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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Avis Budget Group Third Quarter Earnings Conference Call. Today's call is being recorded. At this time, for opening remarks and introductions, I would like to turn the meeting 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 Executive Vice President and Chief Financial Officer.

Before we discuss our third quarter results, I would like to remind everyone that the company will be making statements about its future results and expectations, which constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Such statements are based on current expectations and the current economic environment and are inherently subject to economic, competitive and other uncertainties and contingencies beyond the control of management. You should be cautioned that these statements are not guarantees of future performance.

Actual results may differ materially from those expressed or implied in the forward-looking statements. Important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements are specified in our earnings release, which was issued last night, 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. We've provided slides to accompany this morning's conference call, which can be accessed on our website as well.

The company's comments today will focus on our results excluding certain items. These non-GAAP financial measures results are reconciled to our GAAP numbers in our press release and in the earnings call presentation on our website.

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. It's always nice to start these calls with the words we had a record quarter. But it's particularly gratifying this quarter given that our results reflect continued progress on our strategic initiatives rather than a market driven anomaly.

For example, in North America we grew our rental volumes both on and off airport, while reporting our third consecutive quarter of increased year-over-year pricing excluding acquisitions. In EMEA, our initiative to expand the Budget brand drove exceptionally strong volume and pricing growth, which helped us achieve the strongest quarterly result in recent history.

At Zipcar we began the process of capturing unconstrained weekend demand by sharing fleet, initially in New York, while at the same time harvesting the cost synergies we expected from this acquisition. And along the way we initiated our share repurchase program we announced in August to repurchase approximately 860,000 shares in the quarter.

The net result was the highest quarterly adjusted EBITDA in our history. So, let me spend a few minutes discussing each of these topics starting with our North America segment. I particularly want to underscore how our third quarter results reflect some of our key long-term strategic initiatives and goals, as these will continue to pay dividends as we go forward.

In North America, the positive pricing trends we experienced in the first half of the year continued in the third quarter. Pricing was up 40 basis points excluding acquisitions and up approximately 1% when you take out the effects of currency. We did institute price increases over the course of the third quarter and we continued to shift volume to more profitable segments and channels.

On the commercial pricing front, we continued our aggressive posture regarding contract negotiations. So, since having a positive effect, year-to-date we renewed more than 1,000 commercial contracts that have enabled to hold or increase rate nearly 60% of the time and the average rate change on renewals has improved as the year has progressed. We also held to the discipline of walking away from business on those occasions when we didn't think it was possible to make money at the rates being demanded. While this initiative will take several quarters to play out fully, our goal continues to be to get our average renewal rates to turn positive.

With respect to demand, I know there has been some concern among investors regarding on-airport demand weakness, but frankly, we're not seeing it. Our airport volume increased 3% in the third quarter more than double the growth rate we experienced in the first half of the year. And we achieved this growth despite a decline in government business that reduced overall volume by a point and despite our intentional 25%-plus reduction in opaque volumes.

Moreover, preliminary data would suggest, we held our airport market share even while reducing our presence in less profitable booking channels. Each of our brands contributed to the growth with Avis volume up 2.5% in the quarter, and Budget volume up 5%. Avis's growth was driven primarily by contracted commercial business, which increased to 8%, while Budget's growth was driven by a similar increase in leisure volume.

Just to be clear, these comments exclude Zipcar and Payless, so it is an apples-to-apples comparison. Total North American revenue grew 11% or 4%, excluding Zipcar and Payless. Our focus on more profitable segments is showing good results. International inbound revenue increased 7%, revenue from our higher margin specialty and premium vehicles increased more

than 11%, and revenue from associations increased 9%, primarily due to our expanded exclusive agreement with AARP, which we announced in August.

We also saw continued growth in our local market operations. Off-airport revenue increased 6%, as our strategy to focus our local market operations on general use rentals and capture more of our commercial customers' total rental spend continues to pay dividends.

We announced the acquisition of Payless in July, giving us a position in the faster growing deep value segment of the car rental market. Payless had a good summer, but perhaps more importantly, we've already cascaded more than 2,000 Avis Budget cars to Payless, driving incremental fleet efficiencies across our North American operations.

We anticipate by the end of 2013, nearly 50% of the Payless fleet will be cars that were formerly in the Avis Budget fleet. In fact, going forward, we envision buying relatively few, if any, new cars for Payless and expect to satisfy virtually all their needs by cascading fleet. This enables us to hold these cars longer and average down the cost for the entire cycle of ownership.

Moving to our International segment, our European operations had its best single quarter since at least 2008 with volume increasing 7% year-over-year and every country contributing to the gain. Budget's volume increased 40% in the third quarter, while Avis grew 2%. But if you factor out our decision to walk away from certain non-profitable replacement business, primarily in the U.K., Avis volume was up 5% with growth well balanced between commercial and leisure rental days.

Our reported pricing was a 3% decline in time and mileage revenue per day in constant currency, but that doesn't tell the real story. In certain markets, we began to charge customers separately for airport surcharges. These had been previously included in our base T&M rates, so breaking them out reduced our reported T&M per day by around 3 points and boosted our non-T&M revenue significantly, particularly since we're now better able to collect airport surcharges on our ancillary products and services.

The best way to get an accurate picture of the revenue environment is to look at the total revenue per rental day, which in constant currency actually increased 3% in EMEA. This growth included a 1.5% increase in price at Avis, more than a 7% increase in price at Budget, and a 13% increase in other revenue per rental day across both brands. A combination of increased revenue per rental day, a 4-point improvement in utilization, and synergies from our integration efforts helped produce a 20% jump in adjusted EBITDA from EMEA and the best single quarter for our European business in recent history. We couldn't be more pleased with how our strategies to expand the Budget brand, grow ancillary revenues, and integrate our European operations are contributing to our results.

In our Latin America, Asia-Pacific region, rental volumes increased 10% year-over-year, primarily due to the acquisition of Apex. Pricing remained soft, declining 5% in local currency, excluding Apex, for the reasons we discussed in August, competitive pricing, demand pressures related to government spending, and general economic weakness in Australia. In addition, residual values softened somewhat during the quarter leading the industry to be even more over-fleeted, so the inevitable result was soft pricing.

Our management team has been moving aggressively to offset these challenges by trimming the fleet, cutting costs, and aggressively promoting price increases. We remain hopeful that despite these pressures, our results in Australia and in the region as a whole will be within spitting distance of the 2013 targets we established at the beginning of the year.

As we announced in August, we agreed to invest roughly $50 million to acquire a 50% ownership stake in our Avis and Budget licensee in Brazil. A majority of the capital went into the company to fund fleet increases, which will allow us to increase the presence of our brands in the Brazilian car rental market and to capture a larger share of Brazil's domestic, international inbound and

outbound vehicle rental spend. We also expect this investment to enable us to capture a higher percentage of our global corporate customers' rental car spend in Brazil, especially since the largest player in the Brazil domestic car rental market does not have a global presence.

At Zipcar, we took a number of steps to satisfy more of our members summer rental needs as well as strides to capture the synergies we expect to achieve within the next two years. We added over 1,000 vehicles to Zipcar's summer fleet across key markets, increasing car availability per member by almost 10%. Ultimately, we expect the increased availability not only to generate increased revenue, but also to lead to reduced member churn.

We made Zipcars available to members of certain Avis and Budget urban locations, adding to the number of places where they can find a vehicle. We have opened additional airport locations, including Boston Logan in September, bringing the total number of airports where Zipsters can find cars to 22 worldwide with further expansions planned. We have replenished 20% of our Zipcar fleet with a younger more diverse fleet offering and providing members with a better experience and satisfying more of their needs, while doing so at a lower cost.

On the cost side, we have started sharing fleet with several hundred cars moving from the Avis Budget fleet during the week to Zipcar on the weekend to better satisfy member needs, and we expect to be offering one-way rentals to members in select markets in the not so distant future, a benefit Zipcar currently doesn't offer its members.

All of these efforts are enabling us to maintain our leadership position within the car sharing category, as well as the broader market for affordable mobility. We continue to expect that Zipcar will contribute $25 million or so to adjusted EBITDA this year. In addition, we still anticipate the synergies associated with the acquisition to total $50 million to $70 million, but we now expect to reach this run rate by the end of 2015, rather than earlier that year.

David will discuss the timing of these synergies in more detail in a few moments. But in general, the required sophistication of the fleet sharing model is going to take additional systems to work before we're ready to fully implement one-way rentals for Zipsters. And while we did share cars between Avis and Budget and Zipcar during the summer in certain markets, we do think it's going to take a little more time to execute on this on a broad scale to ensure we optimize the member experience. But to be clear, this only impacts the timing of these synergies not their ultimate impact.

Lastly, before turning to our outlook, I want to discuss our Truck Rental segment. As you know, we announced a restructuring program in late 2012 to right size the business and position it for substantially higher profitability and over the longer run reduced earnings volatility. Since then, we've aggressively optimized our fleet, right sized our footprint and increased pricing to grow profitability. Specifically, we reduced our average fleet by more than 4,000 trucks, closed approximately 400 marginal locations, eliminated certain high mileage, low profitability accounts, and moved a higher percentage of our trucks to areas where we generate higher profit.

In many ways, we've done in our Budget Truck business – in many ways what we've done in Budget Truck business is similar to the aggressive steps we took a few years ago to substantially improve the margins of our car rental segment, focusing on the most profitable segments and channels to profitably accelerate our growth.

The impact is becoming evident, revenue in the third quarter was even with last year despite a 15% decline in average fleet as pricing increased 9%, utilization was up 4 points, margins improved nearly 500 basis points and earnings increased by $5 million excluding certain items.

At the same time, we will be cycling new trucks into the fleet to improve the customer experience. These new trucks will enable us to lower the average age of the fleet, incrementally lower

maintenance, while still leaving our total truck rental fleet more than 20% smaller than it was just a few years ago.

Looking at the balance of the year, we remain optimistic about how our business is performing both strategically and operationally. In North America, we expect volume growth in the fourth quarter to be at the high end of the 1% to 3% range we've seen all year, despite a 1 point hit from the reduced government demand. Like others in the travel industry, we saw the sequester and partial government shut down pressure our volumes, but we've been able to manage through it by focusing on our faster growing more profitable segments and channels, and making sure we have cars in the right locations at the right time to capture the available demand.

We do expect a modest tailwind from airline capacity, which would appear to be trending up in the 1% to 2% range in the fourth quarter. As a reminder, last year's fourth quarter was impacted by Hurricane Sandy, which negatively impacted our volume for about a week because airports up and down the East Coast were shut down.

On the other side, however, for most of November and December we benefited from strong FEMA and Red Cross volume, which tends to be longer length rentals, but at lower average price. Nevertheless, we still expect volume gains at the high-end of the 1% to 3% range.

On the pricing side, we expect that despite the ins and outs from Sandy, we will again have 1% price growth in the quarter excluding any effects from Payless or currency. October was up about 1 point and reservations we have in hand for November are up as well, leading us to believe that the December quarter will mark our fourth consecutive quarter of year-over-year pricing.

As a reminder, last December was the first month that showed a year-over-year increase in pricing. So we will be facing a somewhat tougher comp beginning then. What you should expect from us though is a continuation of our aggressive push to improve our realized rate through a combination of price increases where possible and shifting our mix. And on the cost side, our year-over-year fleet cost comparisons should finally fall back down to a single digital increase in Q4.

In our International segment, we expect volume and pricing in our Latin America, Asia Pacific region to remain under pressure for the remainder of the year due to the economic conditions and comparative pricing, particularly in Australia. However, as we entered Australia's peak summer period, pricing comparisons have improved from the third quarter, but are still down about 2% in local currency on a year-over-year basis. There is still a lot of business to be done there, but similar to what we have been doing in North America for more than a year, we intend to be proactive to improve our realized rates, as part of our efforts to restore the margins there.

In Europe, our sense is that the overall economy has bottomed with some countries showing signs of improvement, particularly Germany and the U.K. I expect that our strategic efforts to grow Budget and integrate our operations in Europe will allow EMEA to make an increased contribution in the fourth quarter that more than offsets any possible negative impacts from the difficult environment in Australia.

Much more generally, I'm excited about our evolution this year to having a portfolio of powerful differentiated brands that allows us to utilize a range of business models to meet a wide variety of customer needs. There are roughly 20 of the largest countries in the world in which we operate at least one or more of the Avis, Budget, Payless, Apex, and Zipcar brands directly. And there are more than 160 countries in which we have a brand presence through a licensee including our joint venture licensees in Brazil, China, India and Thailand.

As a consequence, increasing our brand presence across this network of 180 countries represents a big opportunity. The portfolio also permits us to leverage our operational capabilities, our systems and our people, generating significant efficiencies.

This is evidenced from the synergies we're realizing as we integrate administrative and other functions across geographies and brands. The opportunity for us to accelerate our growth and to improve our margins at the same time is one of the two key benefits from this work. The other is that our company is much better positioned to meet various customer needs up and down the value chain on a global basis, which is critical as our industry continues to evolve and consolidate.

With that, let me turn the call over to David.

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

Thanks, Ron, and good morning, everyone. Today, I'd like to discuss our third quarter results, our fleet costs, and our integration of Zipcar, as well as our balance sheet and outlook. As Neal mentioned, my comments will focus on our results, excluding certain items.

The third quarter marked our highest ever quarterly earnings, principally as a result of higher volume and improved year-over-year pricing in North America, record results in Europe and strong cost controls, as well as the acquisitions of Zipcar and Payless.

Adjusted EBITDA grew 2% year-over-year to an all time high of $383 million in the third quarter and trailing 12-months adjusted EBITDA now stands at $732 million. For those analysts who calculate EBITDA before deferred financing fees and stock-based compensation, our trailing 12-months adjusted EBITDA would be $41 million higher or $773 million.

Our diluted EPS came in at $1.48 for the quarter with our year-to-date tax rate being in above trend 39.2%. Somewhat ironically, our third quarter EPS was negatively impacted by the 1 point corporate tax rate reduction that occurred in the U.K. because we have a sizeable deferred tax asset in that country. The impact of revaluing that asset through income tax expense was negative $0.03 a share.

In our North America segment, revenue grew 11% in the quarter and was up 4% excluding the acquisitions of Zipcar and Payless. Volume increased 5% in Q3, while pricing was flat. Payless and currency effects each reduced reported pricing by roughly 0.5 point, meaning that our pricing was up 1% on a constant currency basis excluding Payless. As a reminder, our revenue drivers, which are reported in table three of our earnings release excludes Zipcar.

Leisure volume increased 4% in the quarter and leisure pricing grew 2% excluding Payless. Commercial volume was up 3% in the quarter, despite a negative 2 point impact from reduced government demand, while commercial pricing declined 1%.

Adjusted EBITDA in North America declined 3% year-over-year primarily due to 15% higher per unit fleet cost, which created a $43 million headwind for us. When we look at our third quarter earnings in North America and adjust fleet cost inflation down the run rate levels and exclude Zipcar and Payless, we calculate organic growth of around 7% in adjusted EBITDA from third quarter 2012. And this includes recalls of approximately 10,000 vehicles over the course of this year's third quarter, which negatively impacted our results by approximately $10 million. As a result, our 7% organic EBITDA increase is why we feel well positioned to return to earnings growth in North America as year-over-year fleet cost comparisons return to normal levels in Q4.

Revenue in our International segment grew 10% in the third quarter, primarily due to higher rental volumes and ancillary revenues including the 3% constant currency increase in total revenue per rental day in Europe that Ron discussed.

Our October 2012 acquisition of Apex Car Rentals in New Zealand contributed $9 million of revenue in the quarter. International adjusted EBITDA increased 10% year-over-year in Q3 due to strong demand in higher revenues in Europe that made this one of the most profitable quarters ever for our European operations.

In our Latin America, Asia Pacific region, the difficult environment in Australia that we discussed on our August call, continued throughout the third quarter with declining rates offsetting volume growth.

As Ron mentioned, our European operations had a strong summer and we're seeing some signs of economic stability and even a modest recovery there. We remain excited about the progress we've made in our European business to lower cost, improve processes, consolidate facilities, drive growth in the Budget brand and capture new commercial contracts. Accordingly, we are confident that the business we acquired just two years ago has the potential to earn substantially higher profits, once the European economy does recover.

Switching gears, our Zipcar operations contributed $82 million of revenue and $8 million of adjusted EBITDA in the third quarter. We continue to make good progress in realizing cost synergies and are increasingly focusing our efforts towards achieving utilization and revenue benefits from sharing fleet and leveraging our scale to drive profitable growth.

We've taken almost all the actions necessary to realize the $20 million to $25 million of cost synergies that we outlined early in the year. We've lowered Zipcar's depreciation, insurance, interest, maintenance and overhead costs, while also achieving higher net selling prices for the Zipcar fleet.

At the same time, we try to be highly protective of the outstanding customer service and member experience that Zipcar has always provided. As Ron mentioned, this realistically will mean a ramp up to $50 million to $70 million in annual synergies will run well into 2015 rather than being done by March of that year. As the management team, we're usually big fans of speed, particularly in merger integration, but we're also willing to adjust our game plan when the situation merits doing so.

Separately, I should note that lowering Zipcar's cost is enabling us to enter new markets that a standalone Zipcar would not have been able to open economically. In fact, since the acquisition, we brought Zipcar to five new cities, including Sacramento and Dallas, with more expansions planned.

Next, I'd like to take a few moments to talk about fleet cost. We saw a stable, healthy used car market throughout the third quarter, enabling us to dispose of nearly 40,000 risk cars at prices in line with our expectations. At this point, we're down to fewer than 4,000 risk car dispositions remaining this year, and we remain comfortable with our 2013 North American fleet cost guidance of approximately $300 per unit, per month.

We've been actively managing our fleet to maximize residual values. We continue to have about one-third of our North America vehicles, the cars that are subject to manufacturer programs, which provides both cost predictability and de-fleeting flexibility. We are using alternative disposition channels for risk cars with nearly 50% of sales in Q3 being made to online wholesale buyers. Our Direct to Dealer and AutoNation Direct highlights are also generating encouraging results, and we have started testing some additional selling methods.

Our average vehicle hold period continues to be in the 12 months to 14 months range. The average age of our vehicle is seven months, and more than 85% of our fleet has fewer than 25,000 miles. Keeping our average mileage in the right range allows us to maintain high residual values for our cars, while preserving the customer experience we offer.

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Looking ahead, while we're still in the middle of our 2014 plan process, I do want to give you a sense of the trends impacting North America fleet costs next year. We've completed a majority of our Model Year 2014 negotiations, and they've gone reasonably well. We have seen only inflationary increases in risk car purchase prices, and we expect program car holding costs to decline a few points.

Risk cars are expected to comprise close to two-thirds of our fleet, generally consistent with our 2013 average. We do expect the increased supply of late model, off-lease vehicles will have some impact on residual values in 2014 and have been developing plans to try and offset much of the resulting cost increase. These plans include greater use of our fleet optimization system, enabling us to make even better decisions, such as when and where to take vehicle deliveries, as well as when to dispose of certain vehicles, cascading cars from Avis and Budget to Payless, and increasing our use of alternative disposition channels by expanding our Direct to Dealer and Direct to Consumer programs.

And lastly, we expect to see some impact from having a richer mix of cars in 2014, as we continue to increase our non-core and Signature fleet to drive more profitable rentals. We will continue to refine our 2014 fleet cost estimates as we finalize our plans over the next two months.

Turning to the balance sheet, our liquidity position remains strong with $3.7 billion of available liquidity worldwide. We ended the quarter with $589 million of cash, no borrowings under our corporate revolver, and roughly $830 million of availability under that facility.

We had unused capacity of $2.3 billion under various vehicle-backed financing programs. Our ratio of net corporate debt to LTM adjusted EBITDA at the end of the quarter was 3.8 times. This figure includes the debt incurred to acquire Zipcar, but with limited contribution to our LTM adjusted EBITDA from Zipcar since we've only owned the business for seven months. Pro forma for anticipated Zipcar synergies, our net leverage is 3.6 times.

We continued to take advantage of attractive funding available to us, completing a $550 million offering of five-year, fixed-rate, asset-backed notes in September with a weighted average interest rate of just over 3%.

In the quarter, we struck a balance among our priorities for the use of free cash flow. First, we expanded our global footprint through a significant investment in our Brazilian licensee, as well as a less than $5 million investment earlier this month that gave us majority ownership of our licensee joint venture in India. While these investments were on different scales, they represent a similar strategy, expanding our presence in fast growing vehicle rental markets and improving our brand position in these geographies by helping to ensure that we expand our fleet and network there.

Second, we stayed within our target leverage range of 3 times to 4 times EBITDA and reduced our net corporate debt by $118 million. And third, we returned a portion of our free cash flow to shareholders. We repurchased 860,000 shares at a cost of roughly $25 million and continue to expect to repurchase a total of about $50 million of stock this calendar year.

Before I wrap up, I'd like to discuss our expectations for the remainder of this year. As we announced last night, we expect our 2013 revenues to be approximately $7.9 billion to $7.95 billion, a 7% to 8% increase compared to 2012. We expect total company per unit fleet cost to be $285 to $295 per unit per month in 2013 with North America per unit fleet cost around $300, consistent with the estimates we provided in August. We expect adjusted EBITDA, excluding items, to be approximately $760 million to $780 million, and our 2013 pre-tax income, excluding items, to be $395 million to $420 million.

We expect our effective tax rate in 2013 will be approximately 38%, and our diluted share count will be between 116 million and 117 million. Based on these expectations, we estimate that our 2013

diluted earnings per share excluding certain items will be approximately $2.10 to $2.25. We expect our capital expenditures to be around $135 million this year. And finally, we expect our cash taxes to be approximately $60 million for this year, and for free cash flow to be in the $300 million range absent any significant timing differences.

So to wrap up, we had a record quarter. We continue to achieve higher pricing and increased volume in North America. EMEA had a strong summer and we're seeing early signs of economic stabilization in Europe and even modest recovery in some markets.

The integration of Zipcar is moving along and we are very excited about the opportunities that lie ahead of us. Finally, we're pleased to have returned $25 million of free cash flow to our shareholders in the third quarter in the form of share repurchases, and we remind investors that our goal of generating $1 billion of adjusted EBITDA by 2015 should translate into at least $500 million of free cash flow or more than $4 per share.

With that, Ron and I would be happy to take your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Brian Johnson with Barclays. You may ask your question.

<Q – Brian Johnson – Barclays Capital, Inc.>: Yes. Good morning. Want to drill into your comment about the inflationary increases as you work with the auto makers. Couple of things around there. First, can you kind of reconcile that with the doc point that actually program car costs are going down? Does that mean they are also guaranteeing higher residuals? And then second, what do you think the impact of the higher cap costs are on the eventual cap cost to residual ratio, and then what does that mean for fleet cost going into next year?

<A – David Wyshner – Avis Budget Group, Inc.>: Sure, Brian. Good morning. I think there are a few things going on. First with respect to program-cars, there we're really focused on the rates that we're being charged there. We may have a little bit of inflation in terms of cap cost, but what really matters is the difference in the monthly cost there. And what I think we're seeing is that the used car has been fairly stable and reasonably solid this year. And I have to imagine that's impacting how manufacturers are looking at program-cars, since our program-cars are their risk cars, and ideally giving them a little bit more comfort with the stability of residual values there. And so, my own view is that's playing a part in making program-cars a little bit more attractive year-over-year in bringing their cost down.

In terms of risk cars, our expectation is that inflationary cost increases in purchase prices wouldn't change the ratio of residual values after 14 months or 16 months to the purchase price. We do however think that the increase in off-lease volume and the general economic and market trends will probably create a modest amount of pressure, some decrease in residual values as a percentage of cap cost. And that is part of our thinking as we work through the 2014 plan. We are still working through our analyses of that issue and I'm not ready to go out with a numerical projection at this point in time. But we are looking for trends in the market to put a little bit of pressure on the ratio of residual values to initial net cap costs.

<Q – Brian Johnson – Barclays Capital, Inc.>: And so just remind us, do you have a view of the percent that residuals could go down on a rough range of residual trends next year?

<A – David Wyshner – Avis Budget Group, Inc.>: When we look over time, over the last several years, which has included some fairly extreme movements, most of the time rates will – residual values have stayed within 3 points or 4 points of the average. But that's sort of the range including some relatively extreme periods. And at this point, I don't think we'd expect nearly that dramatic a shift from 2012 to 2013, sorry, from 2013 to 2014.

<Q – Brian Johnson – Barclays Capital, Inc.>: Okay. Thank you.

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

<Q – Chris Agnew – MKM Partners LLC>: Thanks very much. Good morning. Maybe a follow-up on fleet costs. And you've left your per-unit per-month fleet cost guidance for the full year unchanged at $285 to $295. I believe that you're largely through selling all your risk cars. I mean, what would cause you to be at the low end of that range versus maybe the higher end of that range where you're kind of tracking? Thank you.

<A – David Wyshner – Avis Budget Group, Inc.>: Hi, Chris, good morning. We're not expecting a tremendous amount of volatility. And as I mentioned, in North America we're largely done with risk car sales. So, we don't expect a lot of movement there.

We did see more noise in the European and Australian used car markets. We actually had a modest amount of gains in both of those markets in used car sales in the third quarter. And I think if there were to be movement in our cost, something driving it more toward one end or another, it would probably be driven by our international segment much more than North America.

<Q – Chris Agnew – MKM Partners LLC>: Thanks. And if I could have a follow-up on Europe. Can you give us an overview on the European market? We've seen tremendous growth of Budget. Where is the market share coming from? I'm just really trying to get a sense of how much run way there is for Budget to grow in Europe? I think a lot of investors here are less familiar with the marketplace and then is there scope to take a deep value segment or your brand over to Europe? Thanks.

<A – Ron Nelson – Avis Budget Group, Inc.>: Hi, Chris. I still think there's a substantial amount of run way for Budget. I think when you look at even despite the significant growth that we've had in Budget, we're still less than 3% share of the entire market and as you recall, the market is still about 35% independent, and that the independents tend to be the value players. And so that's the segment of the market that really represents Budget's target.

They're continuing to grow strongly. Avis is also growing well. October, we had a much stronger month than we anticipated volume-wise. I think Europe was up about 7% in terms of total days. So, the combination I think of the economy is starting to turn around and the opportunity to grab share from the independents I think is going to drive that business pretty significantly.

In terms of taking our brands overseas, Payless has I think about a dozen licensees in Europe. Zipcar is in Austria, Spain and the U.K. The U.K. is probably the most significant of those three operations and yes, we think there is a big opportunity to take Payless into the European market and drive it through our licensee network as well as our own network and we feel the same is true for Zipcar.

What I do think is, the manufacturers in some other countries are in the car sharing business and they have reasons beyond the profitability of car sharing to be in that market, so I think you got to be careful about where and how you expand. But we think there is a lot of opportunity to grow the Zipcar brand and Payless overseas.

<Q – Chris Agnew – MKM Partners LLC>: Great. Thank you. I'll get back in queue.

Operator: Our next question, John Healy with Northcoast Research. You may ask a question.

<Q – John Healy – Northcoast Research Partners LLC>: Thank you. Ron, I wanted to ask a question on the volume side. I'm sure you know there's been a good amount of healthy debate of what's happening in the U.S. airport market in terms of volumes and why there's been a little debate in terms of what's happening with corporate and leisure and government. And I want to get your thoughts as you plan your business for next year, and how I think about your business, you pulled off some opaques, you had some government disruption, and you've been probably a bit more disciplined on the corporate side, but as you plan the business for next year and you hear airlines are adding capacity, I mean, is it realistic in your thought process to think that the volume gains on the airport market next year can be better than what you've seen this year specifically for Avis, and are you planning your fleet that way for next year?

<A – Ron Nelson – Avis Budget Group, Inc.>: John, I don't think that we see next year as a whole lot different from this year. We've had a strong year in commercial and in Avis. I think it largely represents some new accounts that we got. But I tend to think that we're going to see overall growth in the car rental market, probably again in the 1% to 3% range, and that's the way we're going to plan the fleet.

FACTSET:callstreet corrected transcript

What I think will effect it is that we are maintaining our discipline, and then if we can't get rates that we think are remunerative with some of our commercial account renewals that come up, we're not going to lose money simply to post volume. So I think that tempers some of our view of what our volume increase will be, notwithstanding how strong it was over the course of this year, so. Look, I think everybody is kind of in the slow growth mentality, economic growth of 2%-plus, and I think that probably suggests volumes that are not dissimilar from this year.

<Q – John Healy – Northcoast Research Partners LLC>: Great. And with that point, you said everyone kind of seems to be, in my words, rational in terms of how they're thinking about growing the business, with an expectation of some moderate level of fleet cost. You made the comment that December you get tougher comps on pricing. Are you still a believer that in 2014 the stage is still very much and that maybe experience some pricing?

<A – Ron Nelson – Avis Budget Group, Inc.>: Yeah, I don't think we're going to let up on this. I still think that the return on capital in our business has some ways to go. And we're going to continue to drive pricing. I think we certainly need to be driving pricing on the commercial side of our business because, as I've said earlier, you can't compound down 2% for the last four years and maintain a profitable business model.

So, I think on that side of the realm, the industry does need to get more pricing. If you look at what we've done since 2009 on the leisure side of the business, I think the industry has actually done reasonably well. So the focus has to be commercial, but to a certain extent, I think everybody's fleet costs are going to move in lock step, and to the extent that we think they'll be up modestly on inflation, I think you'll see some pressure to move prices up to recover some of those costs.

<Q – John Healy – Northcoast Research Partners LLC>: Great. Thank you.

Operator: Our next question, Kevin Milota with JPMorgan. You may ask your question. Please check your mute button.

<Q – Kevin Milota – JPMorgan Securities LLC>: Sorry about that. Good morning, everyone. I was hoping to talk a little bit about price here. Was hoping you'd give some commentary on kind of the price increases that you've been able to achieve, what's coming from the increased mix shift versus actual prices that you've been able to push up organically?

<A – Ron Nelson – Avis Budget Group, Inc.>: Sure. Well, since the end of the third quarter, we've launched three price increases. I would say one with substantial adoption and two with mixed results. We just announced one for December, too, and I would say the trends that we've seen in the past characterize this one. Enterprise was the faster follower. Adoption rates are still climbing, but they look like we'll get some traction with it. So, I don't think that the manner in which people are adopting price increases has changed much since the end of the quarter.

<A – David Wyshner – Avis Budget Group, Inc.>: The second part of the question was about mix impacts, and I do think mix is a part of our strategy for achieving increased pricing, and so as we shift away from opaques a bit and adjust our fleet mix to have a few more luxury or premium vehicles in the fleet, that is having a modest effect. But I think the greater effect is the one that Ron was talking about, the moves for price increases in spot markets, as well as the push we're making when we talk to commercial accounts to try to retain and increase pricing there.

<Q – Kevin Milota – JPMorgan Securities LLC>: Okay. Thanks a lot, guys.

Operator: Our next question, Adam Jonas with Morgan Stanley. You may ask your question.

<Q – Adam Jonas – Morgan Stanley & Co. LLC>: Hi, Ron, hi, David, hope you guys are well. First, one of your competitors has been making some noise about buying used cars to help offset

the used car price decline. Wanted your view on that and whether that's a tool that you could consider or have done in the past and how we should think about that?

<A – Ron Nelson – Avis Budget Group, Inc.>: Sure. We've bought used cars from time to time over the last couple of years. They are not a substantial part of our fleet. I'd say at any given time, they might be somewhere between 5,000 and 10,000 cars. Usually, we do it to fill it in areas where at times when it's not, you either can't get cars from the manufacturer or it's the wrong time of the year to buy new cars, and you just need to fill in to supplement some volume surprises on the upside that you might have had. But I think it's entirely a reasonable strategy, and I think that we'll continue to use it, but I don't see it becoming a substantial part of our fleet mix.

<Q – Adam Jonas – Morgan Stanley & Co. LLC>: Okay. Thanks for that, Ron. And just, you brought up earlier in your prepared remarks this debate about the true strength of the airport market in the United States and I am just curious how you reconcile these varied, this gap between you and Hertz in terms of how you see it. I mean, you talk about your share being relatively stable and the market was holding up well. Hertz, I believe, says their share was stable if not up, and that the market was weak. Have you seen that kind of loggerheads of views before and how do you reconcile it?

<A – Ron Nelson – Avis Budget Group, Inc.>: Well, all I can speak to is, what our results have been and we've seen a fairly consistent pattern of commercial growth on the airport. We haven't lost any share. Our share is roughly flat. So, it could well be that our competitors have had some mix shifts and we're getting more commercial and they're getting more leisure and that affects their commentary.

But, I actually – Adam we've been surprised by the strength of the commercial, particularly over the summer and as I think as I said in my comments, Avis was up 8% over the third quarter. It was up in the mid-single digits in the first two quarters this year. So, I don't think that there is anything anomalous going on. We did win a big account that started at the first of the year that could have had a point or so impact on that, but I don't think it will be much greater.

<Q – Adam Jonas – Morgan Stanley & Co. LLC>: Thanks, Ron. And just a follow-up on that, so on airport market, why is it that car has to be the – why does Avis Budget has to be leading in price increases, why does the onus seem to be on you to kind of carry the flag for the industry? I'm just curious why no one else does that?

<A – Ron Nelson – Avis Budget Group, Inc.>: He who leads always gives up his volume when you do that because people don't follow quite as quick and harvest the benefit of you having higher prices. Look, we're happy to let others lead, but until somebody does, we're going to continue to step up and do it, because we do think it's the right thing for the industry and we do think that it's important to get our return on capital up.

<Q – Adam Jonas – Morgan Stanley & Co. LLC>: Thanks, Ron.

Operator: Our final question comes from Afua Ahwoi with Goldman Sachs. You may ask your question.

<Q – Afua Ahwoi – Goldman Sachs & Co.>: Thank you. Just two questions from me. First on the 4Q numbers you mentioned for volume and prices sort of ex-Payless, given that obviously as we model we will have Payless impact and that I expect those may be positive to volume, but negative to price, and so can you give us an idea of what the Payless impact will be for the fourth quarter? And then also for the fleet cost for vehicle sales for the de-fleeting season, can you remind us how much you've sold already this season versus last? I think earlier you sort of intimated that you've spent something more than usual when the prices were good. Thank you.

<A – David Wyshner – Avis Budget Group, Inc.>: Good morning, Afua. On the first question, we did on Table 3 try to provide our North America drivers with and without Payless, so that you can see the effects there. I think they work out to between a point and two points on the volume side of increase as you said, and then about a point negative on overall price as a result of including Payless. That is sort of the order of magnitude associated with the Payless transaction, and we tried to be good about providing the drivers there to why it is exactly what impact it's having. What was the second part of your question again?

<Q – Afua Ahwoi – Goldman Sachs & Co.>: Sure. I'll ask the second part, but actually for the first part, I was asking about for the fourth quarter the numbers that you gave, is the impact – are you saying the impact will then be similar to the impact that Payless had in third quarter, I assume because it's a more leisure brand and maybe more in the third quarter versus fourth quarter, but maybe correct me if I'm wrong. And then the second part was just on the vehicle sales, can you update us on how much you sold this season versus you typically sell, are you ahead of plan right on line with plan versus history?

<A – David Wyshner – Avis Budget Group, Inc.>: Sure. The Payless impacts are going to be fairly close to the same in the fourth quarter as they were in the third. I think our aggregate car sales in the fourth quarter are going to be in the 7,000 maybe 8,000 car range in total. The sales had been very much in line with our expectations, so we don't expect any significant gain or loss associated with our North American vehicle sales.

<Q – Afua Ahwoi – Goldman Sachs & Co.>: Okay. Thank you.

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

So before we close, I think it's important to reiterate what I believe were the key points from today's call. One, we are encouraged by both our pricing and volume trends in North American over the summer and we're seeing similar trends this quarter. We think the European economy has bottomed and we're seeing some encouraging signs in certain other geographies and we are excited about the opportunity Zipcar holds for us in the future and remain committed to achieving the $50 million to $70 million in annual synergies from this acquisition.

We have a fairly full investor calendar in the upcoming months and hope to see many of you during our travels. We're also planning on hosting an Investor Day in early 2014. So we'll have more information surrounding that to get to you in the next month or so. With that, I want to thank you for your time and interest in the company.

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

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