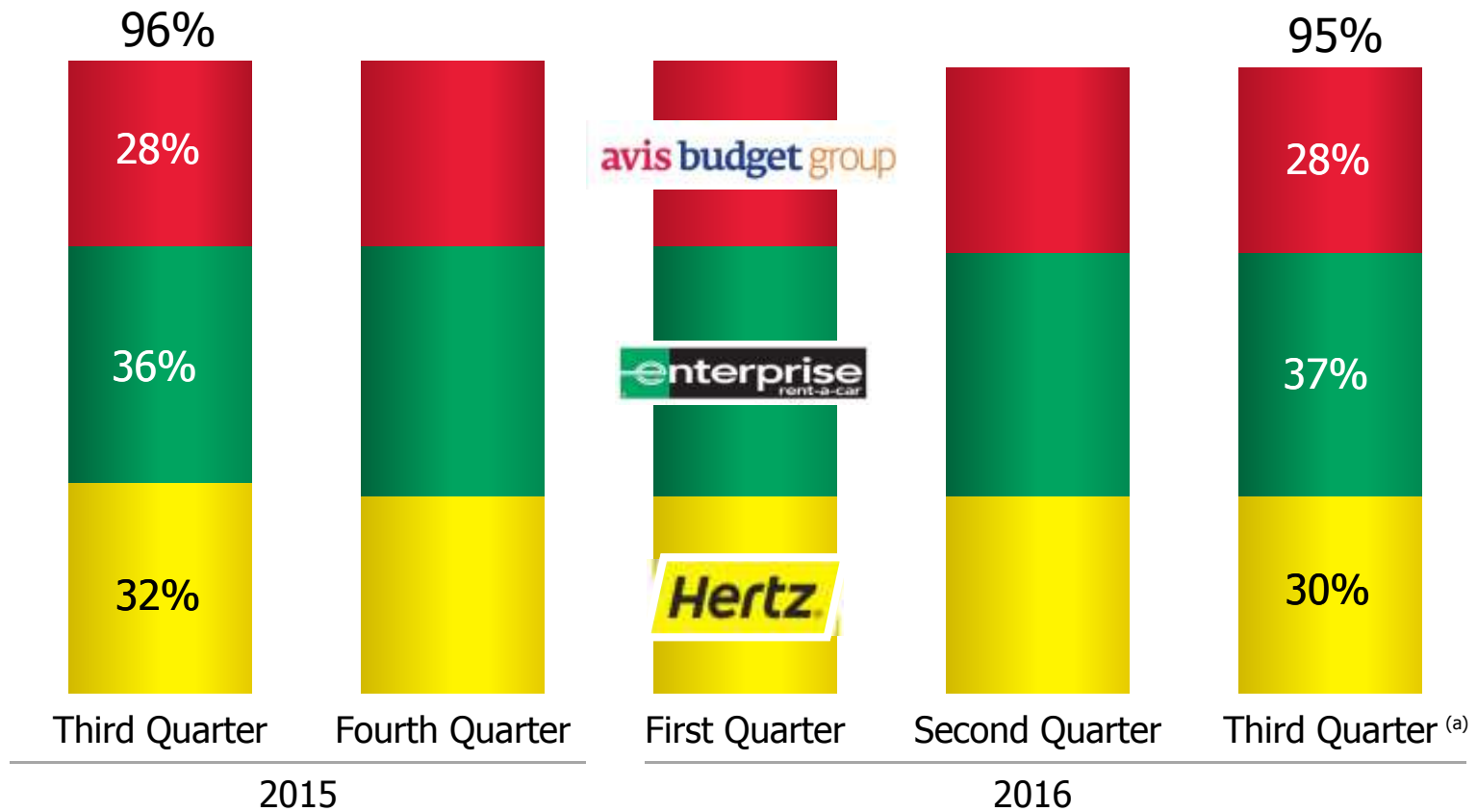
Five-Year Vision



# Market Share Across the Industry has Stabilized



## U.S. Airport Market Share



# Industry Landscape is Evolving

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## Key Trends

- ▶ Consumer control over rental experience
- ▶ “Pay-to-use” growing market
- ▶ New vehicle technology
- ▶ Consolidation opportunities



# Well-Positioned For Continued Growth

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- ✓ Fleet management is a key competitive advantage
- ✓ Investing in technology to streamline and change processes to drive higher margins
- ✓ Well-positioned to benefit from new vehicle innovations
- ✓ Economies of scale
  - 33 million rental transactions per year
- ✓ Zipcar is a leading mobility provider serving a broad range of urban consumer needs
- ✓ Experienced management team



# Agenda

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The Business Today

Industry Fundamentals

Five-Year Vision



# An Evolved Strategy for an Evolving Landscape



PRIORITY #1

# Win Customers through Our Differentiated Brands





# Grow Margins throughout the Organization



## Profitable Revenue Growth

- More profitable customer and channel mix
- Enhanced customer experience drives loyalty
- Increased yield



## Fleet Optimization

- Improved acquisition costs
- Alternative channels, including D-to-C
- Connected car benefits



## Operational Efficiencies

- Global process standardization
- Manpower planning
- Shuttling efficiency

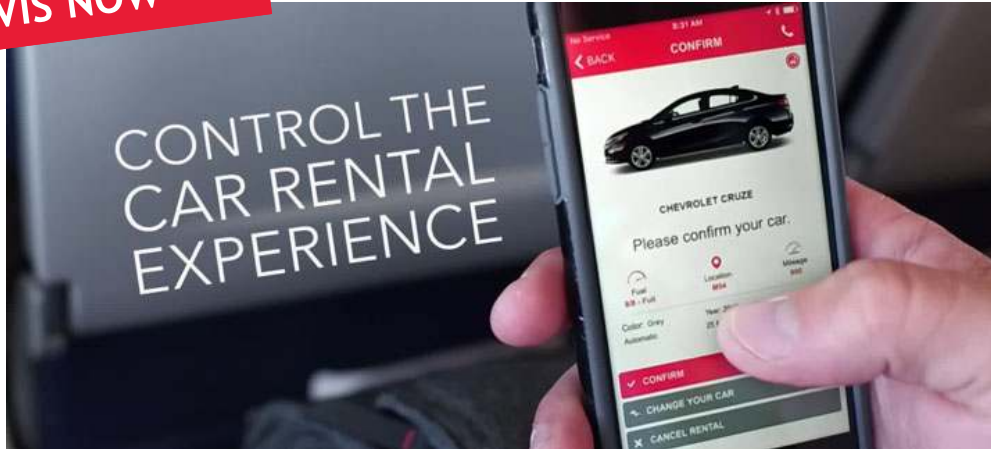


PRIORITY #3

# Well-Positioned to Succeed in the Evolving Mobility Landscape



**AVIS NOW**

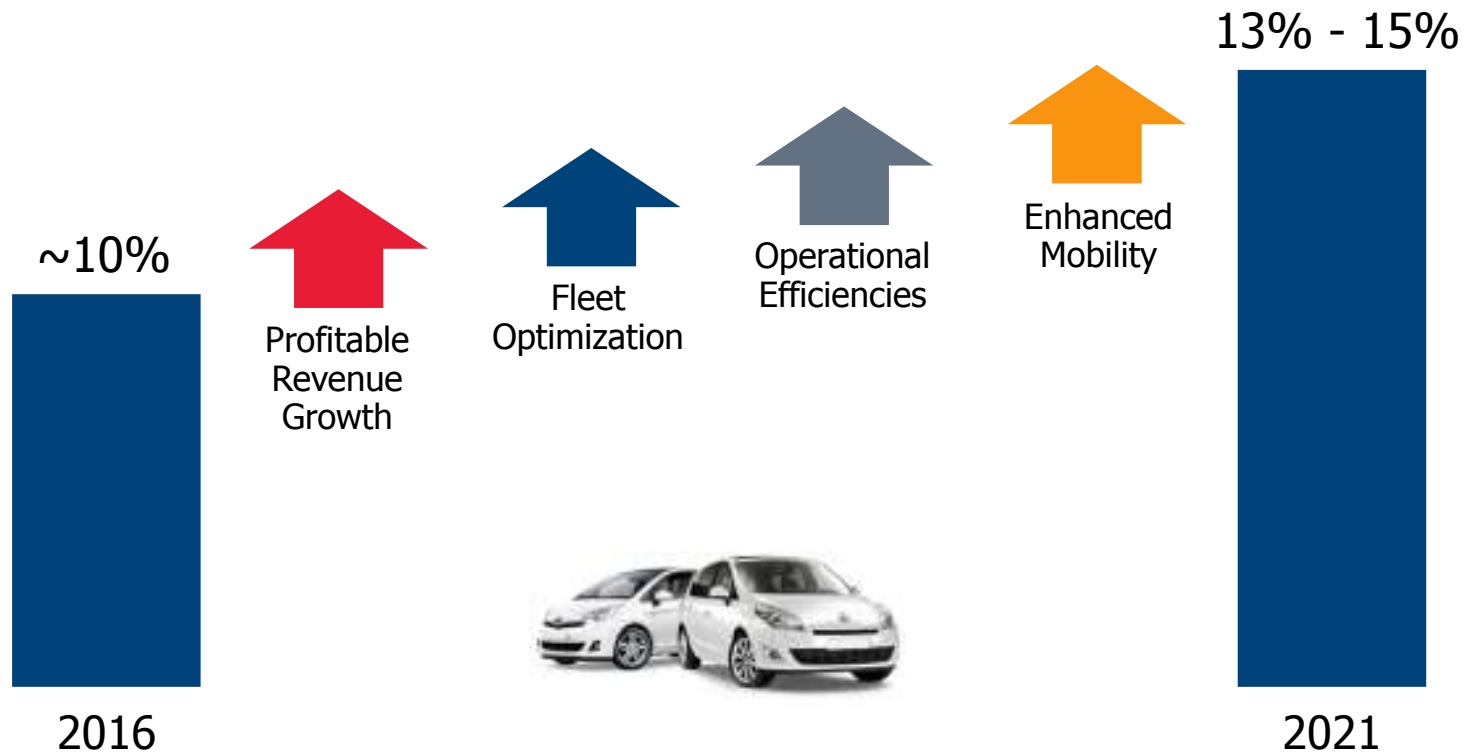


**ZIPCAR MOBILITY**



OUR GOAL

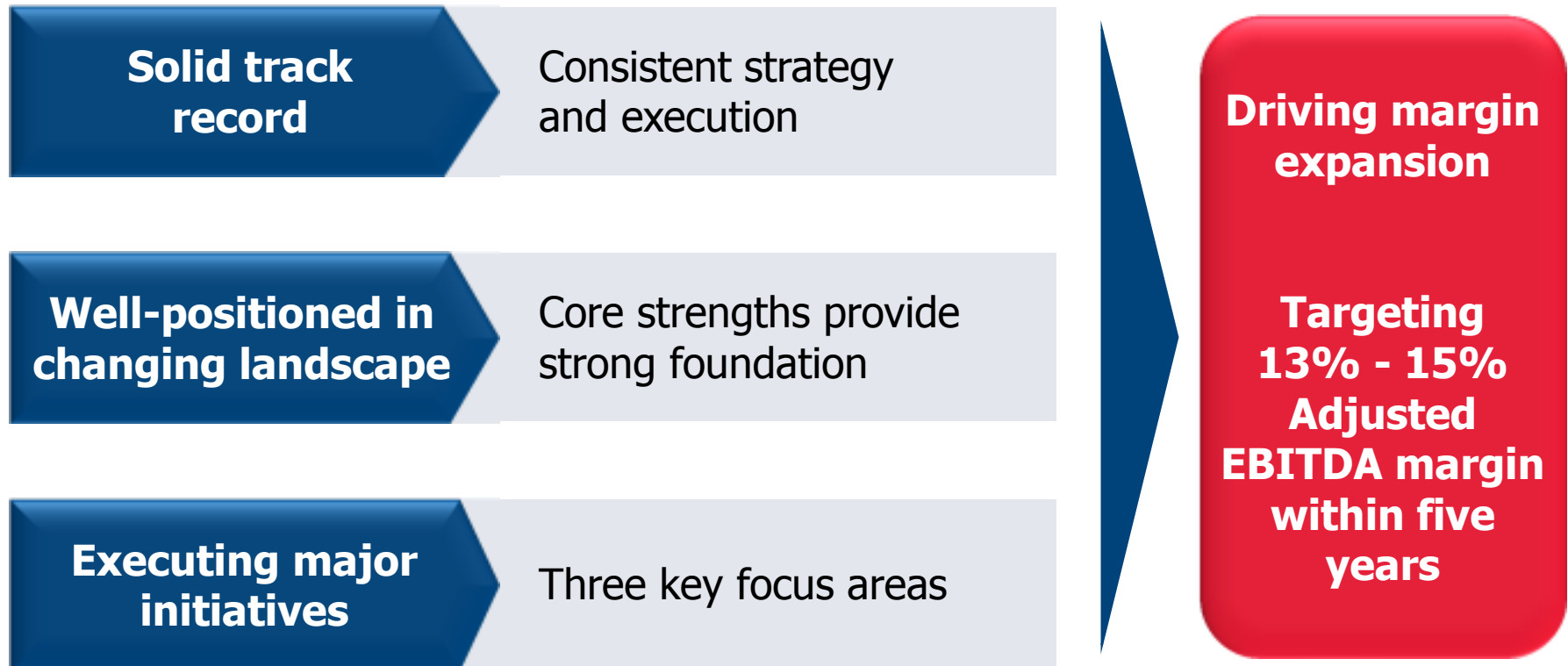
# Significant Opportunity for Margin Growth



Substantial opportunity to expand profitability over the next five years

IN SUMMARY

# Avis Budget Group is Well-Positioned for the Future





Scott Deaver

Chief Marketing Officer

**avis** budget group

# Agenda

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## The Evolving Mobility Landscape

Well-Positioned for the Future

Key Competitive Advantages

Leveraging Our Leading Global Brands



# What Do We Mean By Mobility?

“The purposeful moving of people or things from one place to another by individual vehicle”

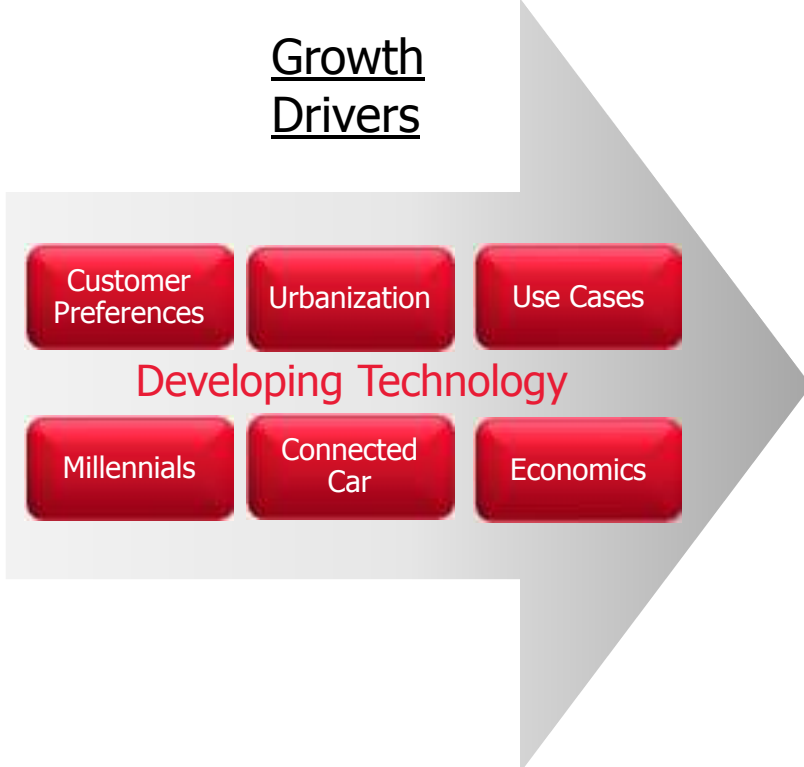
# Our Addressable Market has Entered a Period of Accelerating Growth

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Mobility Market Today

Pay to Own

Growth Drivers



Mobility Market Tomorrow



Pay to Use

We expect to remain a critical part of a substantially larger global mobility market



# Car Rental and Ride-Hailing Serve Different Use Cases

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	Ride-Hailing	Car Rental
Time per transaction	Minutes	Days
Miles per transaction	Low	High
Cost per mile	High	Low
		

Car rental is the most economical mode of transportation for business and leisure travelers

# Agenda

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The Evolving Mobility Landscape

Well-Positioned for the Future

Key Competitive Advantages

Leveraging Our Leading Global Brands



# Avis Now Has Taken the Lead in Technology-Enabled Car Rental Solutions

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## Avis Now Feedback

- ▶ % of users planning to rent from Avis more frequently

40%

- ▶ % likely to use the mobile app during future Avis rentals

90%

- ▶ Customers attracted

New

## Key Statistics

- ▶ 300,000 app downloads
- ▶ Over 150,000 transactions
- ▶ Available at nearly 60 U.S. airports
- ▶ European expansion underway




Initial Avis Now feedback is very positive

# Avis Now – Providing What our Customers have Asked for

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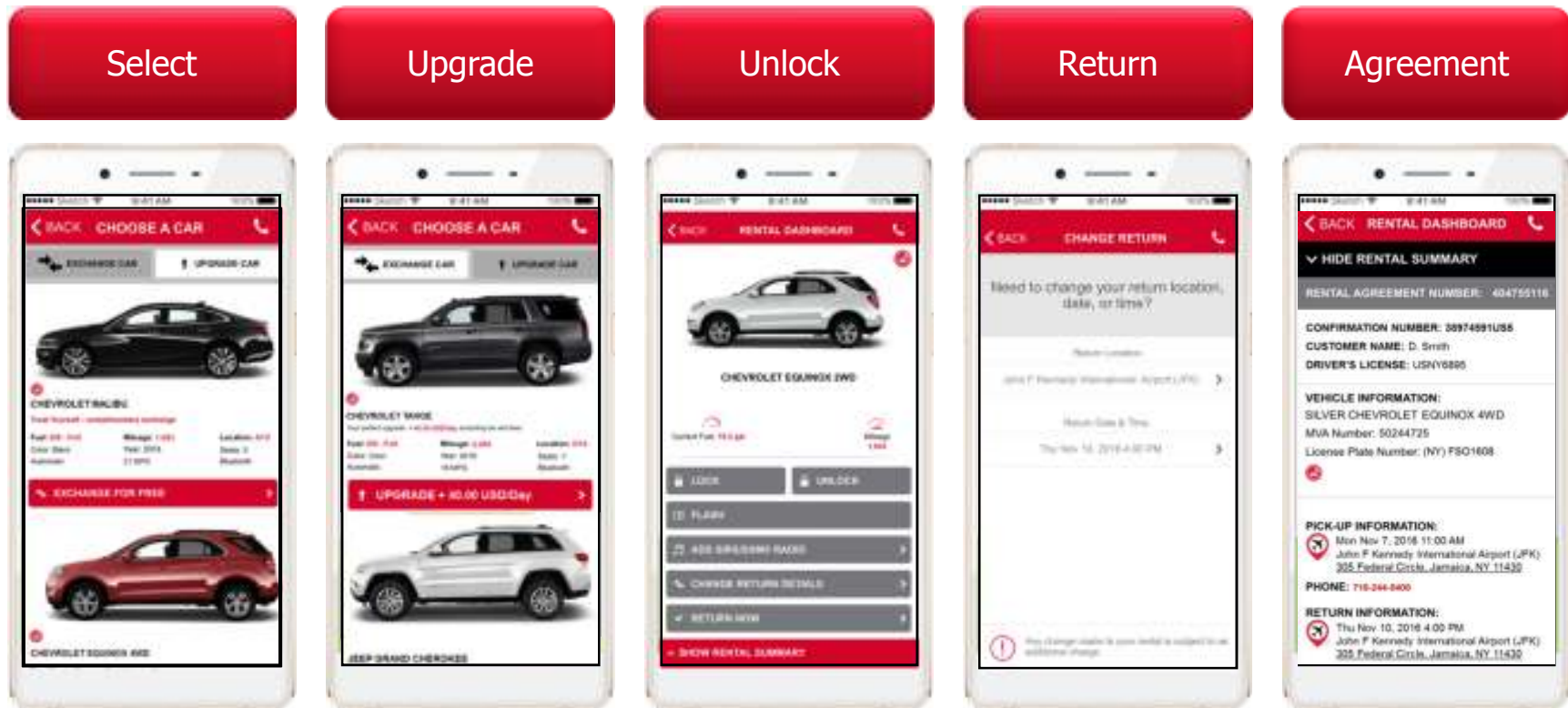
Avis Now	
Electronic confirmation	✓
“Skip-the-line”	✓
Real-time inventory selection	✓
Self-exchange / upgrade	✓
Self-checkout / check-in	✓
Mid-rental ancillary features	✓
Electronic rental receipts	✓



Avis Now is changing the customer experience

# Avis Now – Leading the Way

Control the entire car rental experience...



...from the Avis mobile app

# Zipcar is the Global Car Sharing Leader

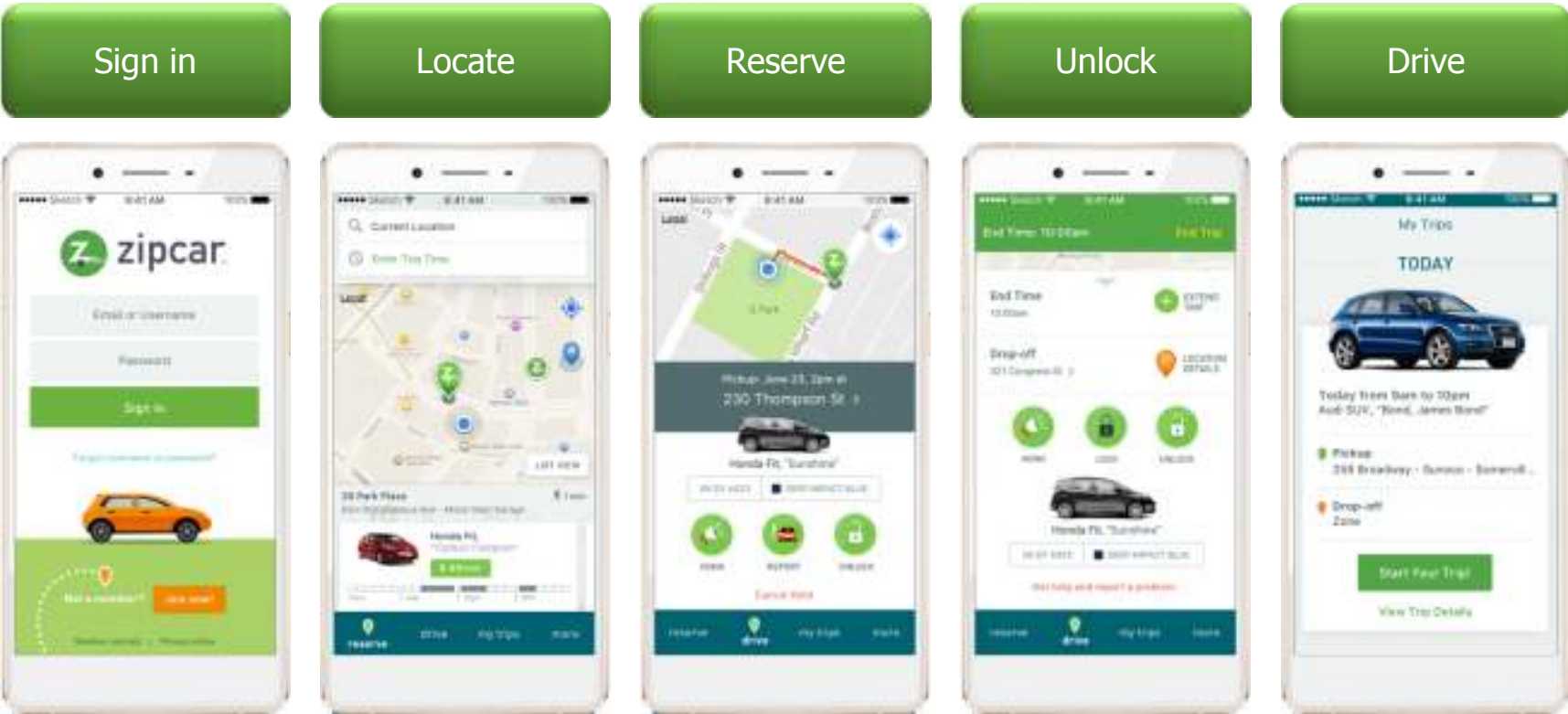
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- ▶ Over 1 million members
- ▶ Broadest service offering
  - Round-trip
  - ONE>WAY
  - Floating
- ▶ Over 500 cities and towns
  - Further expansion to new markets planned
- ▶ Over 500 colleges campuses, changing the habits of tomorrow's customers
- ▶ Extend leading-edge technology
  - Instant Join & Drive
  - New IT platform



# Zipcar – Leading-Edge Technology

Find, reserve, book, unlock and drive...



...all from the Zipcar app

# Agenda

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The Evolving Mobility Landscape

Well-Positioned for the Future

Key Competitive Advantages

Leveraging Our Leading Global Brands





# An Evolved Strategy for an Evolving Landscape



# We Expect to Lead and Succeed in the Mobility Landscape

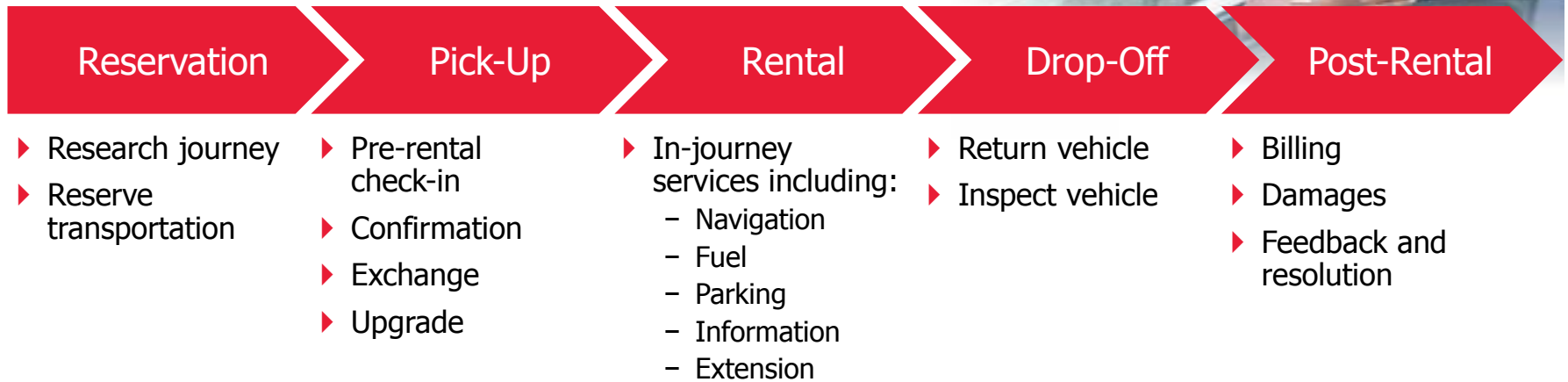
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## Two Key Competitive Advantages



# Providing a Superior Customer Experience is Crucial

## The Customer Journey

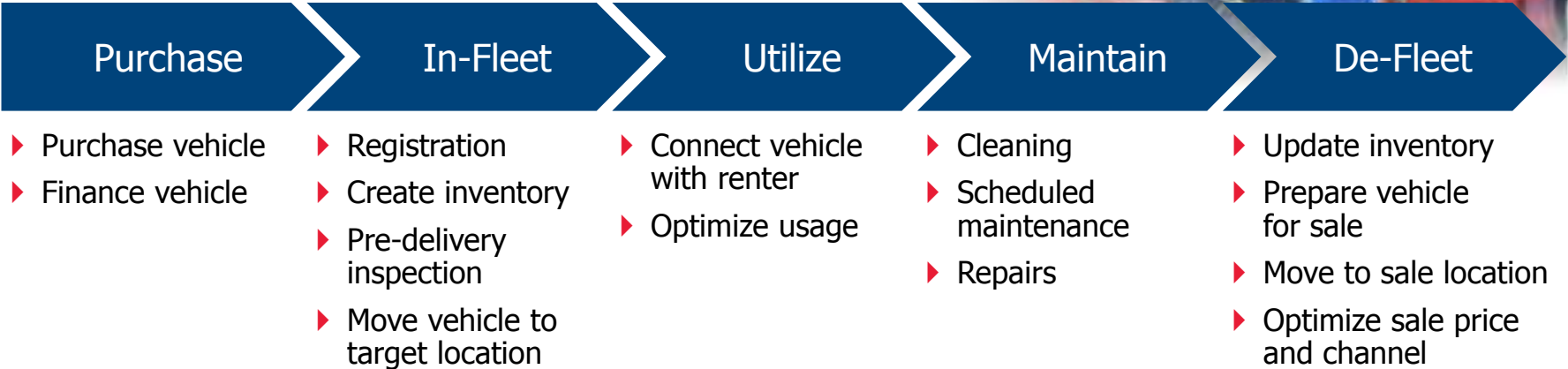


- ✓ Leading digital capabilities with Avis Now
- ✓ Worldwide distribution and market presence
- ✓ Global household-name brands with 70 years of experience



# Our Fleet Capabilities Will be Even More Critical in the Evolving Mobility Landscape

## Mobility Supply Chain



Every provider in the mobility space will need capabilities that we have



# Agenda

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The Evolving Mobility Landscape

Well-Positioned for the Future

Key Competitive Advantages

Leveraging Our Leading Global Brands



# Leading Global Premium Brand

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**AVIS**<sup>®</sup>

Premium brand that is harnessing technology to transform the rental experience

- ▶ Complete control and flexibility
- ▶ Highly individual and personal experience
- ▶ Designed to excite and inspire the journey



# Leading Global Value Brand



Smart car rental choice for the value-conscious customer

- ▶ Simple, efficient rental process
- ▶ Deliver high value to the savviest of frequent renters
- ▶ Carefree, confident experience to the casual renter every time



# Global Leader in Mobility

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The #1 brand in car sharing

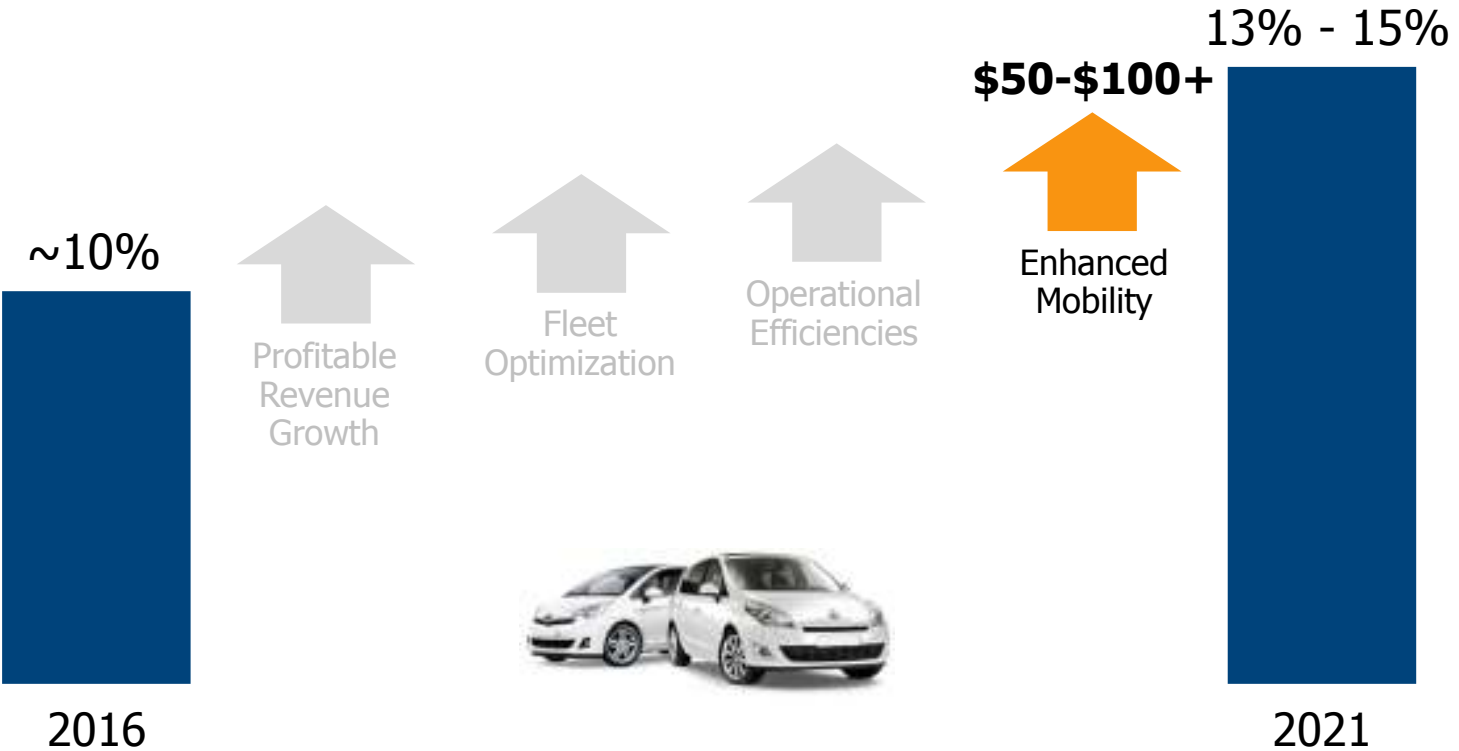
- ▶ Enable simple and responsible urban living
- ▶ Wide variety of self-service vehicles available by the hour or day
- ▶ The most comprehensive, convenient and flexible car-sharing options available





# Significant Opportunity for Margin Growth

*\$ in millions*



Enhanced Mobility will contribute significantly to margin improvement

KEY TAKEAWAYS

# Avis Budget Group is Well-Positioned to Lead in the Evolving Mobility Landscape

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- ▶ The mobility landscape has entered a period of accelerating growth
- ▶ Unparalleled capabilities in the mobility-as-a-service industry
- ▶ Portfolio of leading brands to address a wide range of consumer use cases

**AVIS**<sup>®</sup>



**Budget**<sup>®</sup>



**zipcar**<sup>®</sup>





Mark Servodidio

President, International

**avis** budget group

# Agenda

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The International Business Today

Future International Opportunities

Global Revenue Growth



# A Leader in the International Vehicle Services Industry

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**4,300**  
International  
Locations

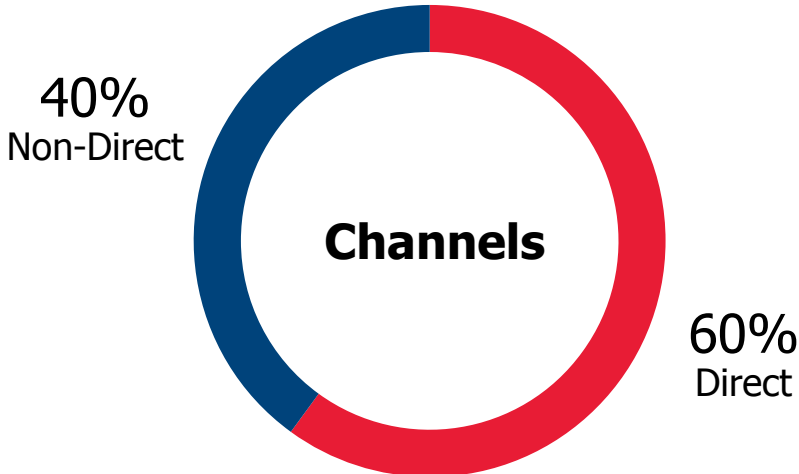
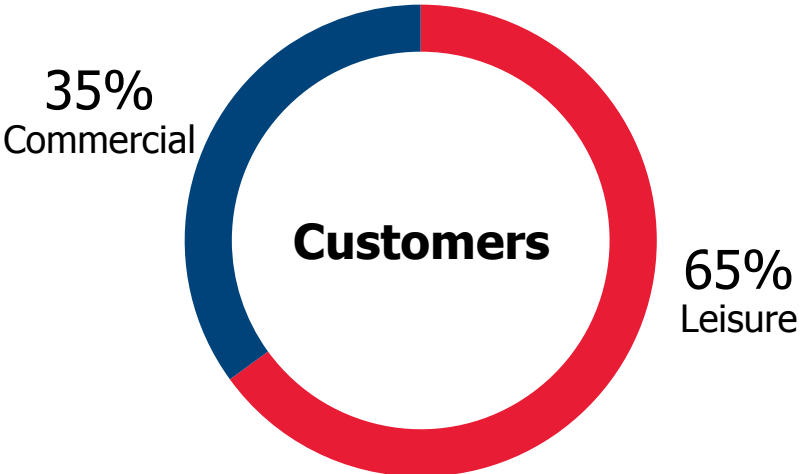
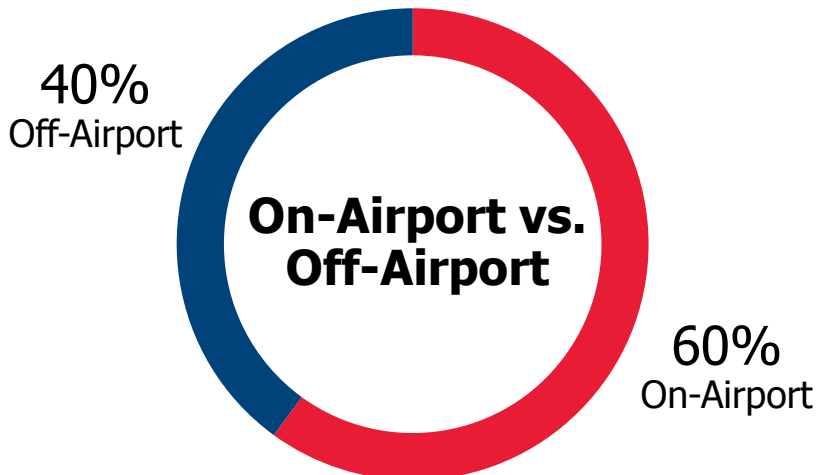
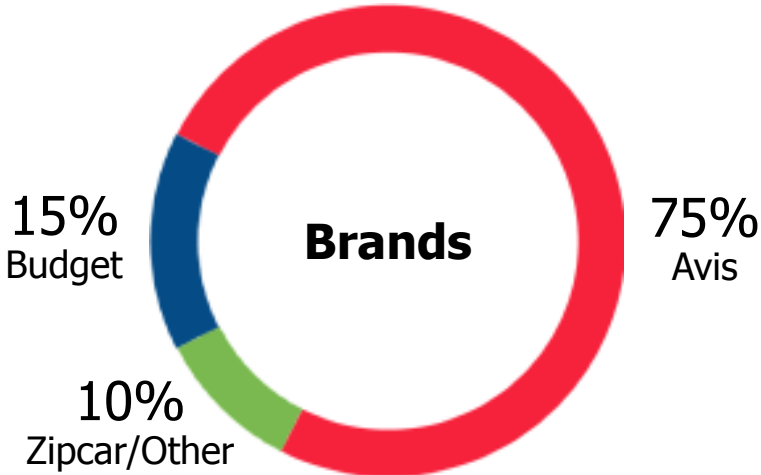
**175,000**  
Vehicles

**9**  
**million**  
Transactions

**46**  
**million**  
Rental Days

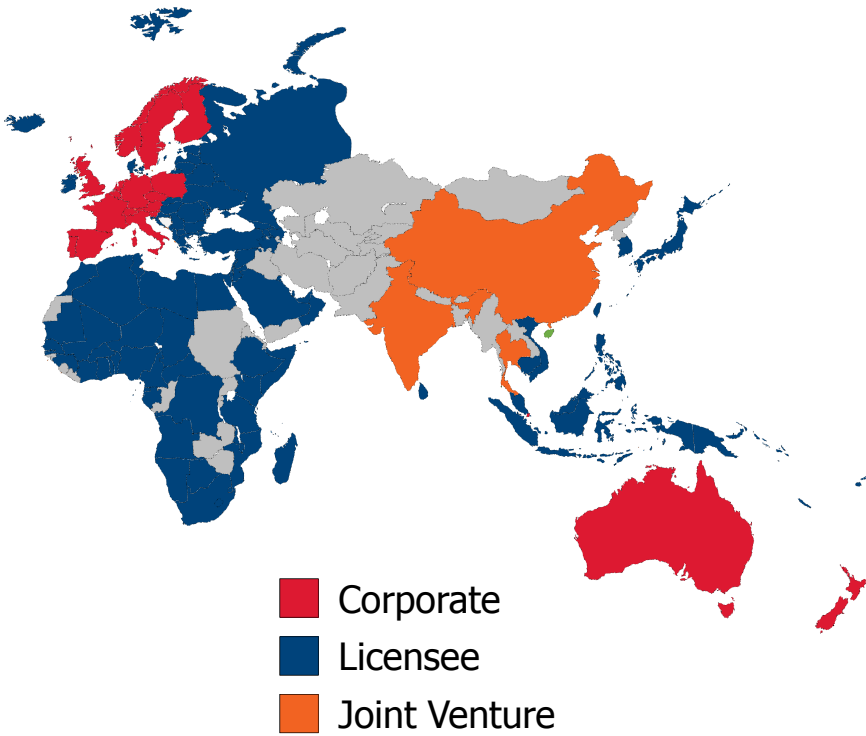
**\$2.5 billion**  
Annual International Revenue

# Our Revenue is Well-Diversified Across Segments and Channels

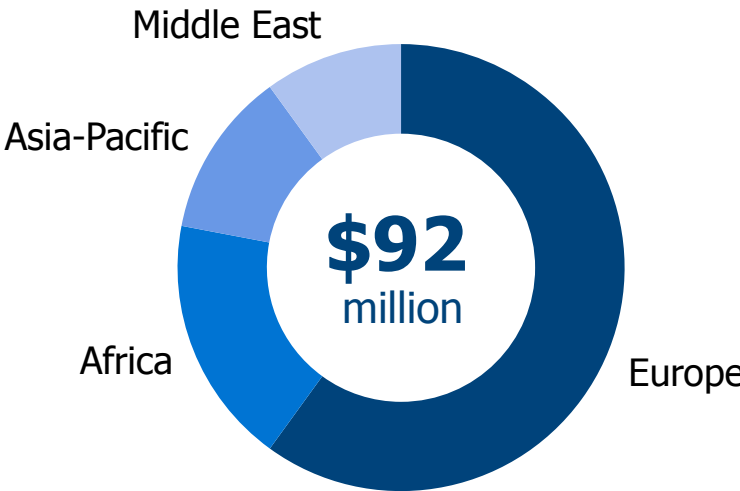


# Substantial and Diversified Licensee Revenue Stream

Locations in >180 Countries



Licensee Revenue<sup>(a)</sup>

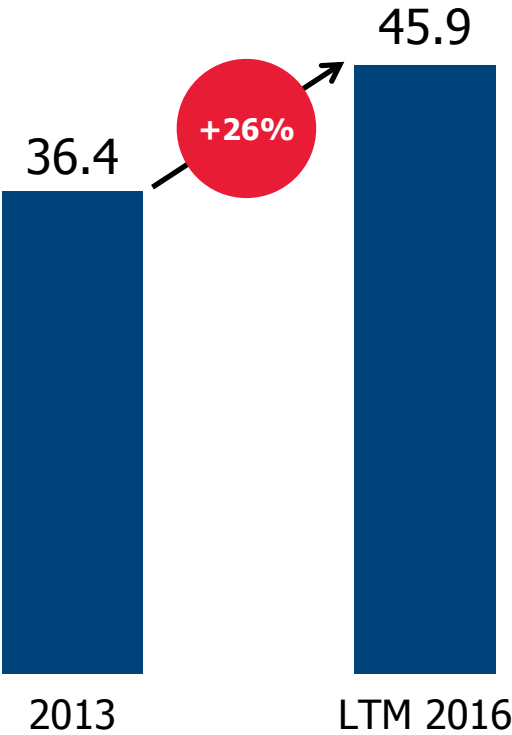


47 (a) Amount includes sublicensees within corporate countries but excludes Americas licensees and sublicensees

# Strong International Volume Growth

## International Rental Days

(in millions)



## Sources of Growth

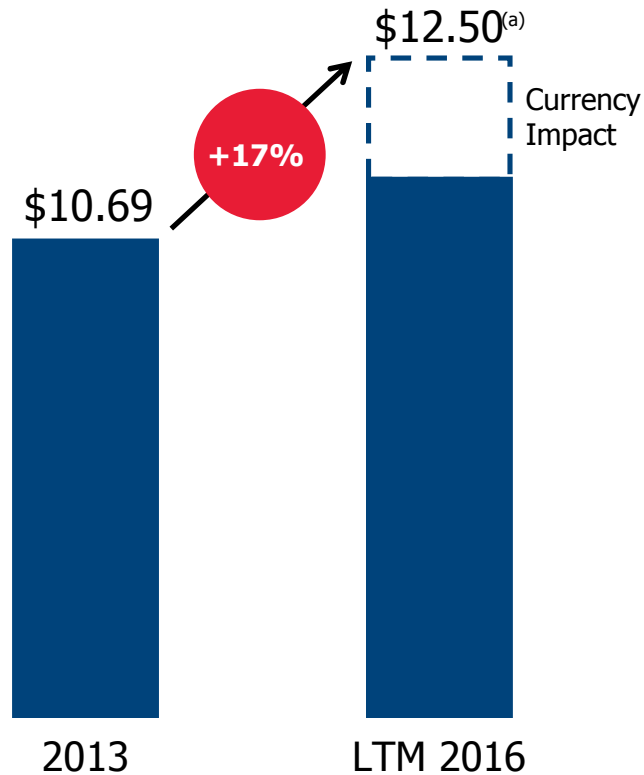
- ▶ Organic growth
  - Development of local markets
  - Growing our loyalty base
- ▶ Acquisitions
  - Scandinavia, Poland and Portugal licensees
  - Maggiore
- ▶ Expansion of Budget brand
  - EMEA Budget revenue increased more than 50% since 2013





# Revenue from Ancillaries has Grown Consistently

## Ancillary Revenue per Day

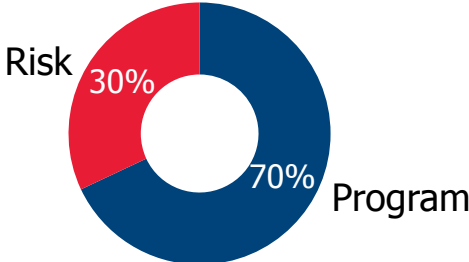


## Solid Growth Continues

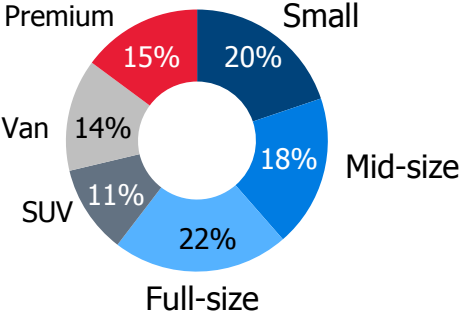
- ▶ Introduced new products and services
  - Wi-Fi
  - Travel Partner concierge service
  - Roadside assistance
- ▶ Improved training and sales culture
  - Trained over 5,000 operations managers and rental sales agents

# Fleet Costs have Declined Significantly

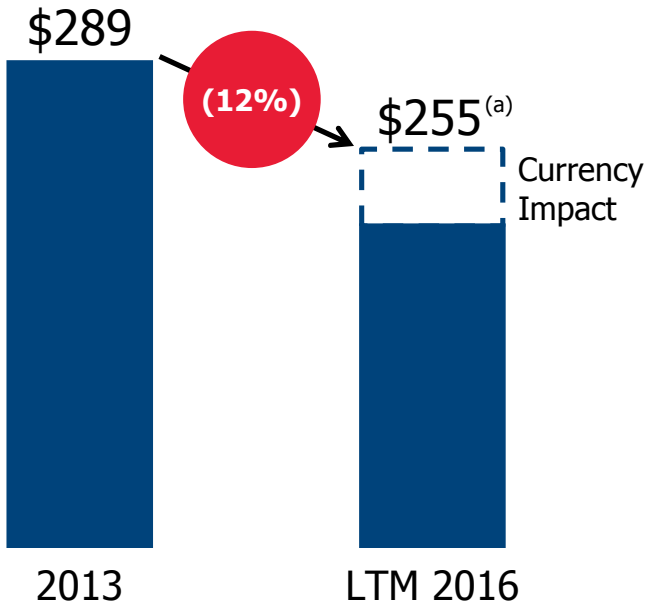
## Risk vs. Program



## Car Class



## Monthly Per-Unit Fleet Costs

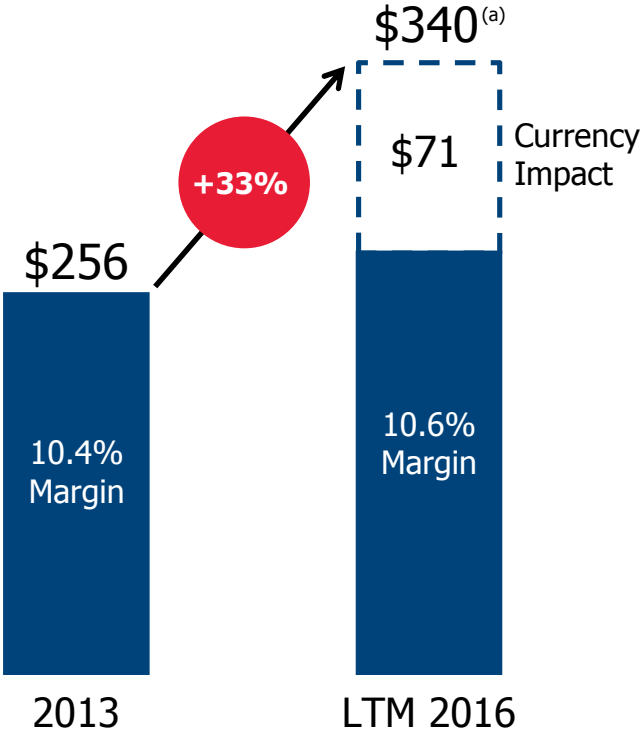


Fleet diversity mitigates risk

# Increased Profitability Despite Currency Headwinds

## Adjusted EBITDA

(\$ millions)



## Profitability Drivers

- ▶ Increased volumes
  - International volumes have increased over 25%
- ▶ Controlled fleet costs
  - Greater use of alternative disposition channels
- ▶ Internal efficiencies
  - Significant consolidation of back-office functions and expansion of shared service centers



# Agenda

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The International Business Today

Future International Opportunities

Global Revenue Growth



# Strong Execution Creates Opportunities

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Brand Expansion



Emerging Markets



Internal Efficiencies



**Growth Opportunities**

## Expansion of Existing Brands Remains an Opportunity

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- ▶ Redesigned and expanded loyalty program
- ▶ Budget brand has strong penetration in Pacific region but remains under-represented in Europe
- ▶ Opportunity for Apex expansion in Asia-Pacific region
- ▶ Maggiore and France Cars offer complementary revenue streams



# Significant Opportunity for Zipcar Expansion

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- ▶ Zipcar now available in six international markets
  - Future expansions planned across EMEA and Asia-Pacific
  - Licensee model
- ▶ New Zipcar product offerings will open access to more potential expansion
  - Pilot of driver offering with Uber Marketplace underway
- ▶ Growth in existing markets through continued evolution of member value proposition and product offering
- ▶ New markets selected with a focus on clear path to profitability



# New Routes to Participate in the Asia Mobility Market

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- ▶ Strategic partnership agreement signed with Didi Chuxing for outbound car rental
- ▶ Didi Chuxing is the world's largest ride-hailing service in China with ~300 million registered users
- ▶ Complements Avis Budget Group's domestic presence in the growing Chinese market and strategically important Asia-Pacific region
- ▶ We are uniquely positioned to deliver this based on the most developed network globally





# Emerging Markets Can Accelerate Growth

## China



- ▶ Expected to become the second largest outbound car rental market
- ▶ Joint venture offers domestic self-drive and chauffeur-drive
- ▶ Strategic alliance with Didi will complement existing outbound partnerships



## India



- ▶ Only global car rental company directly operating in India
- ▶ International inbound leverages global corporate relationships
- ▶ Opportunity to develop outbound market



Key Asia emerging markets generated more than \$160 million of revenue in 2015

# Continuous Drive for Efficiency and Standardization

## Internal Efficiencies

- ▶ Generating significant savings from Global Shared Service Centers in Budapest, Barcelona and Auckland



## Realizing Synergies

- ▶ Integration of tuck-in acquisitions (Maggiore, Scandinavia and Poland) is on track and nearing completion



## Developing Technology

- ▶ Digitalization of rental experience through Pronto and Maintenance and Damage Management System



# Innovation and Digitalization of the Rental Experience

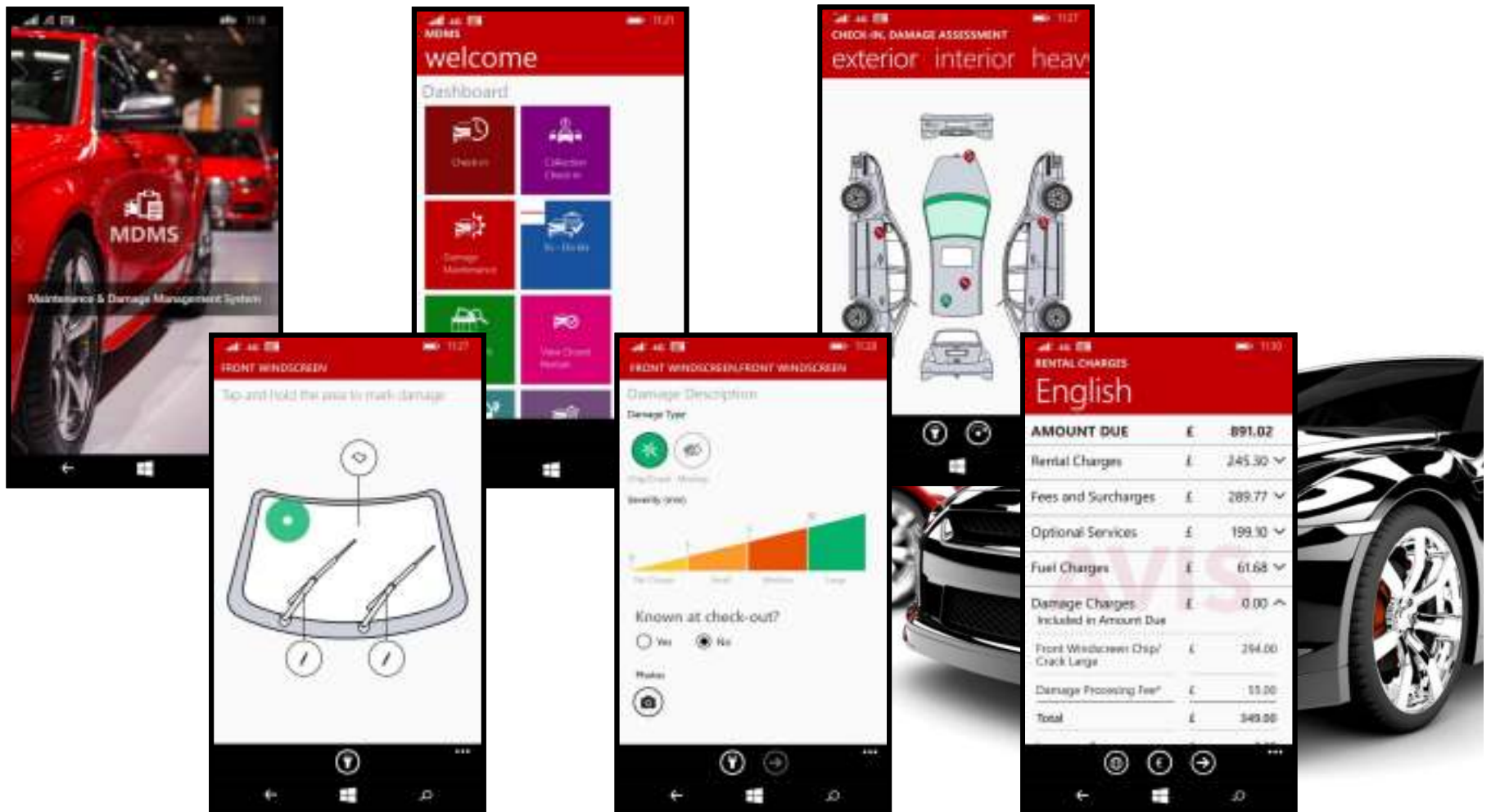
- ▶ Launched industry-first maintenance and damage mobile app
- ▶ Delivers complete transparency of maintenance and repair processes
  - Eliminate paperwork
  - Reduce out-of-service time
  - Optimize supply chain
- ▶ Designed to integrate with connected car functionality



Damage process transparency leads to lower operating costs

## INTERNAL EFFICIENCIES

# Leveraging Technology to Drive Efficiencies



# Agenda

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The International Business Today

Future International Opportunities

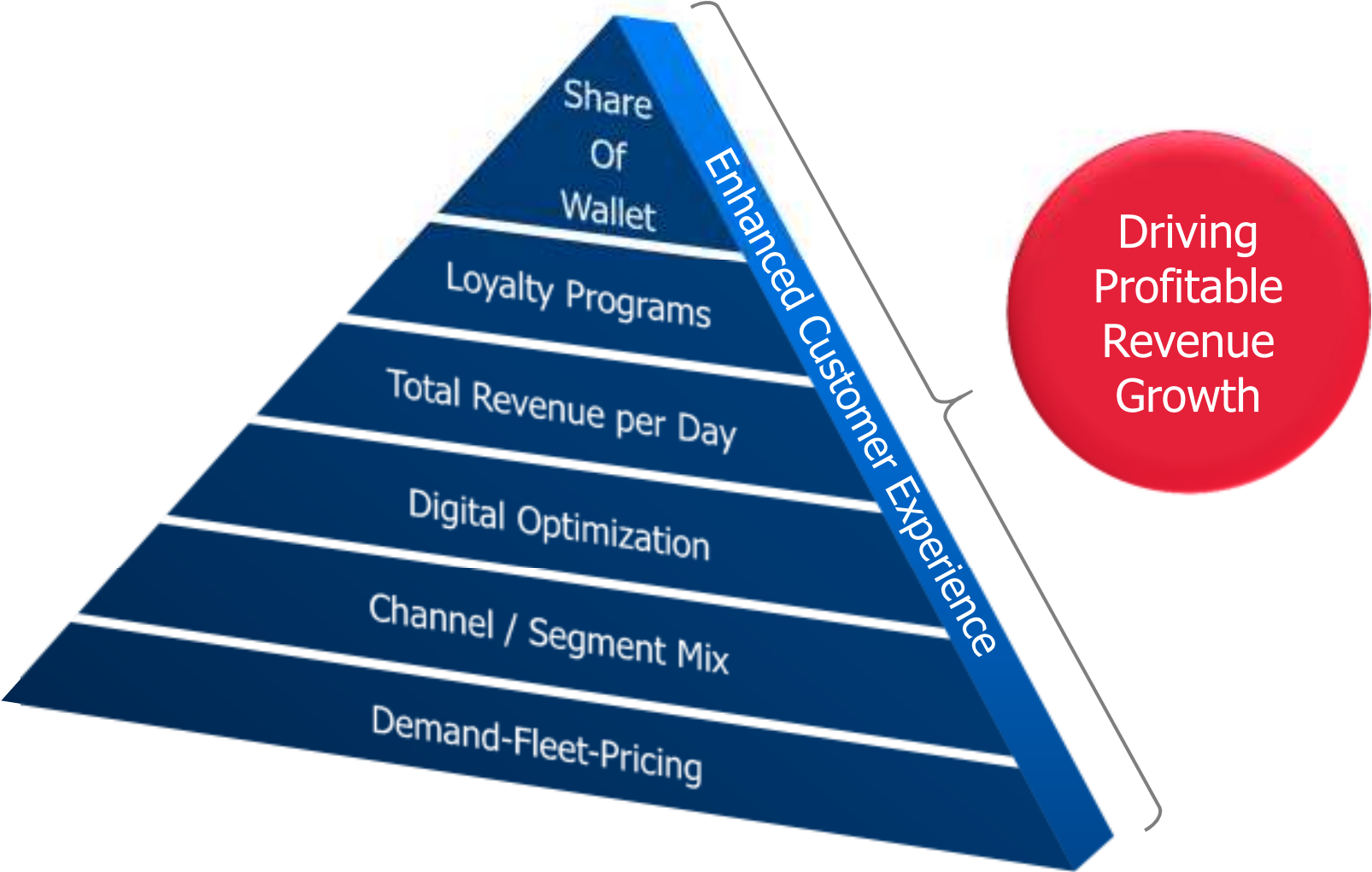
Global Revenue Growth



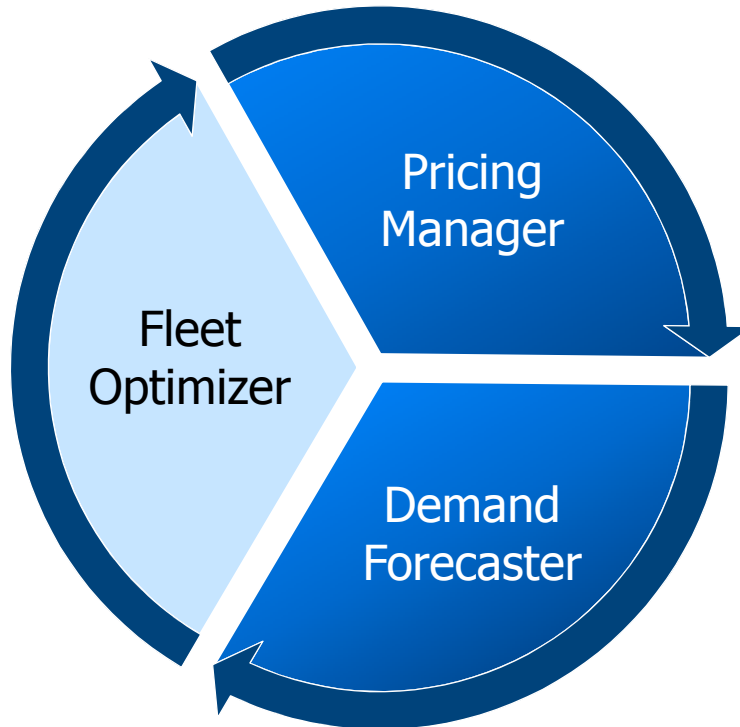
# An Evolved Strategy for an Evolving Landscape



# Several Areas of Focus to Increase Revenue and Margins



# Global Expansion of our Demand-Fleet-Pricing System



- ✓ Consistent, replicable strategy decisions
- ✓ Focus on pricing strategy
- ✓ Longer demand visibility
- ✓ Science-based pricing decisions
- ✓ Faster speed-to-market
- ✓ Better alignment of supply to demand

Next generation data-driven decision making maximizes overall profitability



# Focus on Higher-Profit Channels and Segments



- ▶ Dedicated revenue optimization team focused on highest margin opportunities
  - Upgraded analytics for measuring peak period performance
- ▶ International inbound
- ▶ Commercial vehicles
  - Under-penetrated in EMEA, recent acquisitions transform our scale
- ▶ Small and mid-market business
- ▶ Distribution channels
- ▶ Increased direct bookings
  - Less reliance on high-cost intermediaries



# Digital Optimization Drives Higher Conversion Rates



## Digital Capabilities

- ▶ We have invested significantly in our digital capability
  - Re-platformed UK and US websites >70 basis point increase in conversions
  - U.S. Avis mobile site pre-pay exceeding expectations



## Customer Experience

- ▶ Focus on developing a consistent customer experience globally
  - Global multi-lingual experience localized to optimize customer journey
  - Co-development and integration with partners to deliver digital ROI
- ▶ Personalizing customers mobility experience



# Driving Higher Total Revenue per Day



## Sources of Growth

### Driving Higher Pricing

- ▶ Inelastic customer demand
- ▶ Brand differentiation is key

### Increase Ancillary Revenue Portfolio

- ▶ Variable insurance pricing
- ▶ Bundling
- ▶ Driving higher take rates

### Strategic Partnerships

- ▶ Continued strategic partnership development



# Putting the Customer First Drives Higher Share of Wallet



## Net Promoter Scores

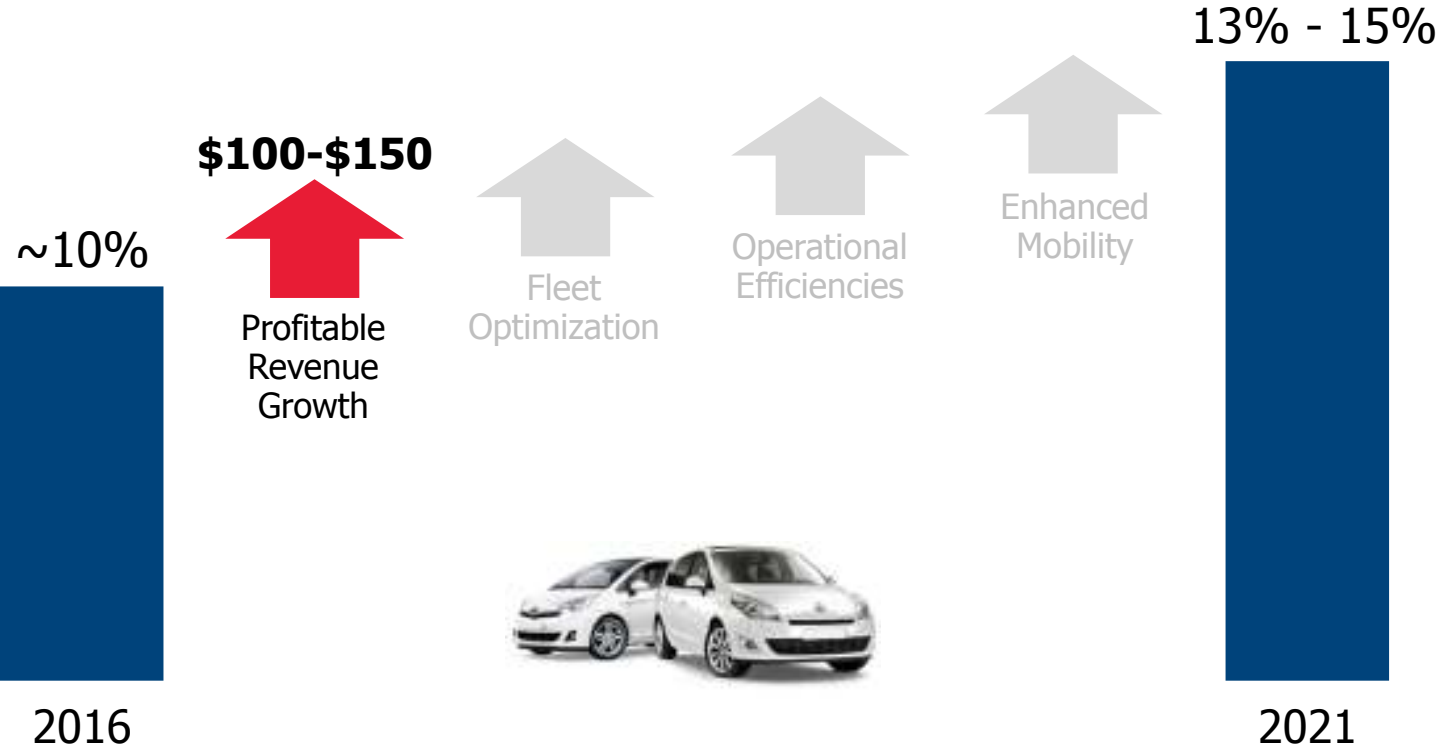


## Putting the Customer First

- ▶ Utilizing technology to redefine the rental experience
  - Avis Now
  - E-Signature
  - Tablets to reduce wait times
- ▶ Investing in our people
  - Customer-led training, communication and recognition programs
- ▶ Solving customer pain points
  - Major focus on vehicle return process
  - Expanded Travel Partner service to provide 24/7 help and advice

# Significant Opportunity for Margin Improvement

(\$ millions)



Profitable revenue growth will contribute approximately a point of margin improvement

# International – A Powerful Growth Driver

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- ▶ Proven track record of driving transformational change
- ▶ Global revenue growth provides significant opportunity for margin improvement
- ▶ Driving international growth through brand expansion, enhanced mobility and growing emerging markets





Joe Ferraro

President, Americas

**avis** budget group

# Agenda

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The Americas Business Today

Optimizing Fleet Costs

Driving Operational Efficiencies





# A Leader in the Americas Vehicle Services Industry

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**6,700**  
Americas  
Locations

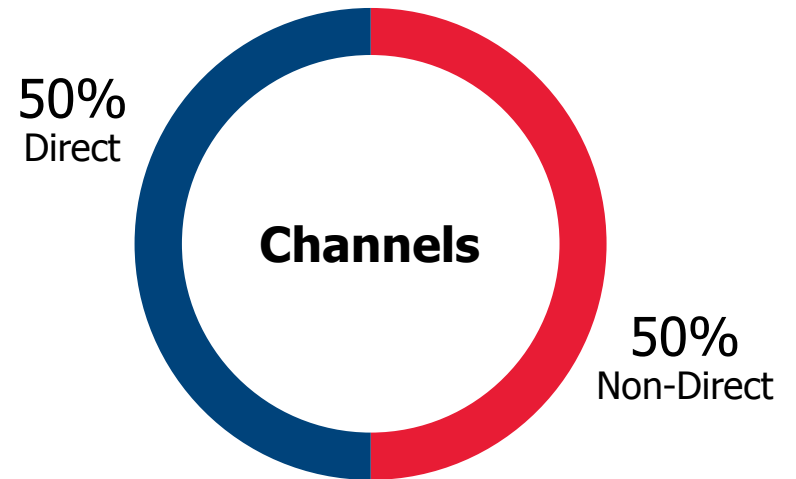
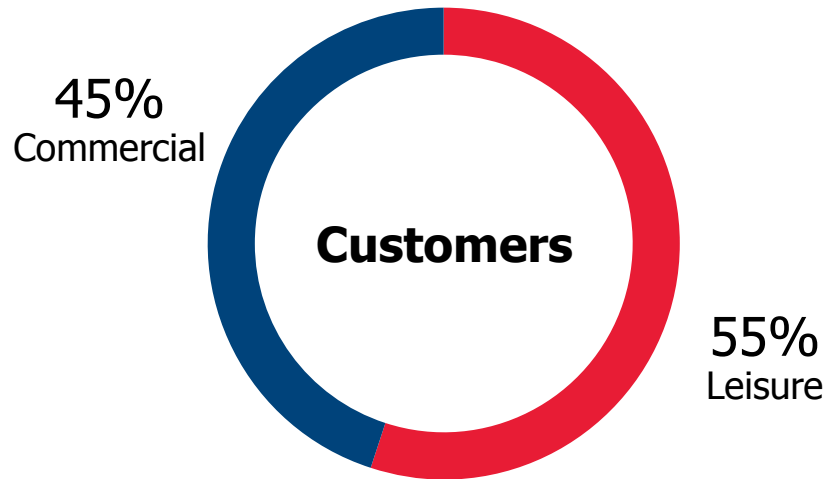
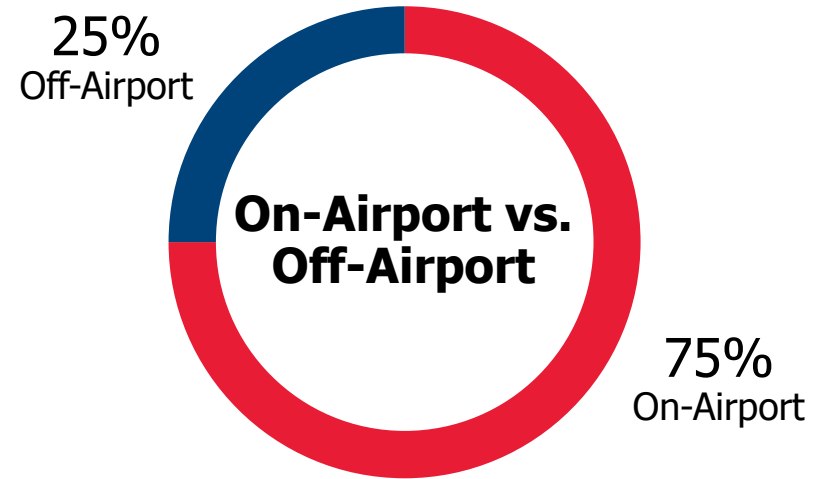
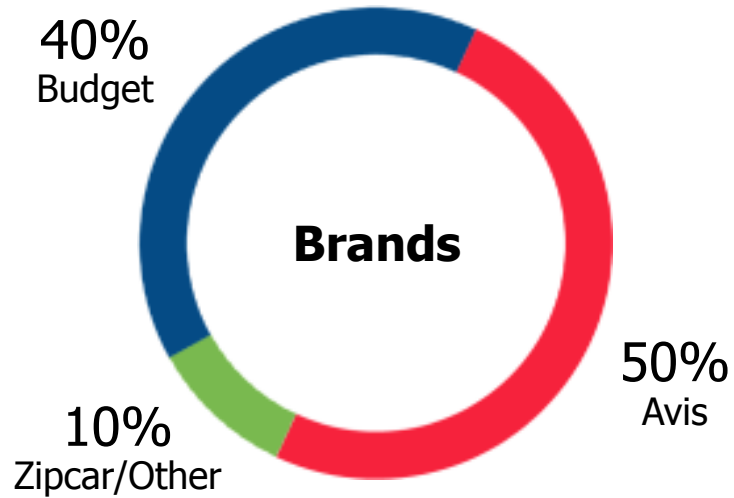
**385,000**  
Vehicles

**24**  
**million**  
Transactions

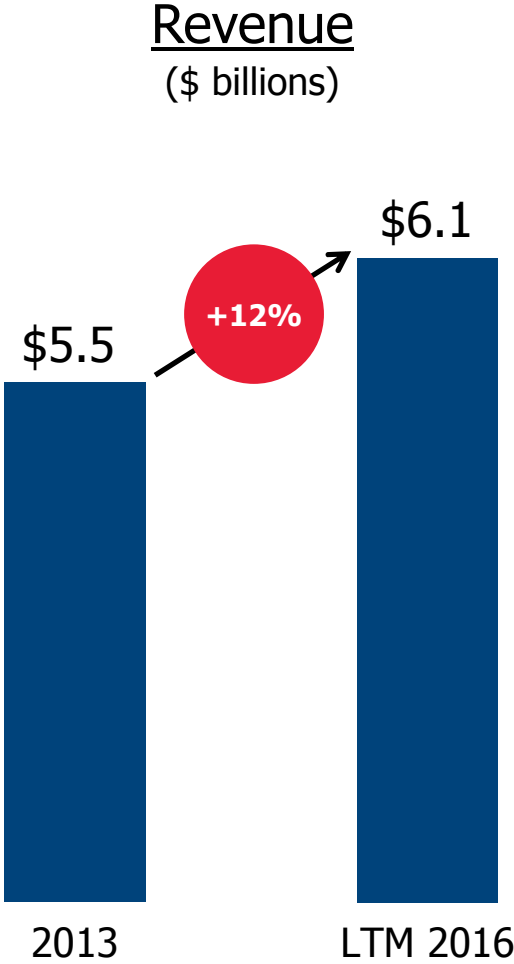
**101**  
**million**  
Rental Days

**\$6.1 billion**  
Annual Revenue

# Diversified Revenue Sources



# Steady Revenue Growth



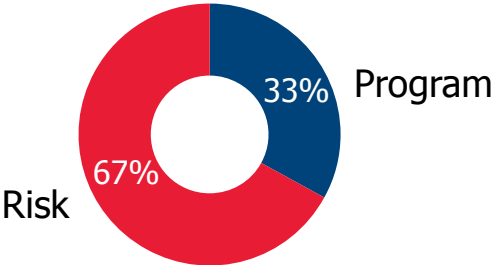
## Growth Drivers

- ▶ Increased volumes
  - 7% organic growth
- ▶ Increased ancillary revenue
  - Greater training of sales staff
  - Expanded product portfolio
- ▶ Acquisitions
  - Payless
  - Budget Southern California

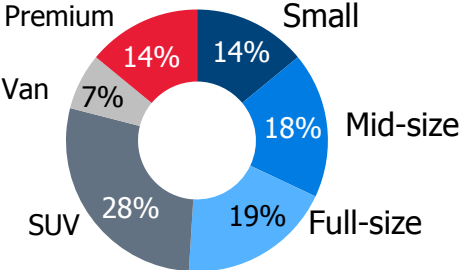


# Fleet Costs have Remained Manageable

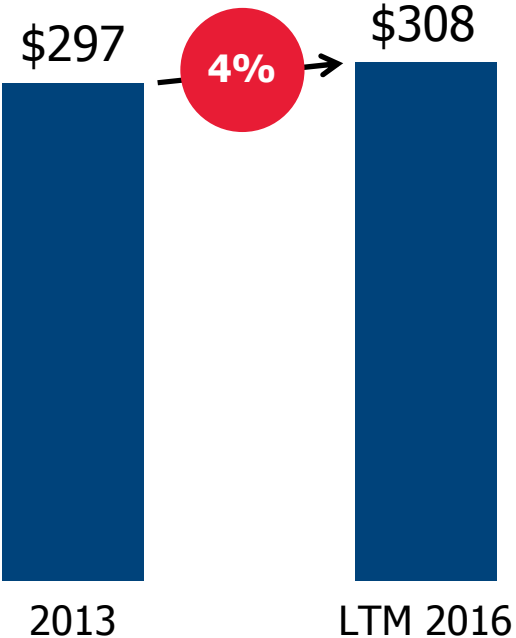
Risk vs. Program



Car Class<sup>(a)</sup>



Monthly Per-Unit Fleet Costs

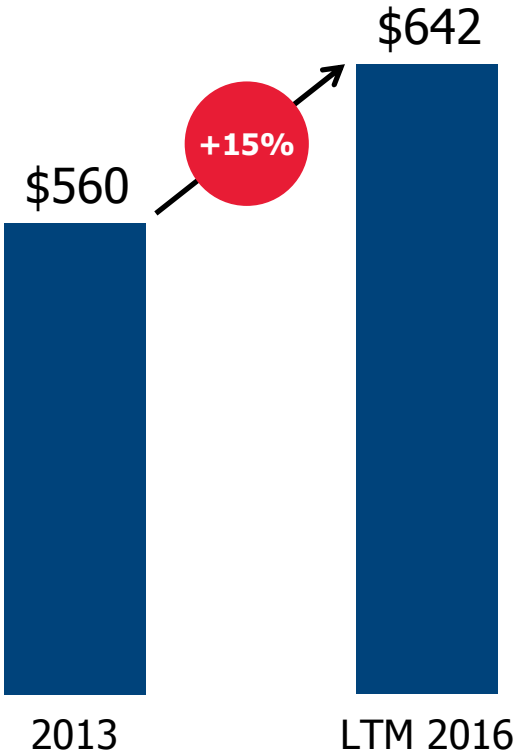


Our high-margin specialty and premium fleet has grown more than 15% since 2013<sup>(a)</sup>

# Operational Efficiencies have Increased Profitability

## Adjusted EBITDA

(\$ millions)



## Profitability Drivers

- ▶ Increased revenue
  - Americas volumes have grown significantly
- ▶ Controlled fleet costs
  - Greater use of alternative disposition channels
  - Increased utilization 60 bps
- ▶ Internal efficiencies
  - Began manpower planning and shuttling initiatives

# Agenda

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The Americas Business Today

Optimizing Fleet Costs

Driving Operational Efficiencies



# An Evolved Strategy for an Evolving Landscape

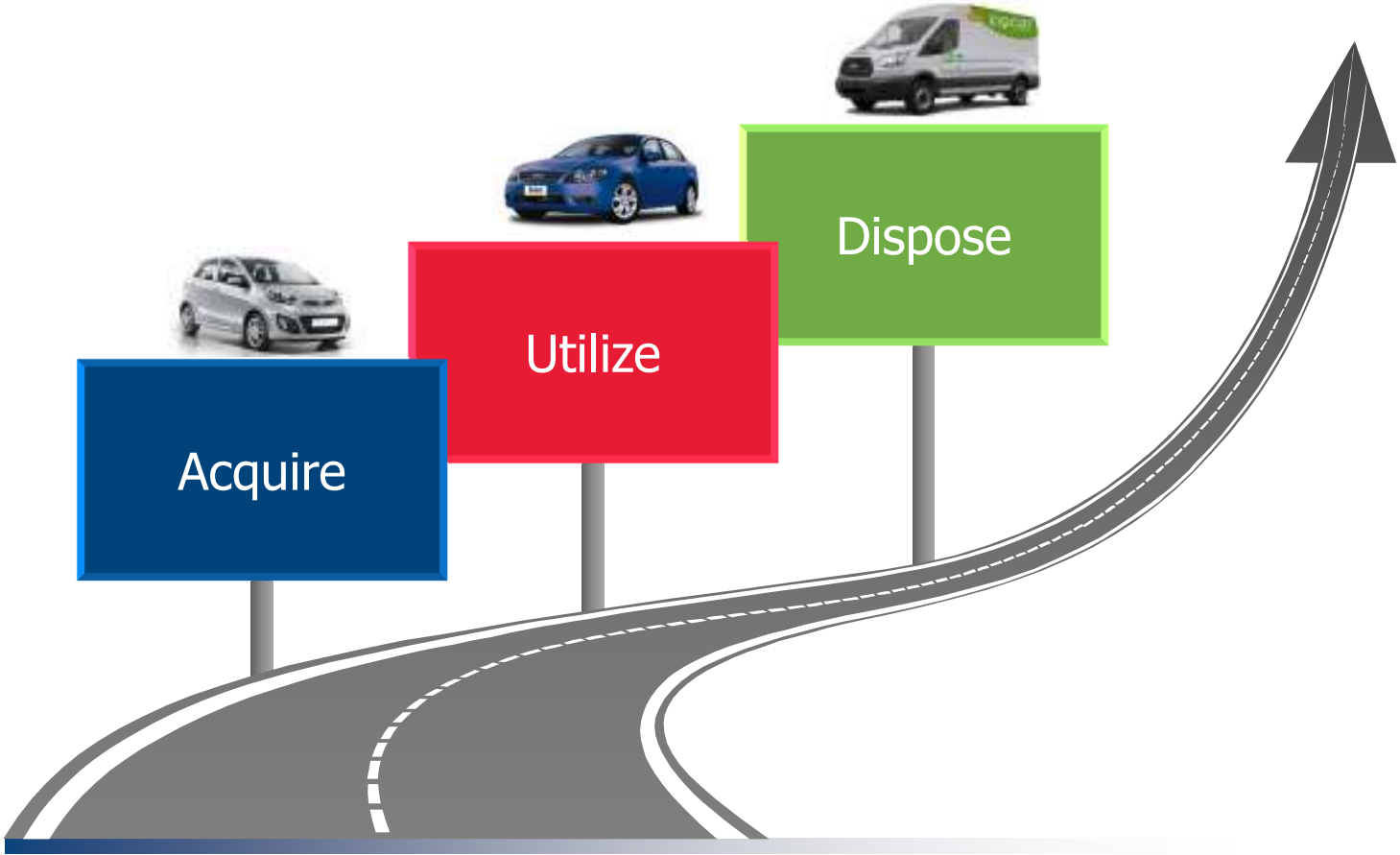


# Optimizing Fleet Costs Will Drive Higher Margins



**avis budget group**

Optimize Fleet Costs



**avis budget group**



# Applying Sophisticated Decision Analysis to Fleet Acquisition

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- ▶ Balance risk and program mix
- ▶ Optimize make, model and delivery-date decisions
- ▶ Buy vehicles with optimal trim levels that yield higher residual values
- ▶ Modeling expected lifecycle costs into acquisition decisions
  - Maintenance and damage costs vary among different makes and models
    - Tires
    - Parts
    - Warranty recovery
    - Body parts
    - Labor costs
    - Salvage costs

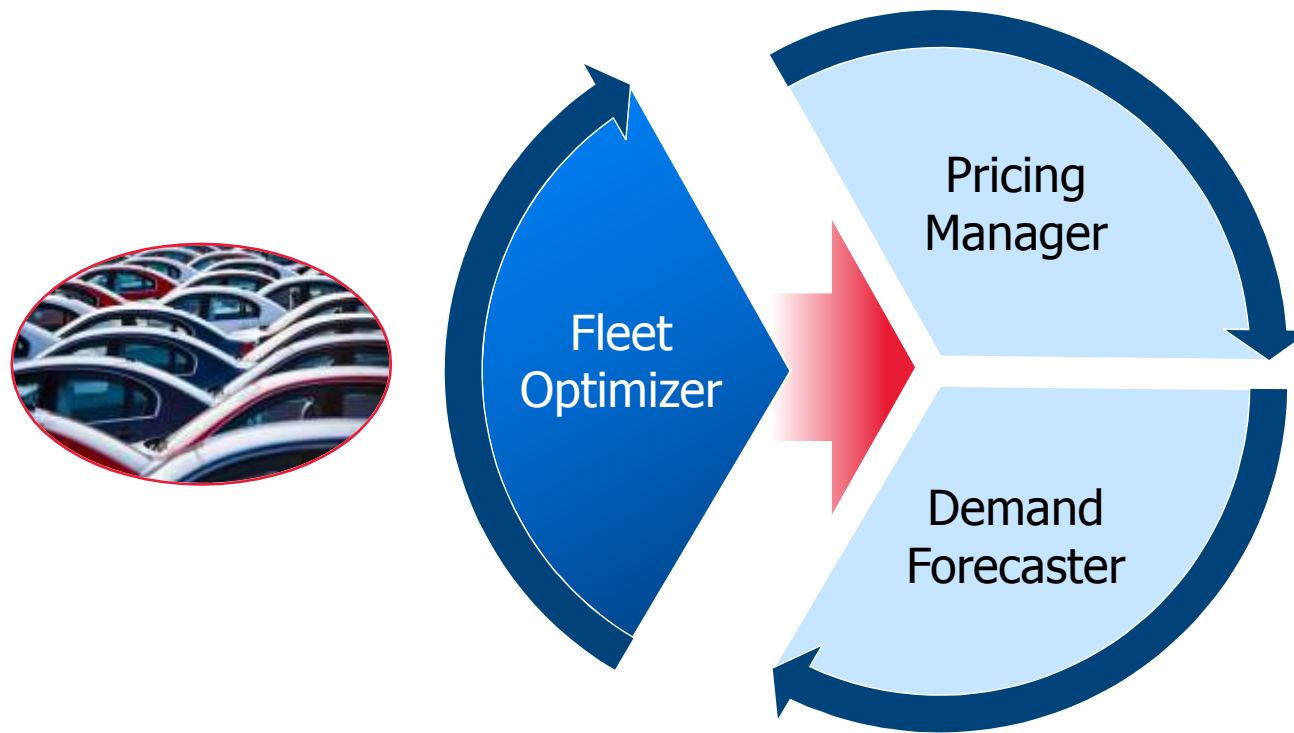


UTILIZE

# Demand-Fleet-Pricing Will Drive Utilization Benefits



## Demand-Fleet-Pricing Yield-Management System



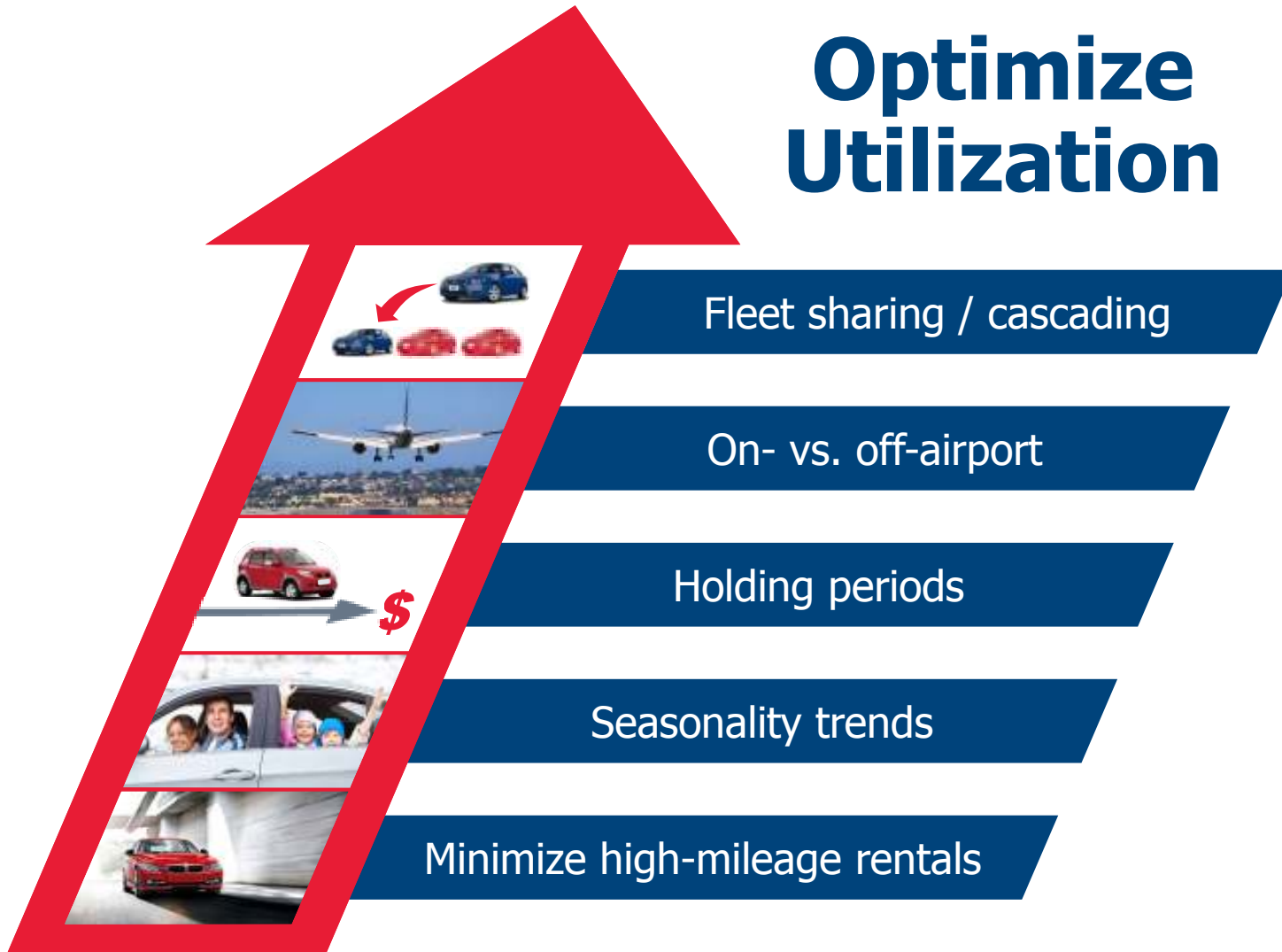
Expect to introduce the fleet optimizer into the Demand-Fleet-Pricing System next year

UTILIZE

# Leverage Technology to Optimize Utilization



## Optimize Utilization



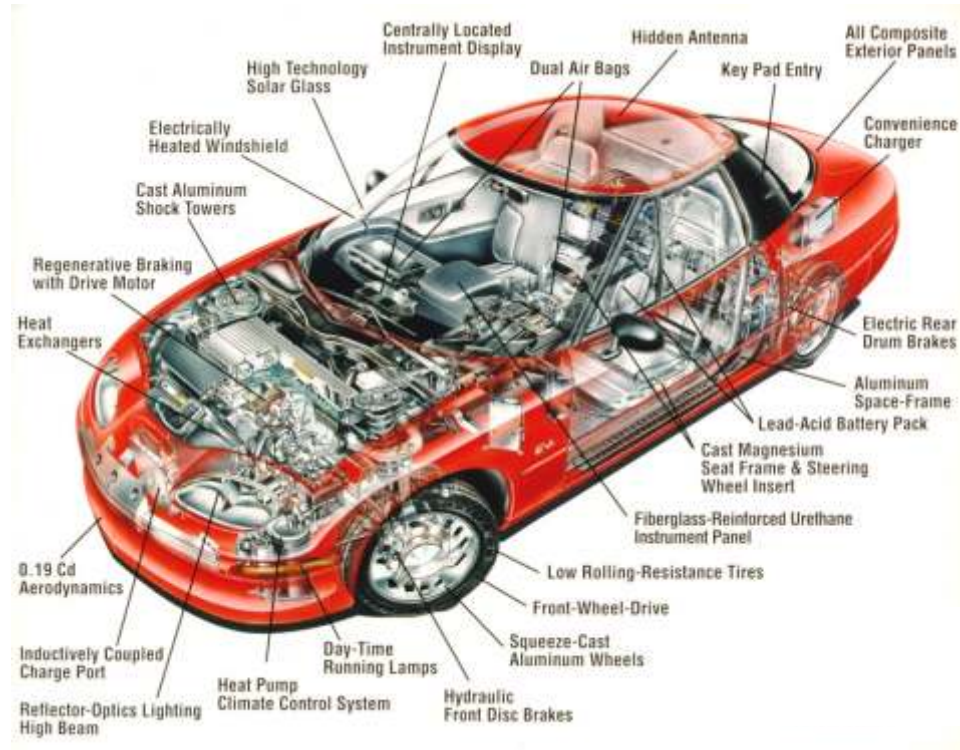
UTILIZE

# Expertise in Vehicle Life Cycle Management



## Vehicle Life Cycle

- ✓ Purchase vehicle
- ✓ Registration
- ✓ Inspection
- ✓ Delivery
- ✓ Utilize
- ✓ Cleaning
- ✓ Maintenance
- ✓ Repairs
- ✓ Prepare for sale
- ✓ Dispose



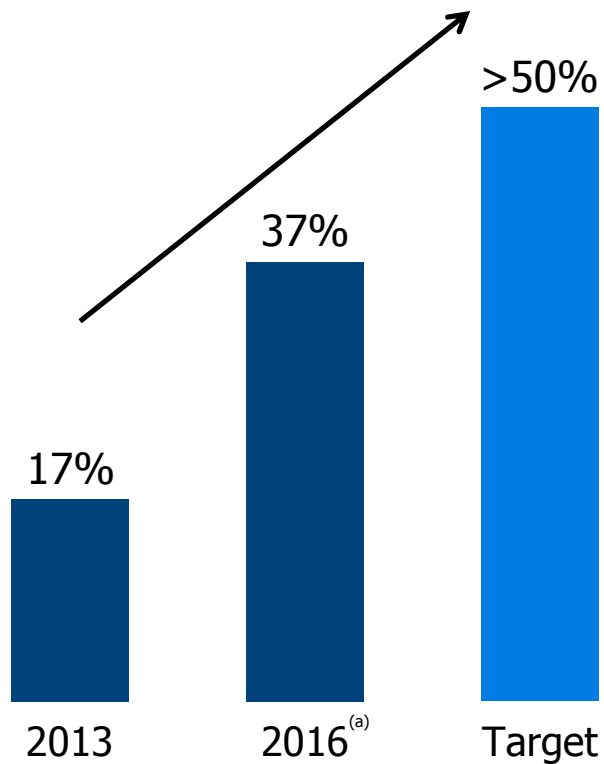
Maintenance and damages are the second-largest fleet related expense

# Expanding Use of Alternative Disposition Channels



## Alternative Disposition Channels

(% of risk vehicle sales)



## Opportunities

- ▶ Grow direct-to-consumer sales
  - Opened first retail lot in Florida
  - Expand Ultimate Test Drive
- ▶ Continue to expand direct-to-dealer network

### **Alternative Channel Benefits**

Internet Sales	\$250
Direct-to-Dealer	\$400
Direct-to-Retail	\$1,000+



# Agenda

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The Americas Business Today

Optimizing Fleet Costs

Driving Operational Efficiencies



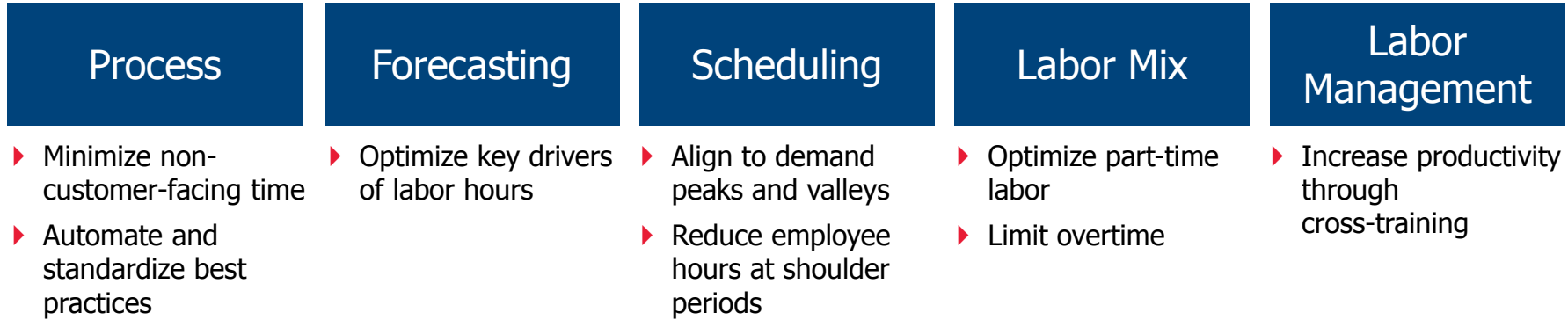
# Driving Operational Efficiencies to Spur Margin Growth



Driving Operational Efficiencies



# Utilize Technology to Reduce Manpower Costs

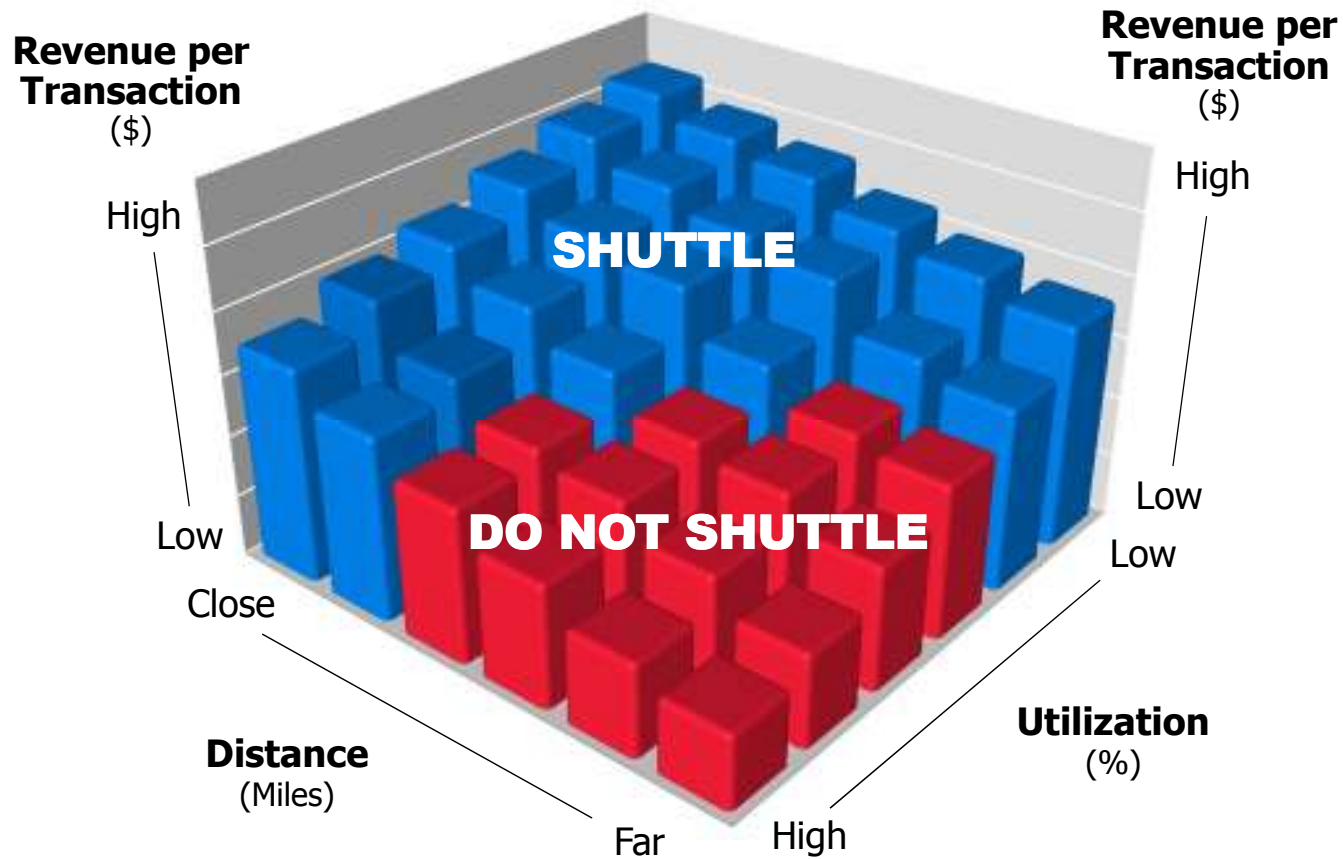


## Manpower Optimization

The objective is to incorporate technology to further optimize and automate the matching of staffing levels to our demand



# Utilize Rule-Based Shuttling Decision Matrix to Maximize Revenue per Transaction

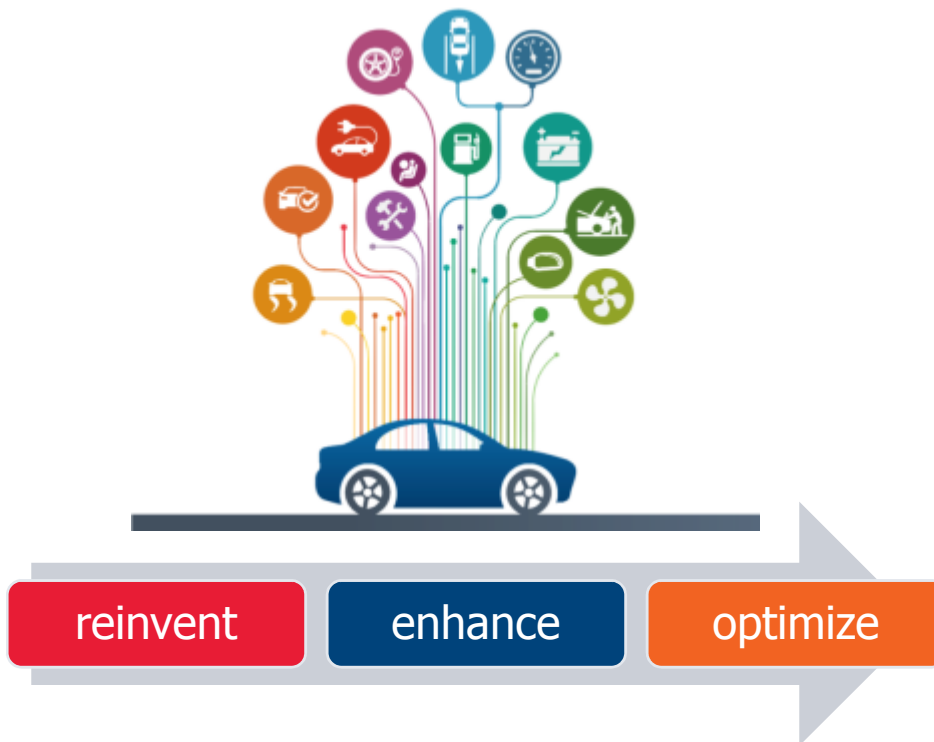


Utilize technology to optimize fleet movement decisions

# Utilize Connected Car Technology to Maximize Asset Efficiency



Leverage connected car technology and organizational experience to...



...our global end-to-end rental process

### Benefits Include

**Near term**

- ▶ Supply chain process
- ▶ Improve asset controls
- ▶ Vehicle recovery process

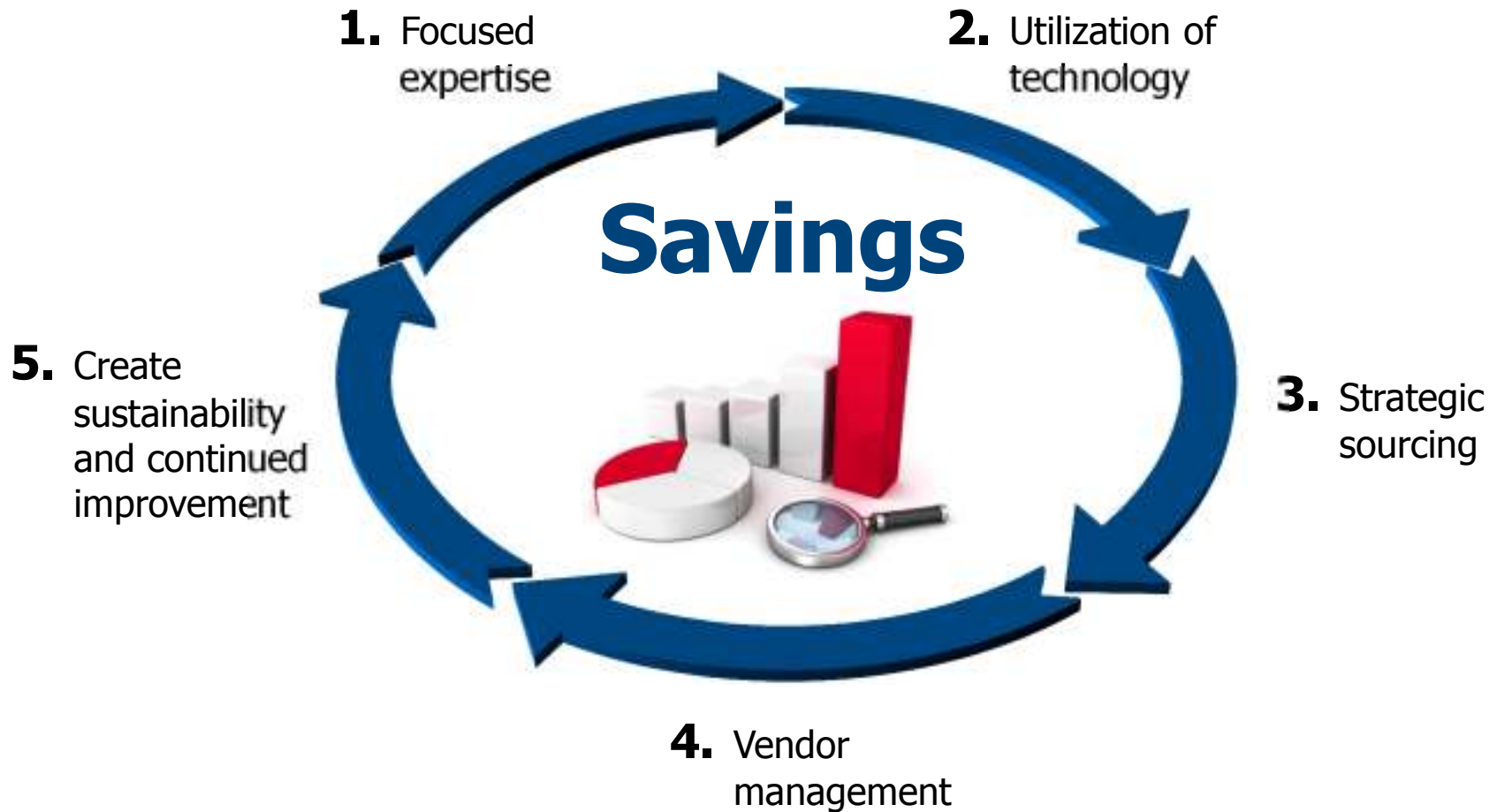
**Long term**

- ▶ Service automation
- ▶ Improved predictive analytics
- ▶ Optimized employee efficiency, planning and productivity

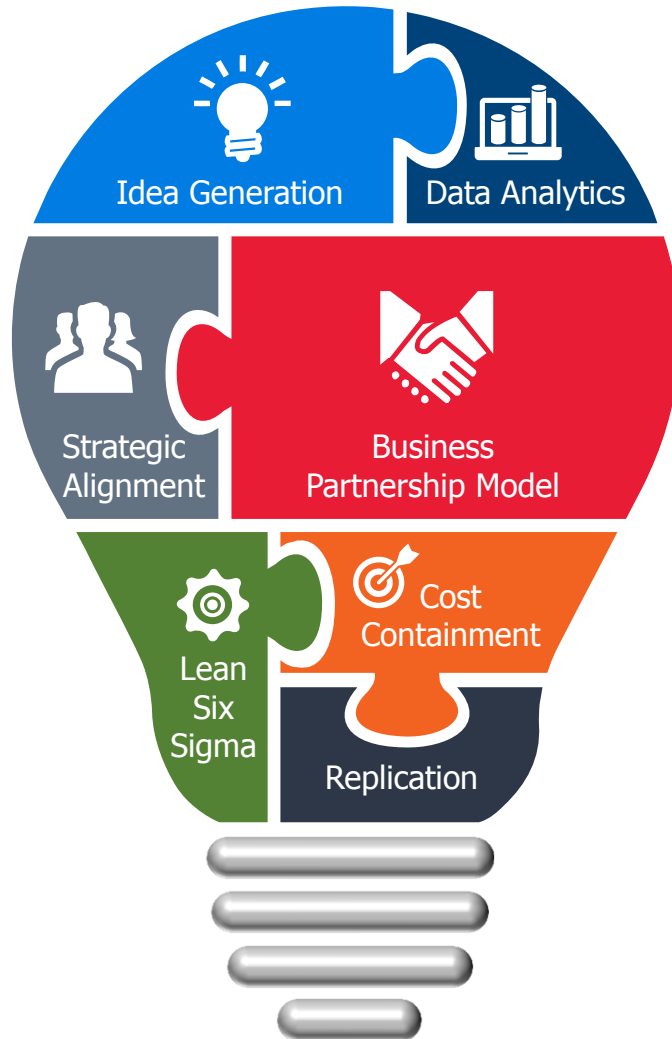
# Substantial Opportunity to Leverage Global Scale to Drive Savings



# Optimize Procurement Process to Realize Savings



# Performance Excellence Underpins and Enhances Operational Efficiencies

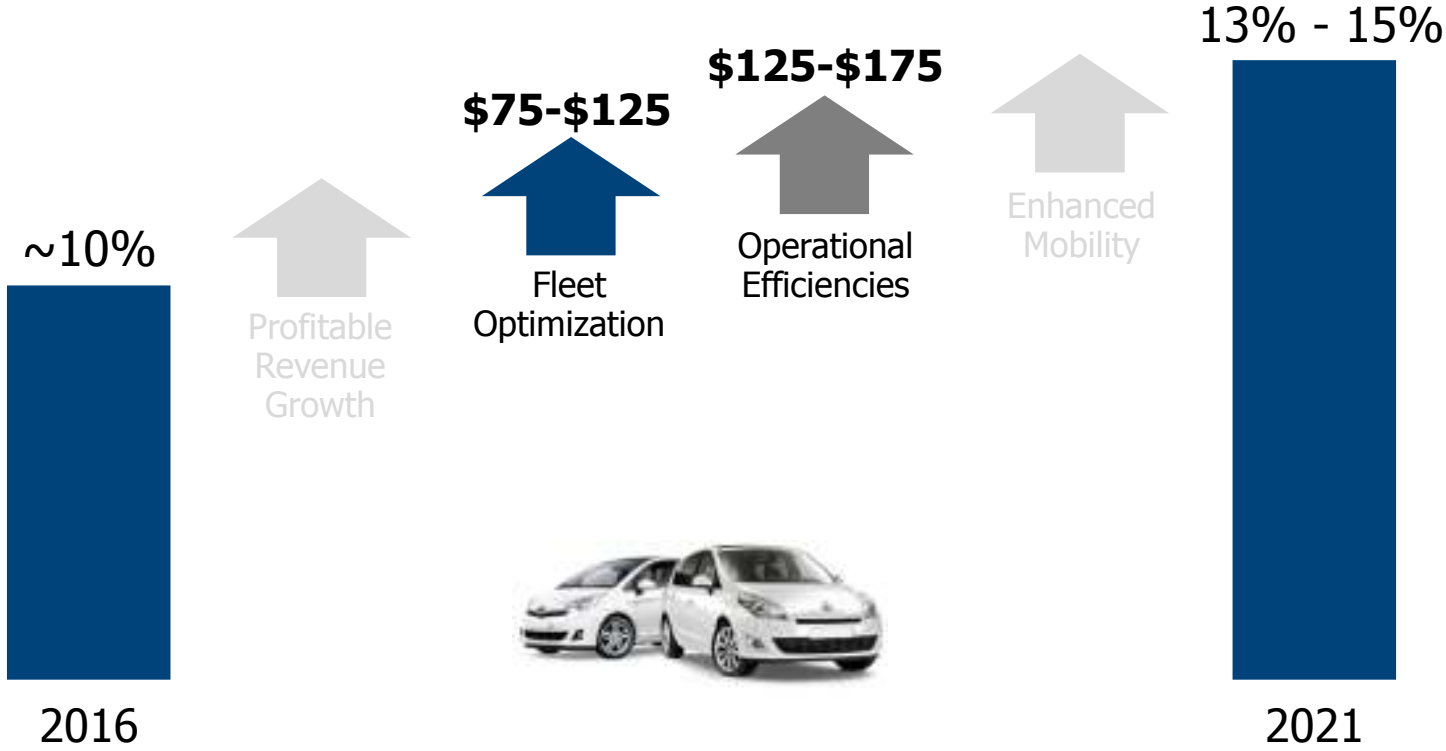


## Keys to Success

- ▶ Strong business partnership
  - Works closely with in-house business leaders
- ▶ Data analytics
  - Lean Six Sigma Black Belts executing high-value process improvements
- ▶ Flexible resource
  - Multi-skilled, highly trained leaders deployed to all initiatives globally

# Significant Opportunity for Margin Growth

(\$ millions)



Improved fleet and operational efficiencies will contribute significantly to margin improvement

KEY TAKEAWAYS

# Laser-Focused on Reducing Costs and Driving Margin Improvement

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- ▶ Industry leader in the car rental and car sharing markets
- ▶ Fleet optimization provides significant margin opportunity
- ▶ Operational efficiencies will drive significant cost savings
- ▶ Enablers to execution are innovation, technology and people





David Wyshner

President and Chief Financial Officer

**avis** budget group



# Agenda

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The Business Today

Free Cash Flow and Balance Sheet

Margin Growth Opportunity

Going Forward



# A Global Leader in the Vehicle Services Industry

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**11,000**  
Locations  
Worldwide

**560,000**  
Vehicles

**33**  
**million**  
Transactions

**147**  
**million**  
Rental Days

**\$8.7 billion**  
Annual Revenue

# Attractive Financial Model Drives Powerful Cash Flow

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**1.** Diversified revenue sources

**2.** Highly variable cost structure

**\$2 billion**  
free cash flow over the last four years

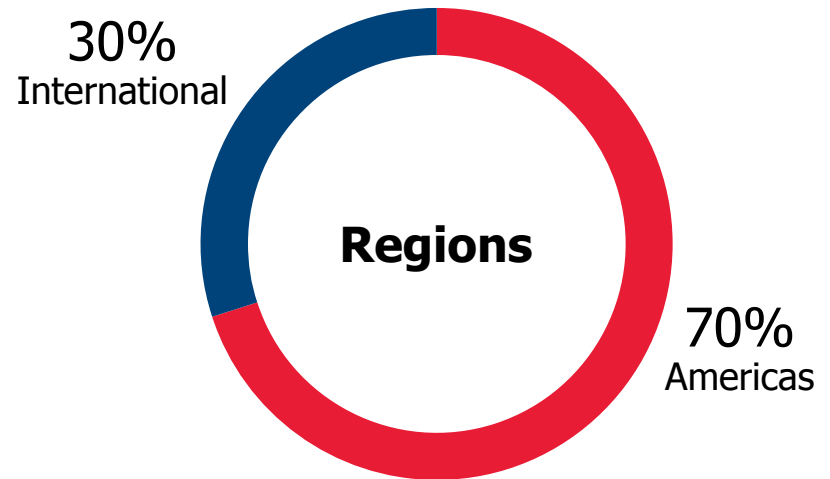
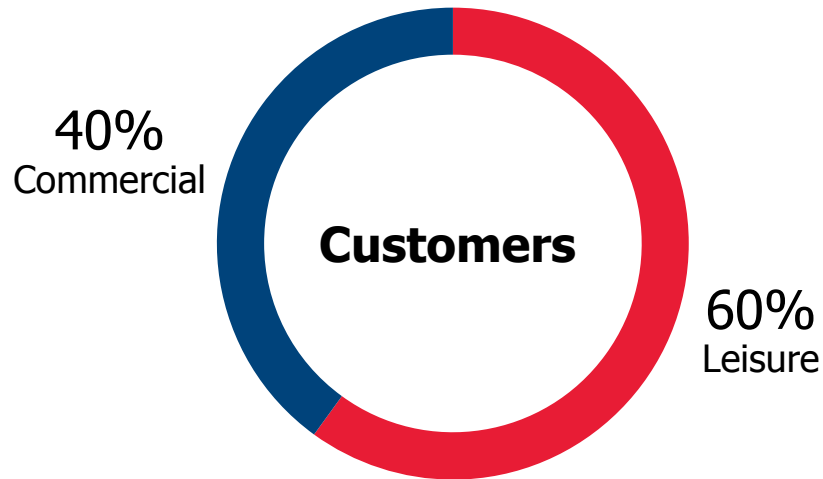
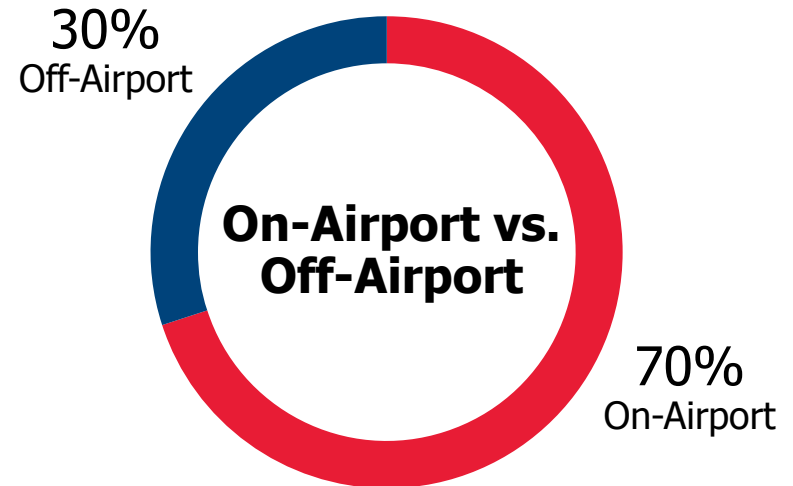
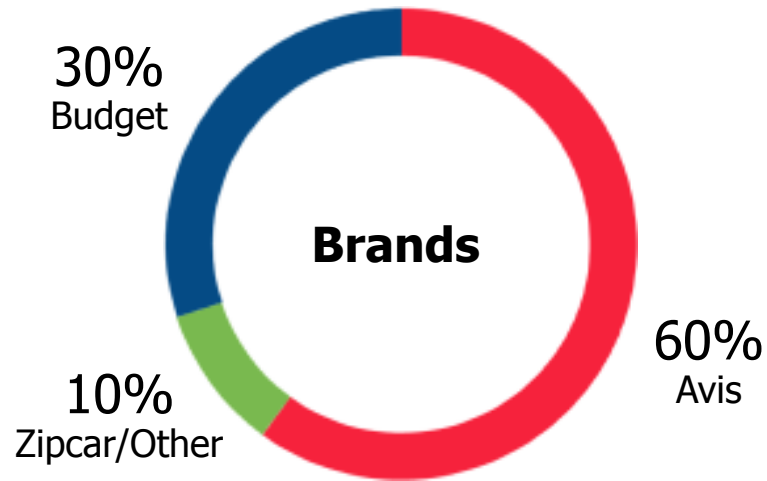
**3.** Focused on margin expansion

**5.** Investing for growth and profitability

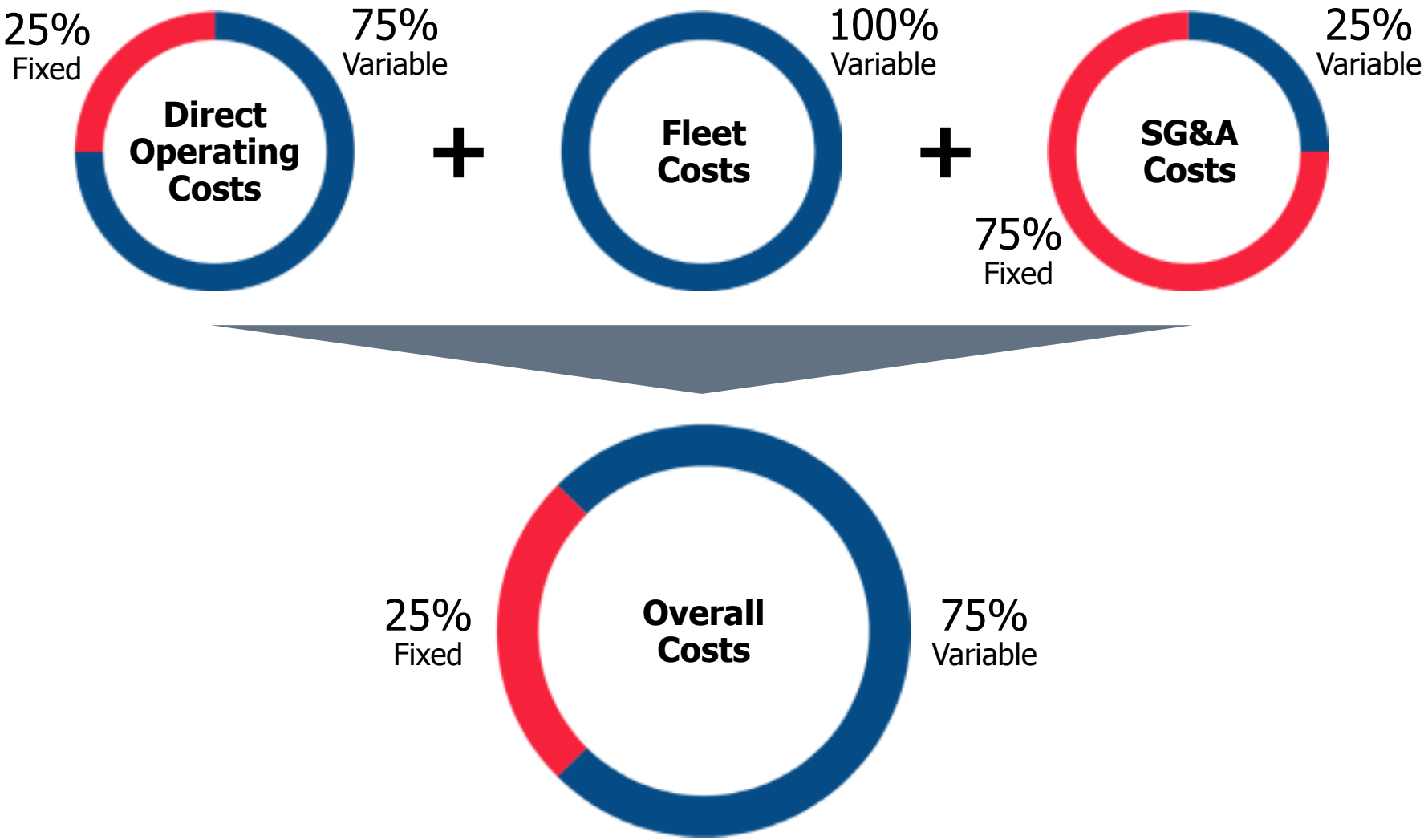
**4.** Delivering powerful free cash flow



# 1. Diversified Revenue Sources



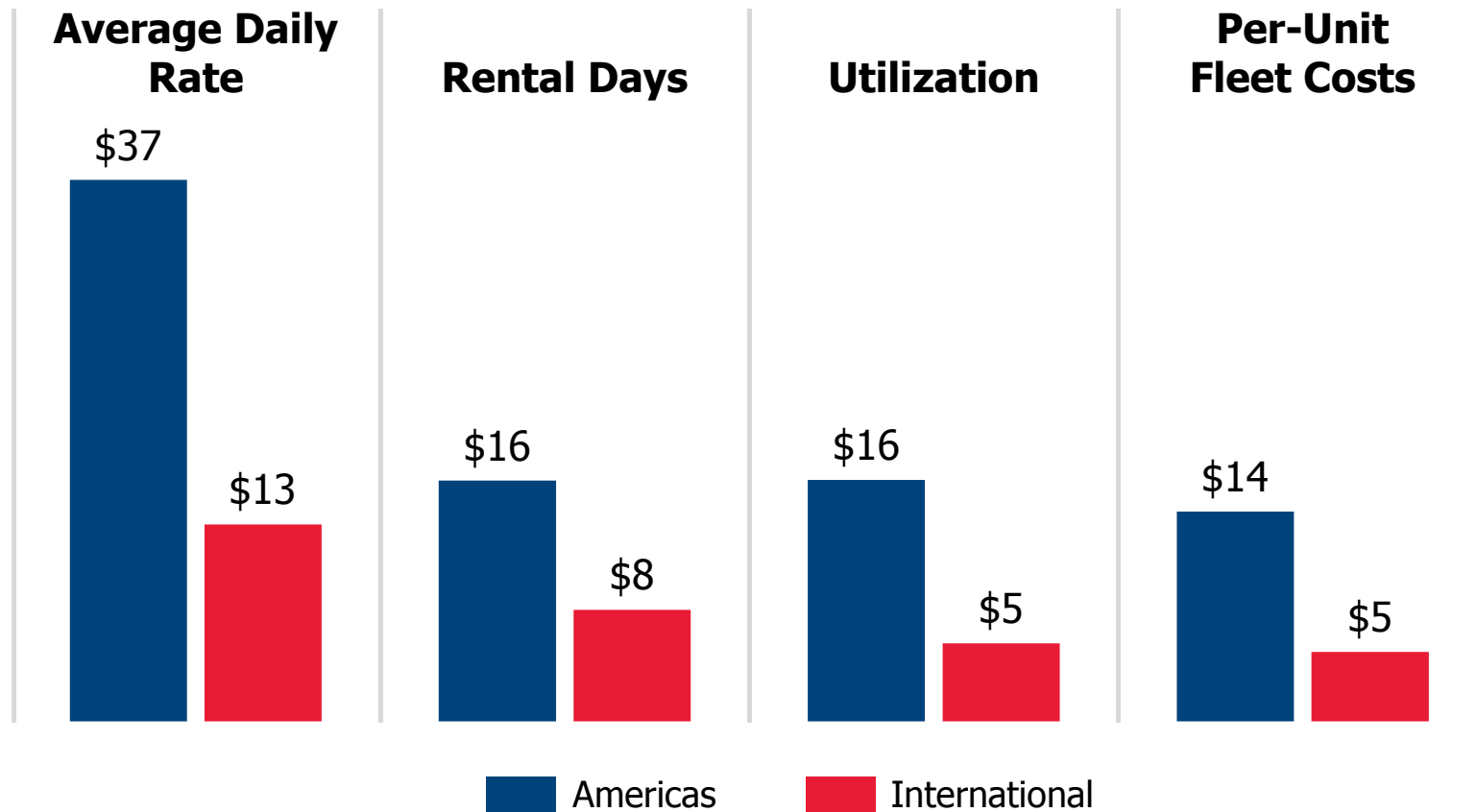
# 2. Highly Variable Cost Structure...



# ... Where Core Drivers have Significant Effects on Results

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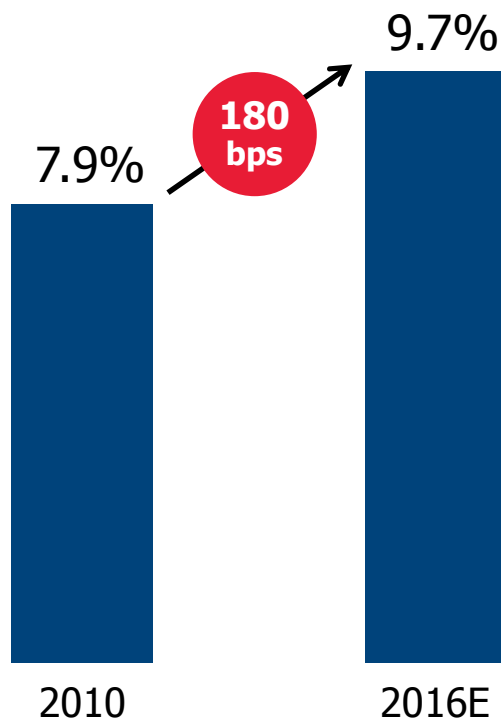
Adjusted EBITDA Impact of a 1% Change in Driver  
(\$ millions)



### 3. Focused on Margin Expansion

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#### Adjusted EBITDA Margin

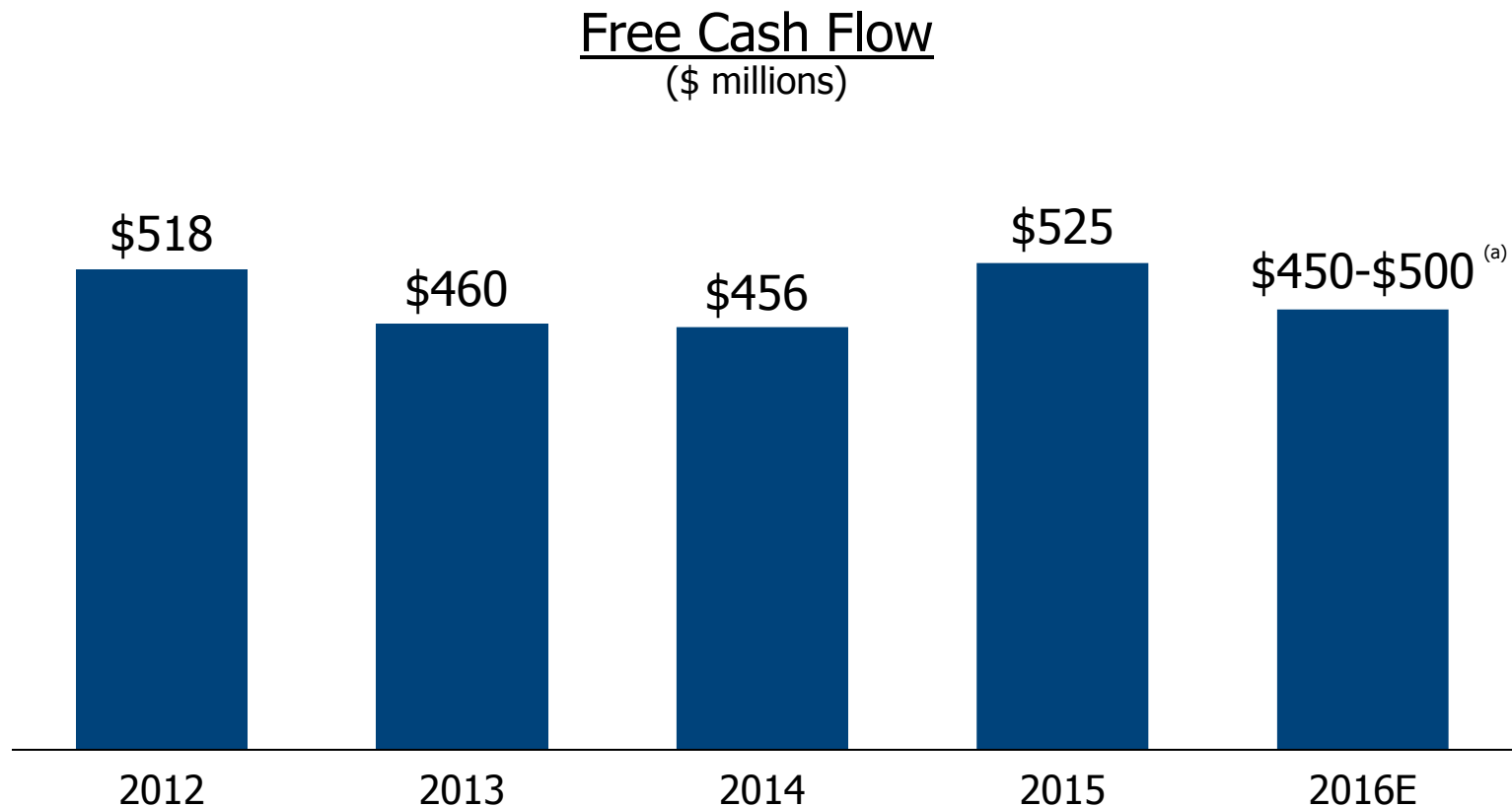


#### Key Drivers of Recent Margin Improvement

- ▶ Revenue initiatives
  - Car-class mix
  - Ancillary revenues
- ▶ Fleet optimization
  - Timing of purchases and sales
  - Alternative disposition channels
- ▶ Internal efficiencies
  - Performance excellence
  - Transformation 2015

## 4. Delivering Powerful Free Cash Flow

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Cash flow has been stable and recurring

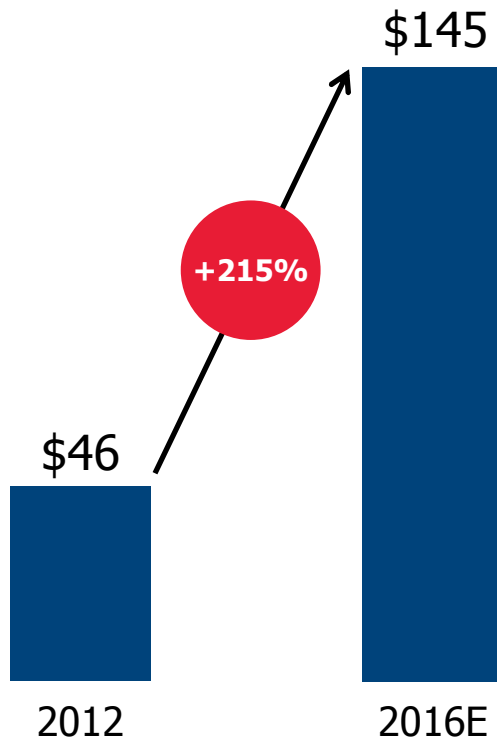
Note: Free Cash Flow is after non-fleet capital expenditures (re-investing in our business)

(a) Absent any significant timing differences



# 5. Investing for Growth and Profitability

## IT Capital Expenditures (\$ millions)








## Key Examples


- ▶ New websites and mobile apps
- ▶ Demand-Fleet-Pricing yield management
- ▶ Wizard modernization
- ▶ Fleet optimization
- ▶ Zipcar



# Strategic P&L Investments in 2016

---

<p><b>Brand marketing</b></p> 	<p><b>Avis Now</b></p> 	<p><b>Zipcar expansion</b></p> 	<p><b>Shuttling efficiency</b></p> 	<p><b>Emerging markets</b></p> 
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**\$50 million**  
of incremental investment

# Agenda

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The Business Today

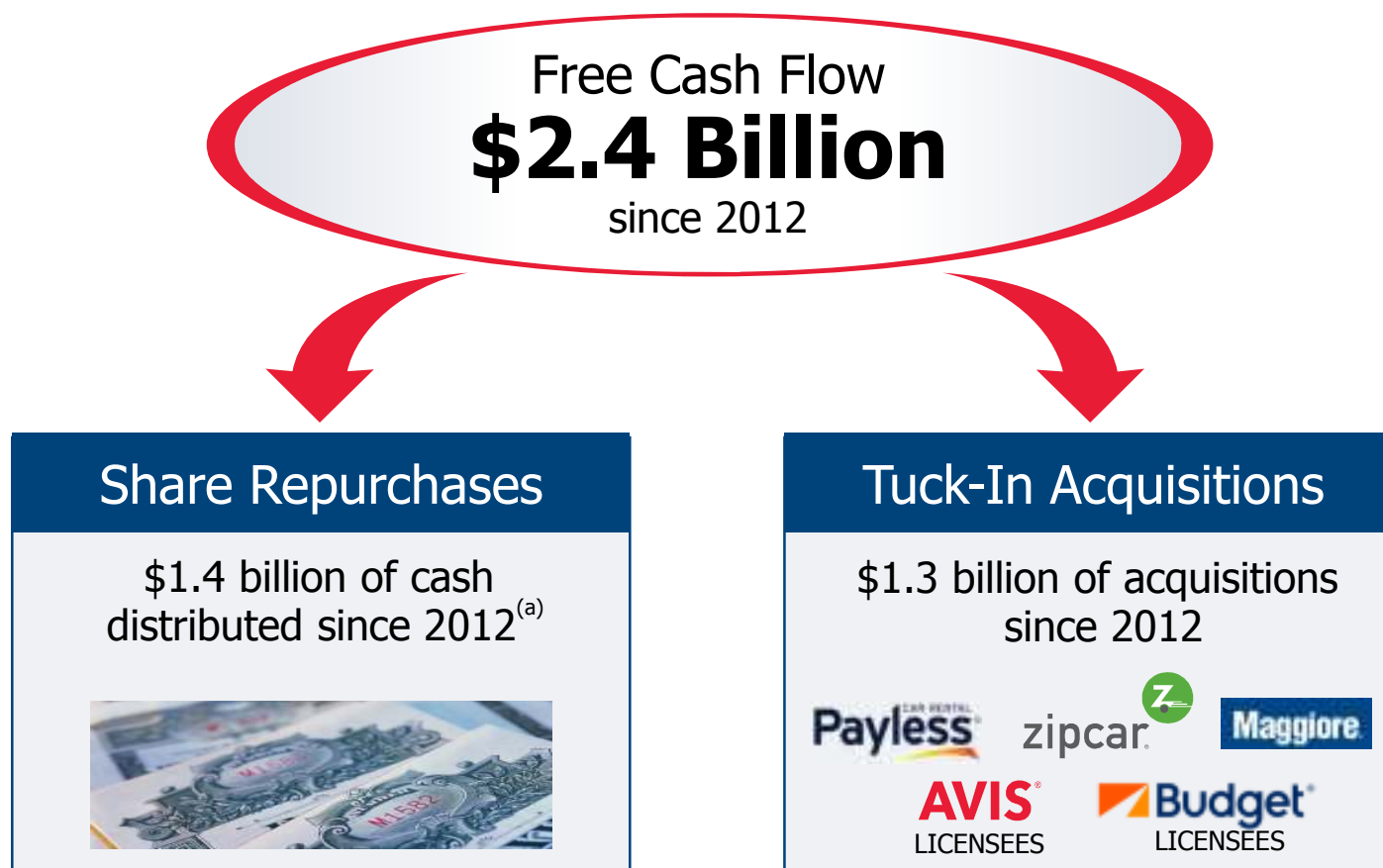
Free Cash Flow and Balance Sheet

Margin Growth Opportunity

Going Forward



# A Powerful Free Cash Flow Engine



Mix will depend on available opportunities

(a) Including \$348 million of convertible debt repurchases

# Principled Allocation of Capital

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Maintain  
Healthy, Efficient  
Balance Sheet

- Preserve liquidity and manage leverage
- Maintain flexibility to invest in growth

Invest for  
Growth

- Organic opportunities
- Investing in technology and innovation
- Tuck-in acquisitions

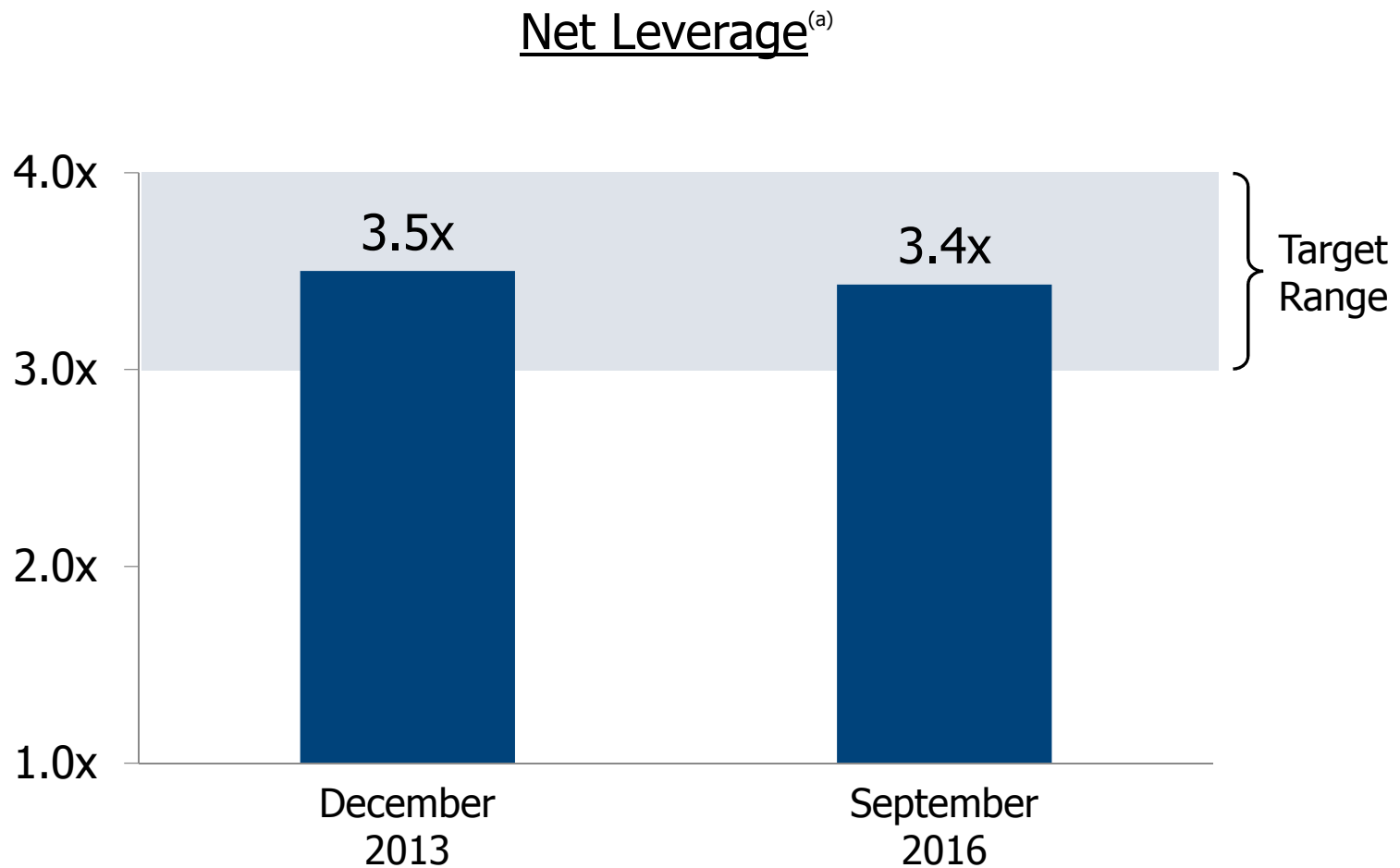
Return Capital  
to Shareholders

- Repurchase shares



MAINTAIN HEALTHY, EFFICIENT BALANCE SHEET

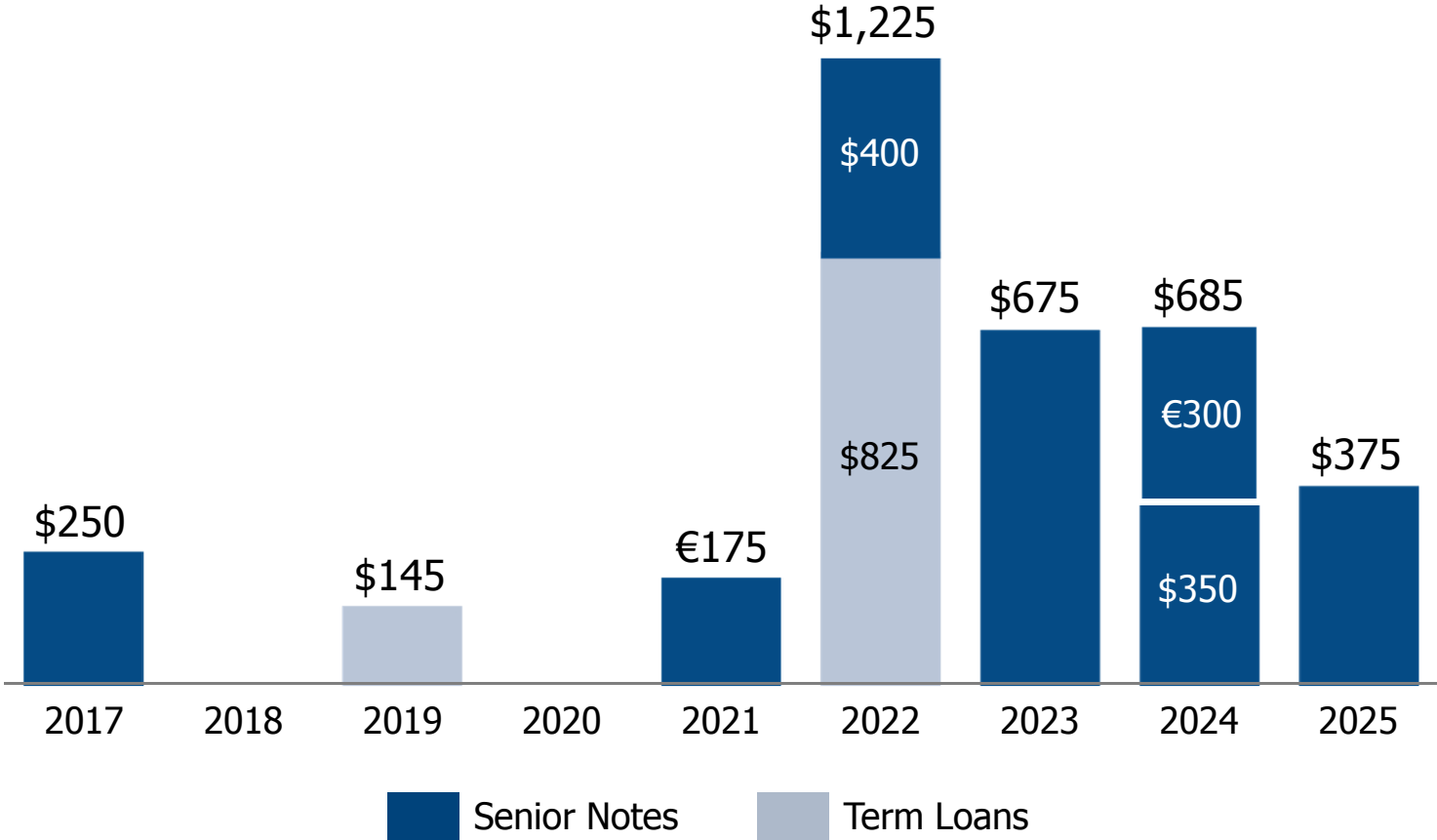
# Corporate Leverage in Line with Our Target



# Minimal Corporate Debt Maturities until 2022

## Corporate Debt Maturities

(\$ millions)



INVEST FOR GROWTH

# Investing in our Business through the P&L Beyond 2016

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<b>Connected car</b> 	<b>Brand marketing</b> 	<b>Zipcar expansion</b> 	<b>Driving internal efficiencies</b> 	<b>Emerging market expansion</b> 
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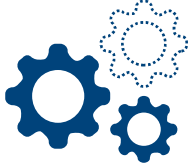









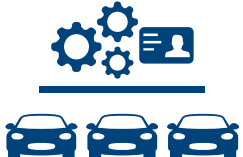

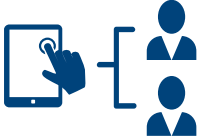
# Investment

2017 and beyond



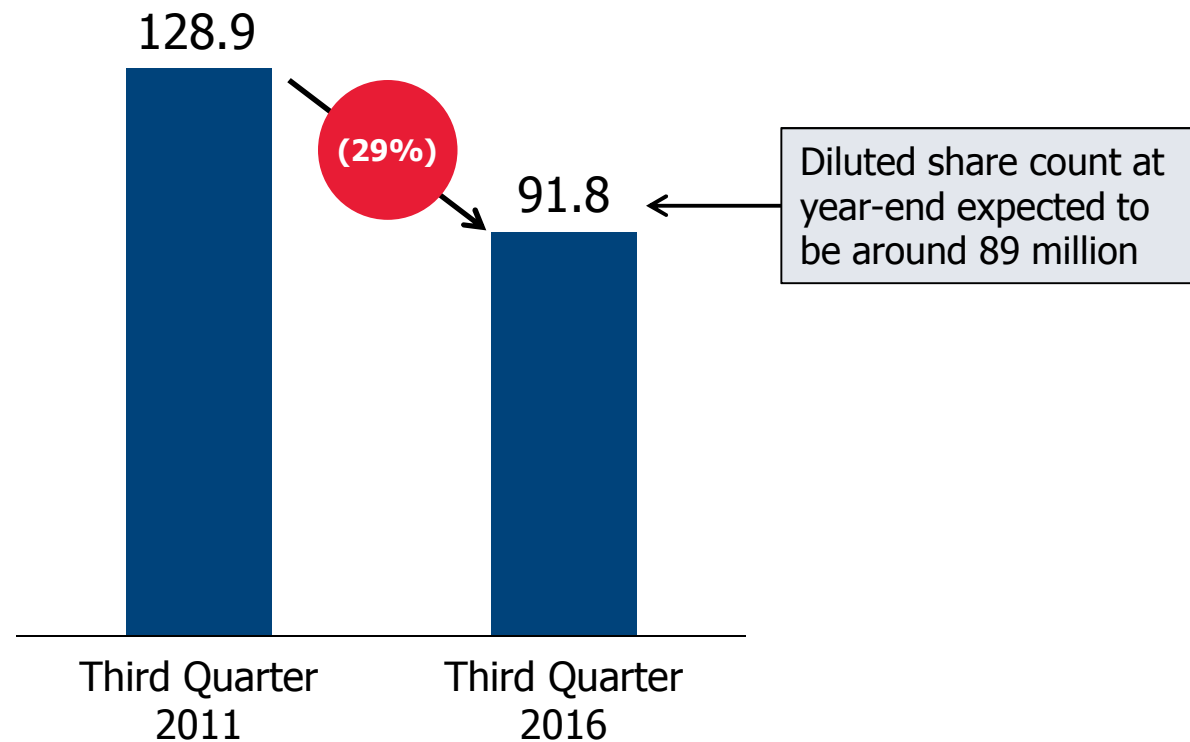
INVEST FOR GROWTH

# Investing in Technology and Innovation

<p><b>New Digital Platform</b></p> 	<p><b>Customer Data Hub</b></p> 	<p><b>Pronto Rental Agent Tablet App</b></p> 	<p><b>New Mobile Apps</b></p> 	<p><b>Pricing Modernization</b></p> 	<p><b>Infrastructure Rationalization</b></p> 
<p><b>EMEA Digital Platform Licensee Expansion</b></p> 	<p><b>Graphical User Interface</b></p> 	<p><b>Maintenance &amp; Damage Management System</b></p> 	<p><b>Demand-Fleet-Pricing</b></p> 	<p><b>Enhanced Business Intelligence Capabilities</b></p> 	<p><b>Telecom Rationalization</b></p> 
<p><b>Wizard Expansion</b></p> 	<p><b>Watson Global Customer Service</b></p> 	<p><b>API Strategy</b></p> 	<p><b>Fleet Management System</b></p> 	<p><b>Global HRIS</b></p> 	<p><b>Enhanced Application Outsourcing Model</b></p> 

# Significantly Reducing Share Count through Repurchases

## Diluted Shares Outstanding <sup>(a)</sup> (in millions)



# Agenda

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The Business Today

Free Cash Flow and Balance Sheet

Margin Growth Opportunity

Going Forward



# An Evolved Strategy for an Evolving Landscape



# Focused on Delivering Margin Growth Opportunities of \$350 to \$550 Million

---





# Profitable Revenue Growth

## Key Initiatives

- ▶ Demand-Fleet-Pricing yield management
- ▶ More direct bookings, fewer intermediaries
  - Pre-paid rentals
- ▶ Digital revenue optimization
- ▶ Ancillary revenue growth
- ▶ Cross-border volume growth
- ▶ Customer relationship management
- ▶ Loyalty programs
- ▶ Carefully selected and negotiated marketing partnerships
- ▶ Customer satisfaction and “share of wallet”



**Profitable  
Revenue Growth**  
**\$100 - \$150**  
million



# Fleet Optimization

## Key Initiatives

- ▶ Fleet optimization
  - Manufacturer
  - Model
  - Trim level
  - Delivery date
  - Program vs. risk
  - Car class mix
  - Diversity vs. concentration
  - Hold period
  
- ▶ Fleet disposition
  - Timing
  - Location
  - Reconditioning
  - Disposition channel



**Fleet  
Optimization**  
**\$75 - \$125**  
million



# Operational Efficiencies

## Key Initiatives

- ▶ Manpower planning and rationalization
- ▶ Shuttling efficiency
- ▶ “Supply chain” (maintenance and repair optimization)
- ▶ Damage recoveries and liability reductions
- ▶ Process improvement
  - Performance excellence
  - Shared services
  - Standardized systems and processes
- ▶ Procurement
- ▶ IT globalization and cost reduction
- ▶ Network rationalization



**Operational Efficiencies**  
**\$125 - \$175 million**



# Enhanced Mobility



## Key Initiatives

- ▶ **Avis Now**
  - Current version
  - Enhancements
- ▶ **Zipcar**
  - Continued member growth
  - Geographic expansion
  - New services
    - ONE>WAY
    - "Floating"
- ▶ **Potential partnerships**
- ▶ **Connected car**
- ▶ **Emerging markets**



**Enhanced  
Mobility**  
\$50 - \$100+  
million

# Laser-Focused on Delivering Results

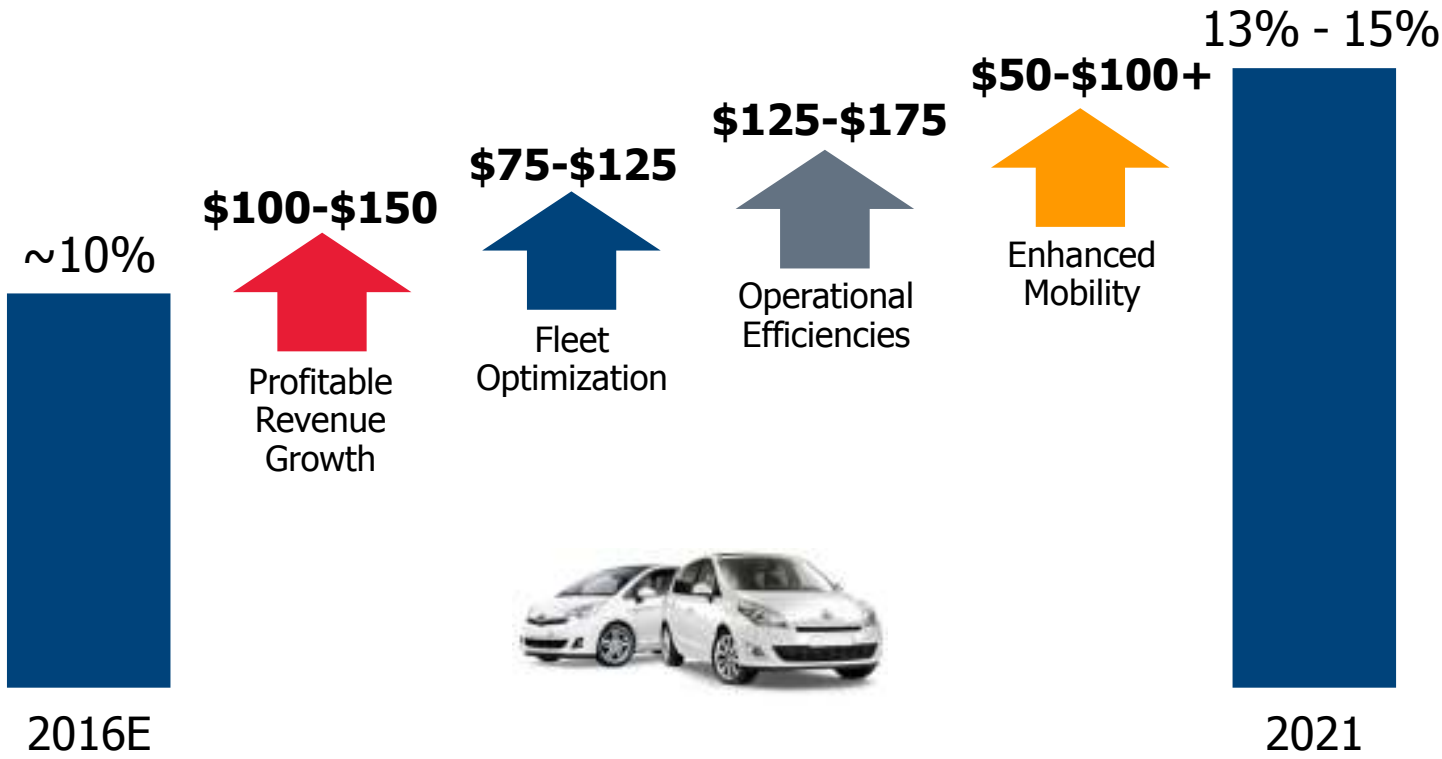
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- ✓ Customer-centric
- ✓ Capable, devoted resources
- ✓ Clearly articulated deliverables
- ✓ “Don’t bet the farm” – pilot aggressively
- ✓ Willingness to course-correct and adjust
- ✓ Relentless focus on execution



# Significant Opportunity for Margin Growth

(\$ millions)



Targeting \$350 to \$550 million of increased profitability over the next five years

# Agenda

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The Business Today

Free Cash Flow and Balance Sheet

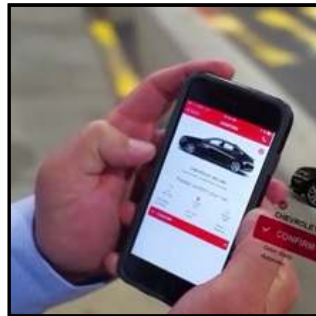
Margin Growth Opportunity

Going Forward



# Providing a Superior Customer Experience

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## Reservation

- ▶ Research journey
- ▶ Reserve transportation

## Pick-up

- ▶ Pre-rental check-in
- ▶ Confirmation
- ▶ Exchange
- ▶ Upgrade

## Rental

- ▶ In-journey services including:
  - Navigation
  - Fuel
  - Parking
  - Information
  - Extension

## Drop-off

- ▶ Return vehicle
- ▶ Inspect vehicle

## Post-Rental

- ▶ Billing
- ▶ Damages
- ▶ Feedback and resolution

# Leveraging Unparalleled Capabilities in Managing Global Fleets

---



## Purchase

- ▶ Purchase vehicle
- ▶ Finance vehicle

## In-Fleet

- ▶ Registration
- ▶ Create inventory
- ▶ Pre-delivery inspection
- ▶ Move vehicle to target location

## Utilize

- ▶ Connect vehicle with renter
- ▶ Optimize usage

## Maintain

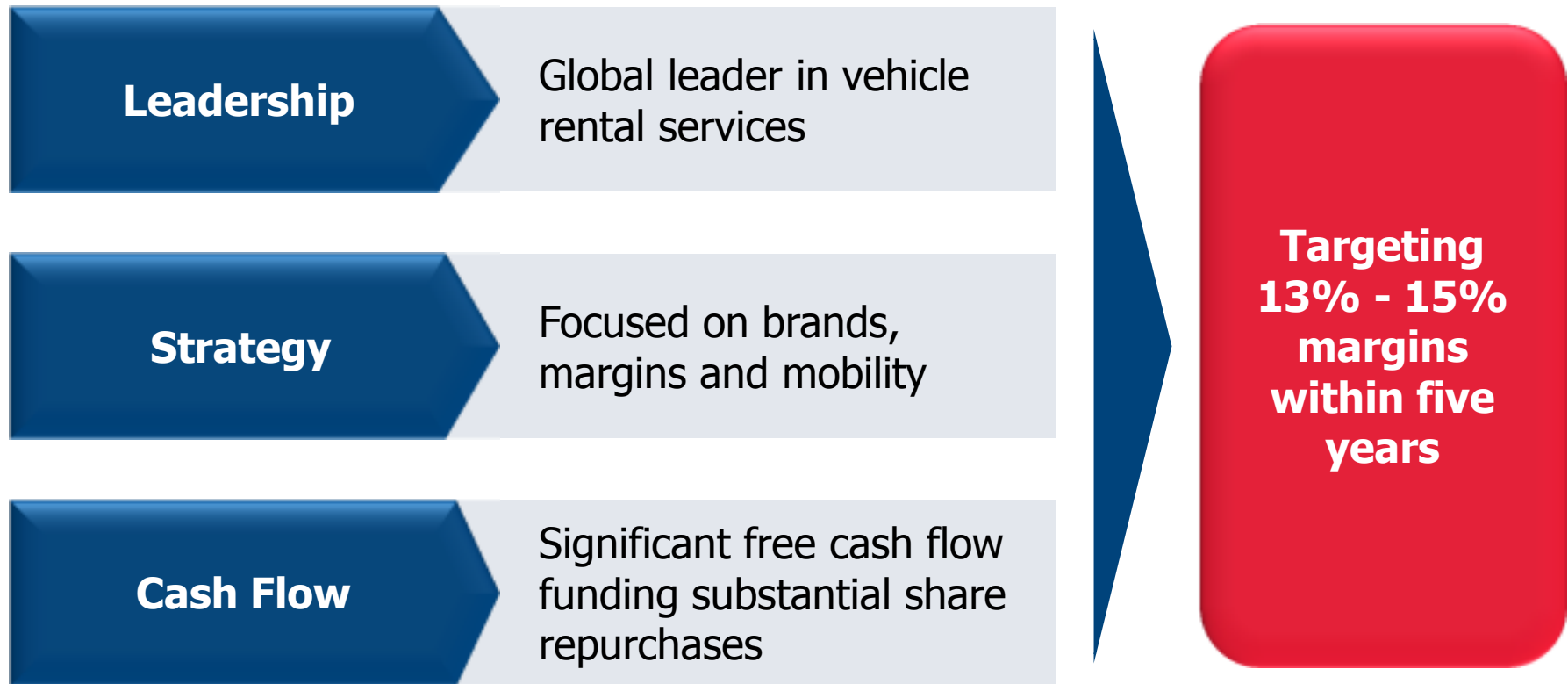
- ▶ Cleaning
- ▶ Scheduled maintenance
- ▶ Repairs

## De-Fleet

- ▶ Update inventory
- ▶ Prepare vehicle for sale
- ▶ Move to sale location
- ▶ Optimize sale price and channel

# Avis Budget Group is Driving Aggressively for Future Success

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## Avis Budget Group 2016 Investor Day

**avis budget** group



# Glossary

## Adjusted EBITDA

Adjusted EBITDA represents income from continuing operations before non-vehicle related depreciation and amortization, any impairment charge, restructuring expense, early extinguishment of debt costs, non-vehicle related interest, transaction-related costs and income taxes. We believe that Adjusted EBITDA is useful as a supplemental measure in evaluating the aggregate performance of our operating businesses. Adjusted EBITDA is the measure that is used by our management, including our chief operating decision maker, to perform such evaluation. Adjusted EBITDA should not be considered in isolation or as a substitute for net income or other income statement data prepared in accordance with GAAP and our presentation of Adjusted EBITDA may not be comparable to similarly-titled measures used by other companies.

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

	Year Ended		Last Twelve Months Ended
	December 31, 2010	December 31, 2013	September 30, 2016
<b>Adjusted EBITDA</b>	<b>\$ 410</b>	<b>\$ 769</b>	<b>\$ 845</b>
Less: Non-vehicle related depreciation and amortization (excluding acquisition-related amortization expense)	90	128	187
Interest expense related to corporate debt, net (excluding early extinguishment of debt and interest related to our previous efforts to acquire Dollar Thrifty)	162	228	205
<b>Adjusted pretax income</b>	<b>\$ 158</b>	<b>\$ 413</b>	<b>\$ 453</b>
<b>Less certain items:</b>			
Transaction-related costs, net	14	51	24
Acquisition-related amortization expense	-	24	59
Restructuring expense	11	61	34
Early extinguishment of debt	52	147	10
Impairment	-	33	-
Acquisition-related expenses	8	-	-
Litigation Costs	1	-	-
<b>Income before income taxes</b>	<b>\$ 72</b>	<b>\$ 97</b>	<b>\$ 326</b>
<b>Provision for income taxes</b>	<b>18</b>	<b>81</b>	<b>127</b>
<b>Net income</b>	<b>\$ 54</b>	<b>\$ 16</b>	<b>\$ 189</b>

## Constant Currency

We present constant-currency results to provide a method of assessing how our business performed excluding the effects of foreign currency rate fluctuations. Currency exchange rate impacts are calculated by translating the current-year results at the prior-period average exchange rate plus any related gains and losses on currency hedges.

# Glossary

## Reconciliation of Net Corporate Debt (in millions):

	December 31, 2013	September 30, 2016
<b>Corporate debt</b>	\$ 3,394	\$ 3,866
Less: Cash and cash equivalents	693	985
<b>Net corporate debt</b>	<u>\$ 2,701</u>	<u>\$ 2,881</u>

## Free Cash Flow

Represents Net Cash Provided by Operating Activities adjusted to reflect the cash inflows and outflows relating to capital expenditures and GPS navigational units, the investing and financing activities of our vehicle programs, asset sales, if any, and to exclude debt extinguishment costs and transaction-related costs. We believe that Free Cash Flow is useful to management and investors in measuring the cash generated that is available to be used to repurchase stock, repay debt obligations, pay dividends and invest in future growth through new business development activities or acquisitions. Free Cash Flow should not be construed as a substitute in measuring operating results or liquidity, and our presentation of Free Cash Flow may not be comparable to similarly-titled measures used by other companies.

## Reconciliation of Free Cash Flow to net cash provided by operating activities:

	Year Ended				Nine Months Ended
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	September 30, 2016
<b>Free Cash Flow</b>	\$ 518	\$ 460	\$ 456	\$ 525	\$ 469
Investing activities of vehicle programs	1,884	1,569	2,219	2,396	2,640
Financing activities of vehicle programs	(590)	196	(382)	(468)	(1,107)
Capital expenditures	136	154	185	201	126
Proceeds received on asset sales	(21)	(22)	(21)	(15)	(10)
Change in restricted cash	1	(14)	(6)	(3)	(2)
Acquisition-related payments	33	(29)	146	(26)	-
Transaction-related payments	(33)	(61)	(18)	(26)	(15)
Early extinguishment of debt	(39)	-	-	-	-
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 1,889</u>	<u>\$ 2,253</u>	<u>\$ 2,579</u>	<u>\$ 2,584</u>	<u>\$ 2,101</u>