





# avis budget group

**Presentation to Investors** 

June 2015

#### **Forward-Looking Statements**

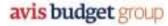
Statements about future results made in this presentation constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include projections.

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, segment recast 8-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.



### **Key Messages**

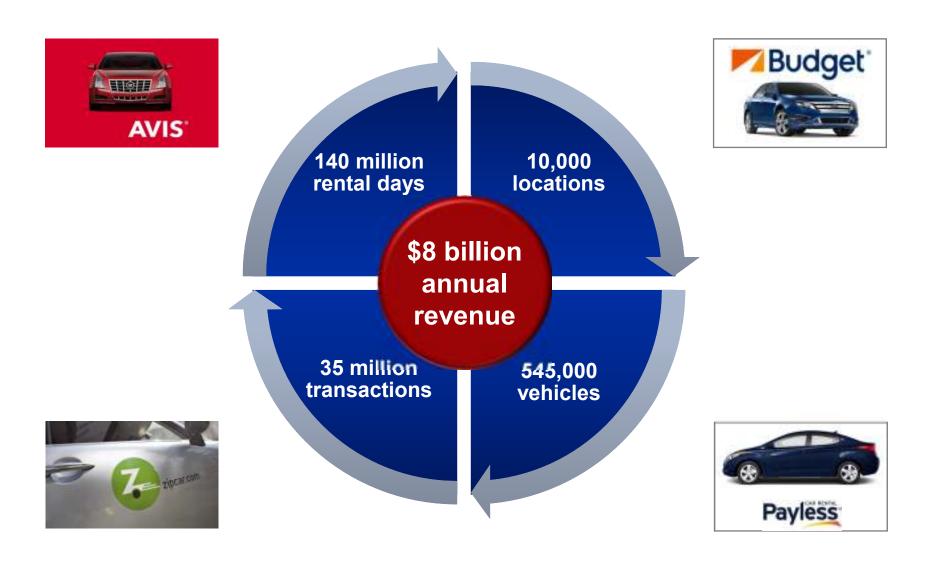
#### **The Business Today**

**Market Dynamics** 

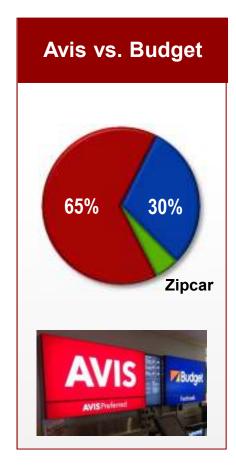
**Global Performance Drivers** 

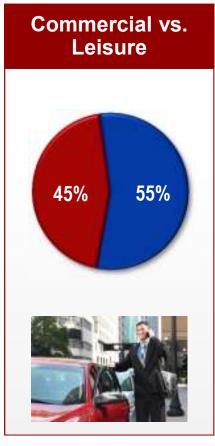
**Projected Earnings Growth** 

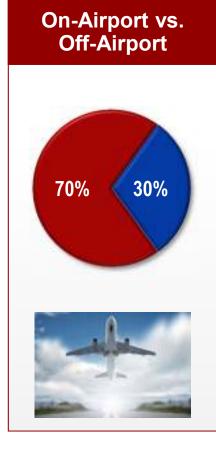
#### A Global Leader in the Car Rental Industry

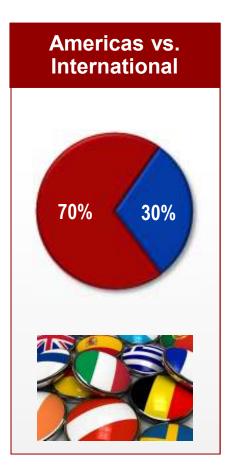


#### **Diversified Revenue Sources**



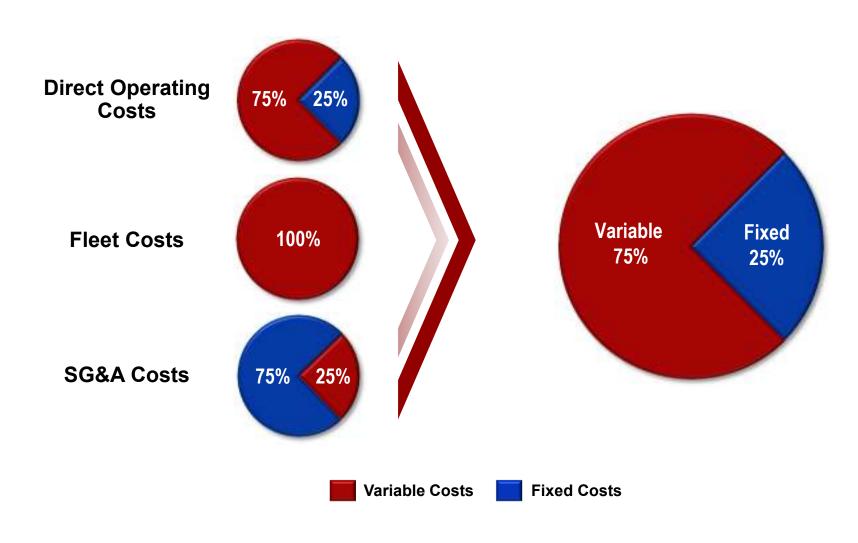






Locations in more than 175 countries and a leading position in most major markets

### We Have a Highly Variable Cost Structure . . .

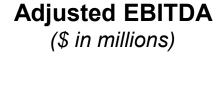


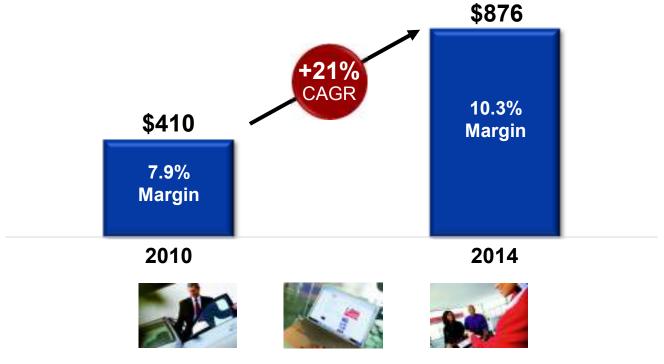
### ... So Pricing Has the Largest Impact on Margins

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



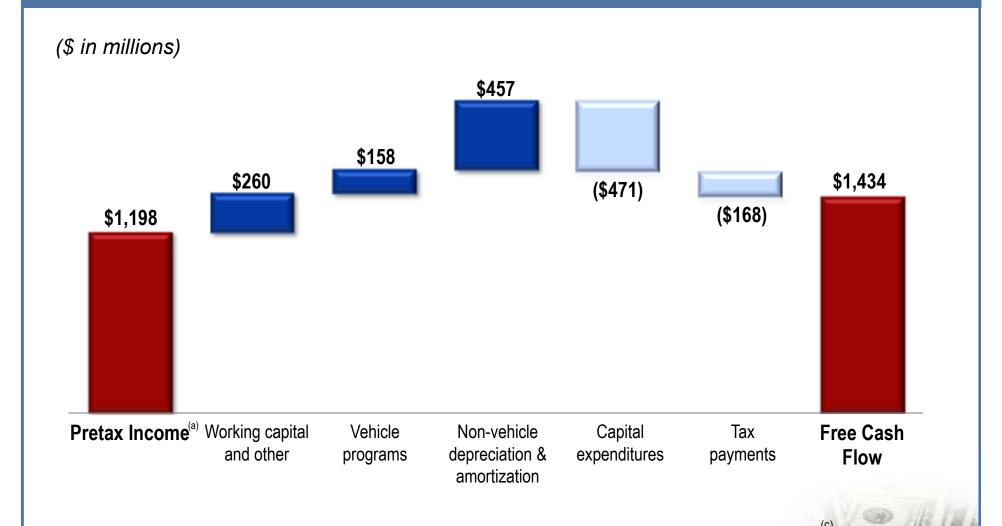
#### **Substantial Profit Growth**

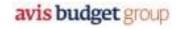




#### Significant margin improvement

#### Free Cash Flow of \$1.4 Billion over Last Three Years





### **Key Messages**

**The Business Today** 

**Market Dynamics** 

**Global Performance Drivers** 

**Projected Earnings Growth** 

#### **Well-Positioned for Future Growth**

#### **Americas**

Revenue to be driven by volume growth and increased pricing



#### **International**

Poised to benefit from economic recovery and continued integration



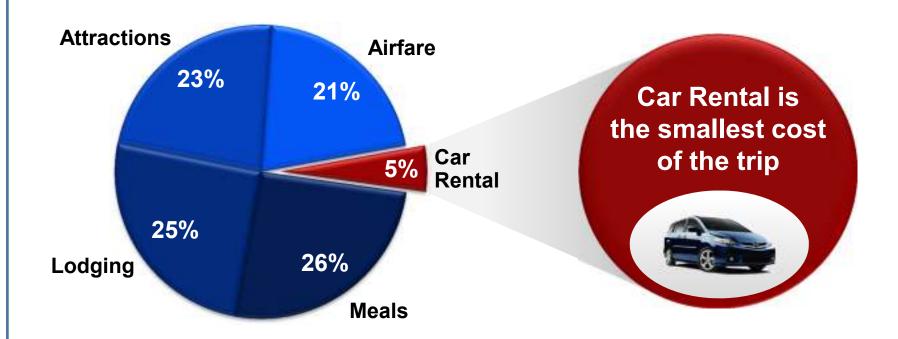
#### **Zipcar**

► Targeting organic membership and revenue growth, incremental synergy benefits and expansion



#### **Upside Potential for Car Rental Pricing...**

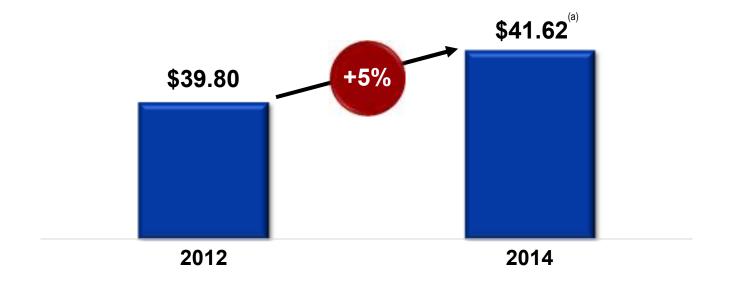
#### **A Typical Family Vacation**



Nobody would alter their trip because the price of the car rental went up by \$1 a day

#### ... And Pricing Has Been Improving

#### **Average Daily Rate**









#### Meaningful change in realized pricing



### **Key Messages**

**The Business Today** 

**Market Dynamics** 

**Global Performance Drivers** 

**Projected Earnings Growth** 

#### **Strategic Plan**

#### Driving Sustained, Profitable Growth



Strategically
Accelerate
Growth



Expand Our Global Footprint



Put the Customer First



Drive
Efficiency
Throughout
the
Organization

## Delivering Higher Revenue per Transaction

		Higher Revenue per Transaction
R	International Inbound <sup>(a)</sup>	+83%
	Small Business <sup>(b)</sup>	+24%
	Specialty & Premium Fleet(c)	+54%
() SiriusXM:()	Ancillary Revenue <sup>(d)</sup>	+76%



#### **Expanding our Global Footprint**

#### **New Markets**

▶ The Avis Europe transaction reunited our world-class brands globally, and Zipcar is the worldwide leader in car sharing

#### **Budget Licensees**

► Acquisitions of Southern California, Edmonton and Scandinavia will drive significant revenue and cost synergies

#### **Additional Brands**

Acquistions of Maggiore, Payless and Apex improve our longterm growth potential and provide attractive returns







#### **Zipcar Meets Emerging Consumer Needs**

- Zipcar operates the largest member-based, car sharing network in the world
  - More than 470 cities and towns and 425 college campuses

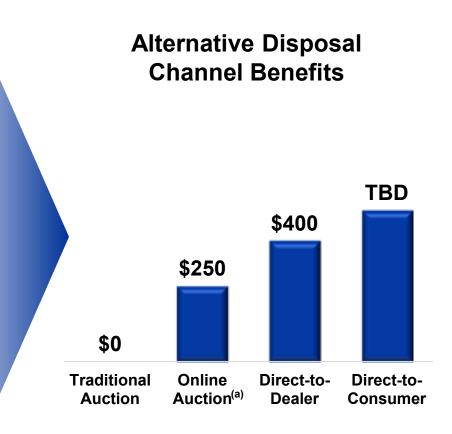


- 930,000 members
- Locations in the United States, Canada and Europe
- Growth opportunities in existing markets, from new services and through international expansion
- Leverages Avis Budget infrastructure

Proprietary technology drives Zipcar's leadership and innovation

#### **Diversifying Disposal Channels to Reduce Fleet Costs**

- Expanding dealer-direct sales
- ▶ 80% more risk-car sales completed via alternative channels in 2014



Our combined direct-to-dealer and direct-to-consumer car sales have doubled since 2011

#### Organizational Efficiencies Delivering Significant Benefits

## Yield Management

- Targeted pricing strategies
- Integrate demand, fleet and revenue management

## Performance Excellence

- Organization-wide process improvement
- Fleet maintenance and repair
- Improve speed of vehicle sales

## Global Effectiveness

- Leveraging global scale of our organization
- Transforming internal support structures

## **Acquisition Integration**

- ▶ Europe
- Zipcar
- Payless
- Apex
- Licensees

**Each initiative providing eight-figure benefits** 

### **Key Messages**

**The Business Today** 

**Market Dynamics** 

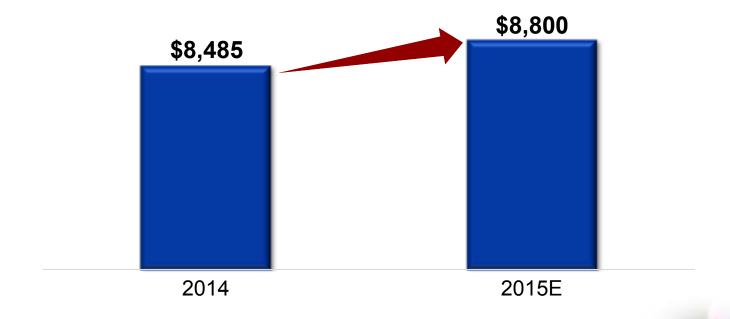
**Global Performance Drivers** 

**Projected Earnings Growth** 

#### We Expect Revenue to Increase Approximately 4% in 2015



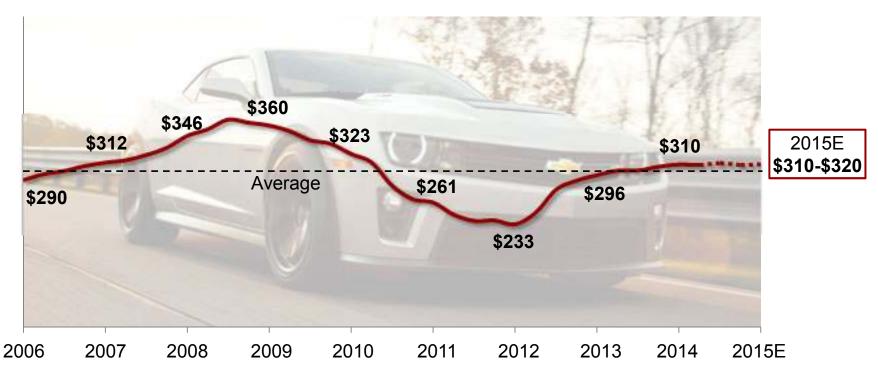
(\$ in millions)



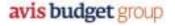
Americas pricing is expected to increase 1-2% in 2015<sup>(a)</sup>

#### We Expect Fleet Costs Will Remain Manageable





## Changes in per-unit fleet costs are expected to be modest in 2015



#### 2015 Outlook

(\$ in millions, except EPS)

	2015 Estimate <sup>(a)</sup>	Growth vs. 2014 <sup>(b)</sup>
Revenue	\$8,800	+4%
Adjusted EBITDA	\$900 – \$1,000	+8%
Pretax income	\$535 <b>–</b> \$635	+13%
Net income	\$335 <b>–</b> \$400	+12%
Diluted EPS	\$3.15 <b>–</b> \$3.75	+17%



#### **Significant Free Cash Flow**

(\$ in millions)

	2015E
Adjusted EBITDA	\$900 – \$1,000
Corporate interest	(200)
Capital expenditures	(200)
Cash taxes	(50) - (75)
Working capital, vehicle programs and other	0
Free Cash Flow	\$450 - \$525

Expect free cash flow of approximately \$450 to \$525 million in 2015<sup>(a)</sup>

#### Planned Uses of Free Cash Flow in 2015

- Share repurchases
  - Expect to exhaust remaining \$285 million<sup>(a)</sup> of share repurchase authorization in 2015
- Tuck-in acquisition targets:
  - Avis Budget Group licensees in or near where we operate corporately
  - Independent operators outside the United States

Mix will depend on available opportunities

#### **Key Messages**

**Strong Performance** 

**Strong financial performance** 



**Focused** 

Focused on profitable growth



Global **Opportunities** 

Multiple opportunities to grow globally



**Profitable** 

**Generating significant earnings** and free cash flow



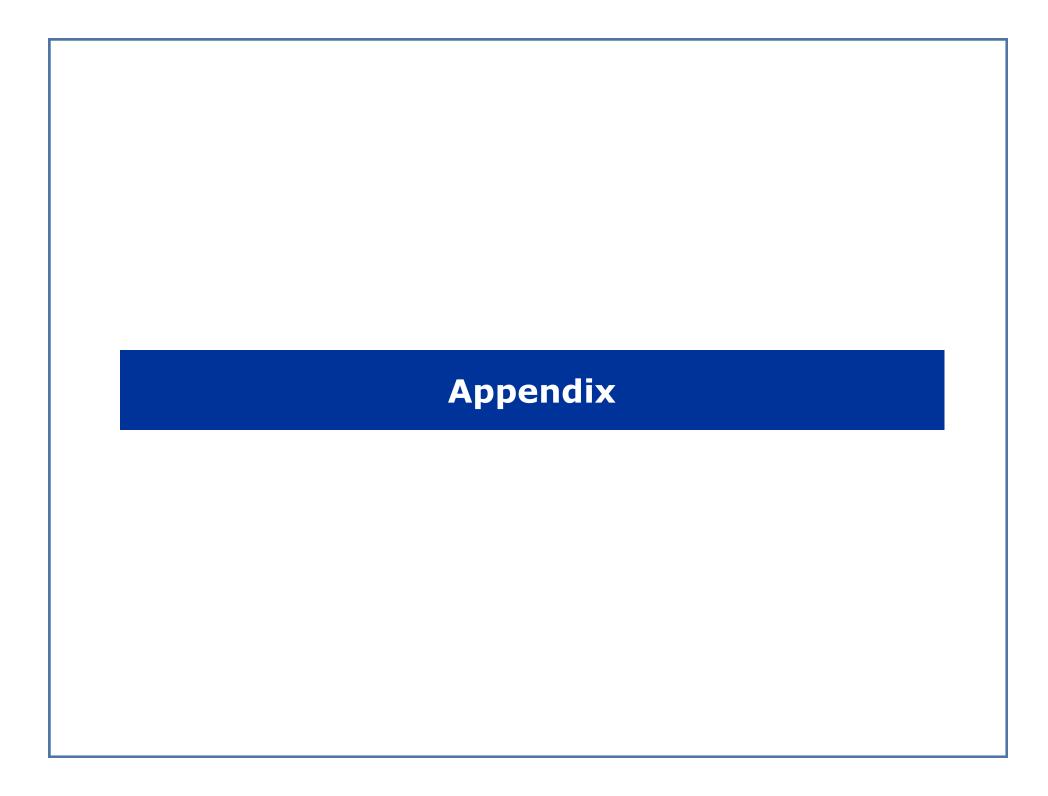






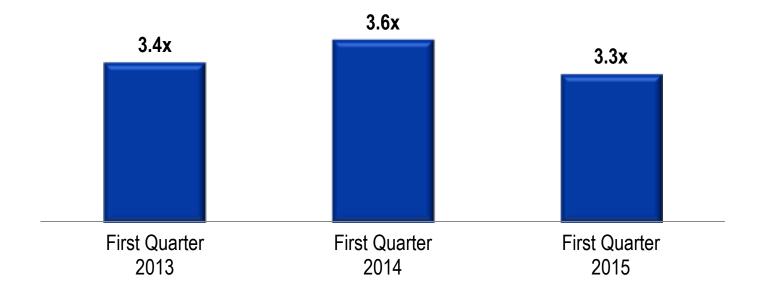






#### **Strong Earnings Growth Drives a Reduction in Leverage**

#### LTM Net Corporate Leverage<sup>(a)</sup>



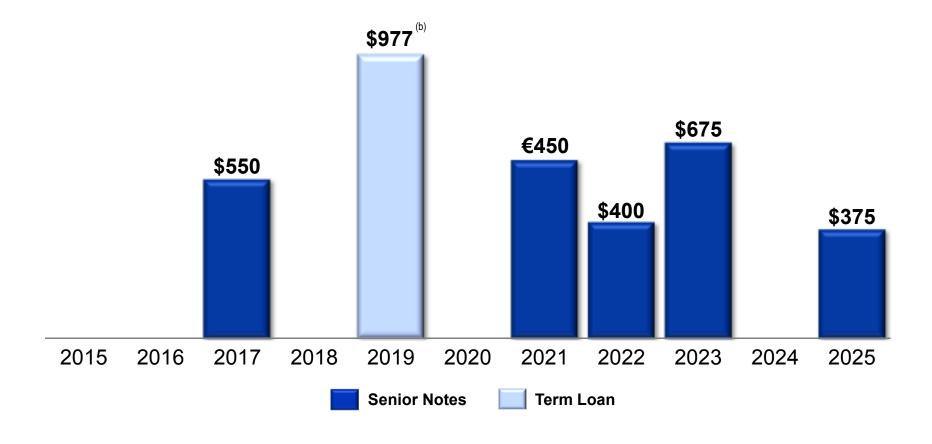
Target net leverage of 3 to 4 times Adjusted EBITDA



#### **No Corporate Debt Maturities Until 2017**

#### **Corporate Debt Maturities**(a)

(in millions)





#### **Glossary**

This presentation includes certain non-GAAP (generally accepted accounting principles) financial measures as defined under SEC rules. We have provided below reasons we present these non-GAAP financial measures, a description of what they represent and a reconciliation to the most comparable financial measure calculated and presented in accordance with GAAP. Because of the forward-looking nature of the Company's forecasted non-GAAP Adjusted EBITDA, free cash flow, pretax income and diluted earnings per share, excluding certain items, specific quantifications of the amounts that would be required to reconcile forecasted net income, net cash provided by operating activities, pretax income and diluted earnings per share are not available. The Company believes that there is a degree of volatility with respect to certain of the Company's GAAP measures which preclude the Company from providing accurate forecasted GAAP to non-GAAP reconciliations. Based on the above, the Company believes that providing estimates of the amounts that would be required to reconcile the range of the non-GAAP measures would imply a degree of precision that would be confusing or misleading to investors for the reasons identified above.

#### Adjusted EBITDA

Adjusted EBITDA, which represents income from continuing operations before non-vehicle related depreciation and amortization, any impairment charge, restructuring expenses, early extinguishment of debt costs, non-vehicle related interest, transaction-related costs, net and income taxes. We believe 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 out chief operating decision maker, to perform such evaluation. It is also a component of our financial covenant calculations under our credit facilities, subject to certain adjustments. 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.

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Reconciliation of Adjusted EBITDA to Avis Budget Group, Inc. income before income taxes (in millions):

	Year Ended December 31,										
		2010		2011		2012		2013		2014	
Total Revenue		5,185	\$	5,900	\$	7,357	\$	7,937	\$	8,485	
Adjusted EBITDA		410	\$	610	\$	840	\$	769	\$	876	
Less: Non-vehicle related depreciation and amortization (excluding acquisition-related amortization expense)		90		91		109		128		147	
Interest expense related to corporate debt, net (excluding early extinguishment of debt)		162		195		268		228		209	
Income before income taxes, excluding certain items		158		324		463		413		520	
Less certain items:											
Early extinguishment of debt		52		-		75		147		56	
Restructuring expense		11		5		38		61		26	
Transaction-related costs, net		14		255		34		51		13	
Acquisition-related amortization expense		-		24		16		24		33	
Impairment		-		-		-		33		-	
Acquisition-related interest		8		4		-		-		-	
Litigation costs		1		-		-		-		-	
Income before income taxes		72	\$	36	\$	300	\$	97	\$	392	



#### **Glossary**

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

	2009		2010		2011		2012		2013		2014	
Net corporate debt	\$	1,649	\$	1,591	\$	2,671	\$	2,299	\$	2,701	\$	2,796
Plus: Cash and cash equivalents		482		911		534		606		693		624
Corporate debt	\$	2,131	\$	2,502	\$	3,205	\$	2,905	\$	3,394	\$	3,420

Year Ended December 31,

Year Ended

#### 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:

	December 3	
		2014
Free Cash Flow	\$	456
Investing activities of vehicle programs		2,219
Financing activites of vehicle programs		(382)
Capital expenditures		185
Proceeds received on asset sales		(21)
Change in restricted cash		(6)
Acquisition-related pay ments		146
Transaction-related payments		(18)
Net Cash Provided by Operating Activities	\$	2,579



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