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CAR - Avis Budget Group Inc Investor Day Meeting

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PRESENTATION

Neal Goldner *- Avis Budget Group, Inc. - VP of IR*

Good morning. My name is Neal Goldner, Vice President of Investor Relations, and it is my pleasure to welcome you to Avis Budget Group's 2016 Investor Day. It is great to see so many familiar faces out there and some new ones.

As you can see, we have a pretty full agenda today including multiple Q&A sessions. And I know you are anxious to hear what our speakers have to say. But before we begin I must remind everyone that today speakers will be discussing the forward-looking information that involves risks, uncertainties and assumptions that could cause actual results to differ materially from the forward-looking information.

Important risks, assumptions and other factors that could cause future results to differ materially from those expressed in the forward-looking statements are specified in the Company's periodic filings with the SEC, which are available on the Company's -- on our Investor Relations website at IR.AvisBudgetGroup.com.

Today's presentation includes certain non-GAAP measures which are reconciled in today's presentation slides. For those of you listening via webcast, the slides accompanying today's presentations can be found on our website.

With that behind us, it is my pleasure to introduce today's first presenter, Avis Budget Group's CEO, Larry De Shon.

Larry De Shon *- Avis Budget Group, Inc. - CEO and COO*

Good morning, everyone, it is great to see you here. Thank you for your interest in our Company. I have been with Avis Budget Group about 10 years now and almost one year as our CEO. And in that time I have seen this organization tackle some pretty challenging times.

I have also seen our executive team, and the employees that they lead globally, chart a pretty aggressive course towards building a better Company. We are fortunate to be the stewards of some incredible brands, brands that have been successful in the marketplace for decades, household names.

Today is about where do we go next, how do we leverage all of the good work leading up to today and chart our course for the future?

I'm excited and optimistic about the future for a number of reasons. We have built global brands represented in over 180 countries. We've been investing in new technology to not only modernize our core systems to make us more nimble, but also developing technology that gives us a leadership position in a number of areas like demand forecasting, supply chain management and pricing.

We have developed leading edge technology to improve the customer's experience by listening to our customers describe how they want to interact with us, giving them choice of vehicle and total control over the rental experience.

We have built a culture of continuous improvement, a culture of discipline and rigor in-fleet management and integrations and overall execution, setting ambitious goals to drive the organization forward. We are building capabilities leveraging improved data analytics to inform our decisions so we can be smarter and faster to the market and investing in additional resources in key areas to deliver on our strategic initiatives.

We are building a culture of innovation, leveraging the talent and passion of our associates throughout the organization as well as aligning with partners that can bring value to our customers. We have aligned our strategies with the work of our people. Everyone, and I mean everyone, understands where they connect, how they can personally deliver on our strategic initiatives each day.

So as global consumers' demands for mobility options increase we are well-positioned to grow with it. We are excited to share the key components of our strategy with you over the next few hours. You will be hearing from Scott Deaver, our Chief Marketing Officer; our regional presidents, Mark Servodidio and Joe Ferraro, and they will not only cover sections of our global strategy, they will also cover specifics about their regions; and David Wyshner, our President and Chief Financial Officer.

As many of you are aware, for a number of years we've been executing on our overall strategy of driving sustainable profitable growth. The initiatives continue to evolve as we deliver on them and then move on to new opportunities to drive profitability. As we now look forward we are getting a clearer line of sight on strategies and initiatives that will lead us to a pathway of higher margins.

As an experienced team who has consistently executed well, we have set a margin improvement target of 13% to 15% over the next five years or 50 to 100 basis points per year. But first let's talk about the business today.

Our 30,000 employees globally and our very strong and experienced licensee community serve our customers at over 11,000 locations around the world. Our average corporate fleet is 560,000 vehicles, and our revenue has grown to $8.7 billion.

As part of our strategy we have grown our global footprint by acquiring a number of our licensees over the last three years. In addition, we have been driving some consolidation in the European marketplace; with the acquisition of Maggiore we are now the largest rental car Company in Italy. And we have recently announced the acquisition of France Cars and we plan to close at the end of the year.

We have powerful global brands that appeal to a diverse customer base and different use cases in mobility. As part of our strategy we are further developing the value proposition so they become even more relevant to the customer base they serve.

As an example, for our premium brand Avis now is an innovative industry-leading solution that enables a best-in-class experience for our Avis customers and gives some total control over their rental experience and choice of vehicle. We are piloting other initiatives to ensure we are being proactive and responsive to our customers' needs throughout the rental experience.

Turning to the industry fundamentals, looking over the last several quarters US airport market share has been stable; our family of brands has stayed around 28%. Our fleeting strategy is to keep fleet tight to demand and continue to push for opportunities to improve utilization. Utilization opportunities not only align our continuous improvement initiatives, but also in connected car technology that will give us greater visibility into managing our fleet with more granularity.

The evolution in our industry is exciting. There are interesting dynamics that are happening that create opportunities for us in the marketplace. Consumers want total control over their experience. Who doesn't? They want to transact on their terms which is why Avis Now is such a relevant product offering.

The trends towards pay-to-use is increasing the mobility market so even if car hailing is taking some rental car transactions on the margin, if consumers find more mobility solutions that satisfy their different mobility use cases so they are more willing to give up that second car or even their primary car, then our addressable market gets larger.

Technology is creating an exciting opportunity for us to even further enhance the customer experience. Partner with service and product providers that can add value for our customers and through connectivity optimize our processes to drive even more efficiencies in our supply chain. And in Europe where the rental car market is fragmented we will keep looking for bolt-on acquisition opportunities where it makes sense.

So how does the evolving landscape benefit us? We have a proven management team with decades of experience in managing one of the largest fleets in the world. We have the expertise, the systems, the processes, the procedures, the people who know how to acquire in-fleet, clean, maintain, repair and dispose the fleet. And during the life of the car to ensure it gets to the right customer at the right place at the right time ready for its mission.

We are a huge part of the mobility ecosystem and we will continue to be in the future. And using technology to optimize our fleet throughout its lifecycle across 33 million transactions can drive meaningful improvement in operational efficiency.

So as we think about our overall strategy of driving sustainable profitable growth and the opportunities that are now in front of us, we have evolved our strategies and organized them under three themes: leveraging our brands to win customers; increasing our margins by using better data analytics to improve the quality of revenue, drive fleet optimization and operational efficiencies; and leverage our core strengths in-fleet management and our customer relationships to succeed and the mobility landscape -- all enabled by innovation, technology and the talent and execution discipline of our people.

We have amassed a powerful portfolio of brands. From premium to deep value, commercial to leisure, car rental to car share, we have a powerful brand portfolio that addresses a number of different use cases in mobility.

We have invested in people and systems to improve our data analytics so we can quickly find opportunities in improving the quality of our revenue. Really taking apart our transactions to understand what we really liked and didn't like about the book of business we took from a quality of revenue perspective and understand how we drive our fleet through the most profitable rentals.

Through better data analytics, understanding when to buy, what to buy, where and when to in-fleet and de-fleet a car to maximize its residual value. Driving more fleet sales to alternative channels that can yield higher returns. Through technology and better data analytics we will be more sophisticated in matching man-hours to demand by location, by hour, by day and by month of the year, aligning to airline schedule changes, leveraging part-time staff and employ cross utilization opportunities to drive efficiencies.

We are innovating to ensure our product offerings meet the needs of today's consumer across our brands and in doing so and ways that safety for our customers and are efficient for us. We have a fulsome roadmap of adding new functionality to our Avis Now app so the Avis customer can literally do everything he or she needs to do on the app on their own time.

At Zipcar we are developing the platform that would facilitate over 1 million zipsters to use Zipcar for any car sharing use case whether it is round-trip, one way with a reserved parking or floating.

So when we look at the dozens of initiatives that we can drive over the next several years that support our strategic plan -- the talents of our people; the execution, discipline and rigor that is deep in our culture; the improved data analytics that can guide us; and the investments we have made to modernize our systems and we will make in the future to leverage new technology -- we believe it is reasonable that we can grow our margins 50 basis points to 100 basis points per year. Scott, Mark, Joe and David will go deeper in each of the margin opportunities.

So in summary, we have an experienced management team with a proven track record of managing one of the largest fleets in the world that serves over 33 million transactions. We have a very strong brand portfolio that meets the needs of several use cases in a growing mobility marketplace. And we can leverage our experience in new technology to deliver on our three key strategic areas to drive higher margins over the next five years. Next I'd like to turn it over to Scott Deaver, our Chief Marketing Officer.

Scott Deaver - *Avis Budget Group, Inc. - EVP, Chief Marketing officer*

Good morning. It is a real pleasure to be here today and to have a chance to talk to you about a subject that is very, very important to Avis Budget Group but also that I am personally passionate about and like to talk about and like to think about. And that is mobility.

I am going to talk to you about how the mobility landscape, the way people move around is changing. It is, we believe, at the cusp of a very large rapid change. I'm going to talk to you about how Avis Budget Group is well-positioned for a future in which mobility changes, that is to say we have gotten ahead and we plan to stay ahead.

I am going to talk to you about key competitive advantages that we think will stand us in good stead as mobility evolves in a new way. And then I'm going to talk about how we pay it all off with our global household name brands that connect us to consumers.

Start at a high level or at least at the beginning. So much gets written about mobility, and I often feel like when I am reading about it everybody is using a different definition. So let's just start with some definition work at the simplest possible level.

We are going to say that mobility is simple, it is the purposeful moving of people or things from one place to another, from our point of view, in an individual vehicle. So we are leaving out mass transit, we are leaving out container ships; this is moving from one place to another in an individual vehicle. You are in a place, you want to go to a different place. This is kind of a fundamental human need, it is unlikely to be replaced by virtual reality, it is really always here.

For Avis Budget Group the addressable part of a mobility marketplace is you want to go from one place to another in a vehicle you don't own yourself. So that is part of the marketplace that we always will be concentrating on. And that addressable market, people who want to go from one place to another in a vehicle they don't own is at the beginning of a period of huge and accelerating growth, we believe.

The model of mobility forever, for the last 100 years, has been pay to own -- people owned a car, they drove where they wanted to drive in it, it was their car. But we are seeing that shift to a pay-to-use model more and more rapidly and I will tell you why. A lot of different factors come together to make this happen.

First of all, millennials and the customer attitudes that millennials bring with them. Millennials don't care much about cars; we see this in all the research that we get. In my generation cars were defining possessions. Millennials are not very interested. And so, we see a world where cars just aren't prized.

More to the point, millennials in particular are likely to be in urban environments. And urbanization is a real boost for a pay-to-use mobility model -- both because it is expensive and a hassle to own a car in a city, as those of you who live in New York know. It is also very easy to deliver pay-to-use mobility in a city, people are close together.

And government policies are going to increasingly make it hard to just proliferate, proliferate, proliferate individually owned cars as cities grow and grow. You can already see it in a lot of other parts of the world; you will see it more and more in the United States. The economics in a city simply favor pay-to-use. People don't need to own a car, they can get more use cases handled more with the right vehicle at a more economical price by using a pay-to-use solution.

And now cars are connected and that changes it even more. As cars are connected more and more, as the customer can locate or summon or unlock or track a vehicle from an electronic device, there is no question that that contributes in a very large way to a world where car ownership is less and less important, pay to use solutions are more and more important.

As one Zipcar member said to me one time: I don't need to own a car, I have a car in my pocket. And that is what millennial consumers want. And not just one car, flexibility and control to have the kind of transportation solution they are looking for at the time they are looking for it in a pay-to-use world.

As this pay-to-use world expands, and we think it is going to expand greatly over the next few years, we intend to be at the forefront of it. In the quick expansion [you've seen] in the last three or four years a large part of the expansion has been in ride hailing services. That is kind of the thing everybody talks about when they say mobility is changing, and there is no question that has been explosive growth. And so I want to just go on a little tangent and talk about how our businesses relate to ride hailing services.

As I say, there is no question their growth in that category has been explosive, but the notion that somehow ride hailing services are expanding hugely at the expense of car rental is simply mistaken, it is not true. Car rental has continued to grow through the rise of ride hailing, has continued to grow at a pretty steady pace.

In general we don't see it statistically in our numbers. The business continues to grow. We don't see big erosion in the places you would expect to see it: one day rentals, short mileage rentals, urban rentals -- not a lot of visibility statistically that this is changing our customer trajectory a lot.

Of course we know that there are occasions where ride hailing is a better solution than car rental. We know anecdotally but you can talk to anybody. There are occasions when people used to rent cars and now they use a ride hailing solution. But we think that overlap is very, very small and is unlikely to grow in the future because the use cases are so different.

The average car rental is about four days long. The customer who drives that car for four days puts about 100 miles a day on it. That is not a use case that is going to be very easily solved by ride hailing. Even one day rentals average 150 miles a day. So again, not really a ride hailing kind of occasion.

So whatever overlap there is we think it is small. More to the point, we think in the end ride hailing services and their growth are our allies much, much more than our competitors. Because they are adding one more reason that a person doesn't need to own a car, doesn't need to own a second car. That a pay-to-use solution solves all the mobility problems a person might have, they don't have to own a car.

If you think of all the miles driven in the world as pay-to-own versus pay-to-use, it wouldn't take much growth in the pay-to-use slice to make our industry orders of magnitude larger. So in the end we think we and Uber are working together to change the way people use cars much more than we compete with each other.

So, in this changing mobility landscape, in a world where it is going to be pay-to-use, let's talk about how we at Avis Budget Group feel that we are well positioned for the future. Or put simply, we have gotten ahead in our businesses, of the rest of the competition, of the rest of the category and we plan to stay ahead.

First we launched Avis Now. The Avis Now app and process, started piloting it about a year ago, launched the summer. This is -- well, we will talk about what it is, but this is an entire reengineering and reinvention of the car rental process. It is not just an app; it changes the way people rent cars completely.

We know it is successful, we know people like it because we have already got 300,000 people that have downloaded it. And this is -- we really launched it fully publicly in July, so this is pretty recent. 300,000 people have already downloaded it; we have had 150,000 transactions. We've rolled it out in the US to nearly 60 airports which account for three-quarters of our US airport business. And we are expanding pretty rapidly across Europe, so this will be a global solution very, very soon.

The feedback we get from our customers on this product is really, really encouraging. When we talk to the people who use the app about how they liked it and why they used it what we find is 40% of them say, I will rent from Avis more than I used to because I have this app and this is such a good process, not just app. I have this better process. 90% of them say, wow, this is the right way to rent cars; I am using this the next time I rent from Avis.

And what I think is a really interesting and promising aspect of this, of the 300,000 downloads, of the 150,000 transactions, about 5% of them come from people we have never seen before. So we are attracting an entirely new customer, probably a millennial customer, because we have a process designed in the way that that customer likes processes designed and because we have changed the way cars are rented. We think that has great, great promise for the future.

There is a reason why it is working. And the reason why it is working is we didn't just make this up in some innovation lab in the dark. This was really as much designed by our customers as it was by us. We spent many, many, many hours in focus groups talking to our customers about how do you think car rental ought to be? How would you design car rental for the future. And this is really very much designed in partnership.

So the bare-bones of what it contains from the beginning is electronic confirmation, you land and you get a push notification that says here is where your car is and here is what your car is. You skip the line and go straight to your car. If you don't like the car you get real-time inventory selection, meaning you can see all the other cars that are available right now, you can exchange, you can choose a different car, you can upgrade your car. It is designed to give the consumer control.

And we are in a position to continue to communicate with the consumer during the rental so we can sell ancillary features as the rental is going on. We are already having a lot of success with adding satellite radio mid rental. We think there is a lot of places to take that. And then finally electronic rental receipts. So it really is changing the way people rent cars. It is a new kind of experience and a very popular one with our customers.

The watchword here is control. What people want and what Avis Now gives them is the ability to control their entire experience. To see the car, to select the car they want, to upgrade if they want to, to unlock the car, to check the car back in when the journey is over and to keep all of their paperwork, rental agreement, receipt -- everything that used to be on paper on an app so that it is -- well, it is like a 21st century process, not like a 20th century process and we kind of move car rental into a new century.

We think we are well ahead of anyone else in our industry with this product. And we have a roadmap of new releases planned to add features, not just features that are good for us, features that are good for the customer; what people are asking for. We will be adding features in release after release all through next year. We think it is going to be very, very difficult for anybody to catch us in this space. We are well positioned for a mobility future.

The second place we are well-positioned for a mobility future and that we are ahead of the pack is with Zipcar. Zipcar is, as you know, the global leader in car sharing. We almost -- well, we have over 1 million members -- we are almost synonymous with car sharing I think. We have over 1 million members worldwide.

Now Zipcar has the broadest service offering of any car sharing company. That is to say we have products either completely released or in release to handle every use case. Round-trip I take my Zipcar, I go do what I want to do, I bring my Zipcar back. One way I take my Zipcar, when I reserve the Zipcar I reserve the parking place I'm going to leave it at the other end of my journey and I drive it in and park it there.

And floating, which we are piloting in Brussels now, which is I take the Zipcar and I leave it in any legal space because a deal has been made with a city to allow that. And you just leave it in any legal space and walk away. So we are covering every use case; no other car share company covers every use case and we are going to be well ahead in that regard.

We are in over 500 cities and towns. A long time ago somebody I worked for told me, the best advertisement is a sign and Zipcars are everywhere. Every city and town you go to, you see Zipcars live here, you know that Zipcars are available.

More interesting, we are in 500 college campuses. And that means we are talking to tomorrow's consumers and we are creating in them habits -- first brand awareness. Zipcar is the solution I had when I was in college, it's how I got around. But also, we are creating in them habits for mobility that we think, particularly if they are going to move to a city, they are unlikely to abandon soon.

We want to get people used to you don't need to buy a car, you have a car. All you have got to do is join Zipcar. All you have got to do is go to car rental. All you have got to do is find a mobility solution that is pay to use.

So with Zipcar, like with Avis Now, as you see, it is all about control. Pretty easy to do. I am not going to do a show of hands, but I have no doubt there are zipsters in the room; it is New York City.

You sign in, it is me, you locate your car or the car you want, you see where all the cars around you are. You reserve the car you want, you unlock the car with your mobile device, you get in the car and drive away. You have got a car you are paying to use, you are consuming transportation not owning a car. Then you come back, end the rental and walk away from the car, done. Billed automatically, complete.

If you see some similarities between this and Avis Now there is a reason for that. We are getting what consumers want for the future. We are getting how mobility is going to change. It is going to change to a consumer controlled flexible set of solutions. And we're building those solutions.

We are learning from -- each brand is learning from the other. We are learning all around from the things that the brands succeed at. And we are particularly pursuing the next generation of consumers because their expectations and habits with mobility are going to be very, very different from the last generation, which does not include me even though you may think so.

All right, so, we are well-positioned for the future. We are ahead and we are in a great position to stay ahead. But I want to talk a little more about -- and we have key competitive advantages that are going to stand us in good stead regardless of how mobility evolves over the next few years as we move into a pay-to-use world. These are things that make us uniquely positioned to enjoy more success than most or any other companies in the space are likely to enjoy.

That is why, when Larry showed our upcoming discussion today about our major strategies, that is why success in mobility is such a big, big key part of our future is we have competitive advantages here. We have got to cash in on the things we are simply better at than other players. And we are going to be able to build in a pay-to-use world a larger and larger mobility business.

We expect to lead and succeed in the mobility landscape across two continuums of service. And this is two ways to win for Avis Budget Group. And it is not either/or, it is both/and. We can win in both these spaces.

First, the customer journey. No matter what the mobility solution the customer interface with the mobility provider is somewhat similar in shape. They have got to reserve the vehicle they want so they can get their transportation consumed. They have got to pick it up or it has got to pick them up.

You have got to connect the person with the car. The rental itself, in our case rental or transport has to happen, that means navigation, that means finding fuel, that means finding parking and that means being able to control the rental during the rental. All those things are being added -- are either already in Avis Now or being added.

Then you have got to get the vehicle back to the vehicle's owner, so you've got to somehow end the rental and hand it off. And finally post rental you have got to have receipts, reporting, customer service -- all the things that complete the process.

This customer journey is pretty much the same regardless of what mobility solution the consumer chooses. And we feel like we are way -- we have permanent competitive advantages. We are not just way ahead, we are better at this than many other people coming in this space.

And the reason is, we have -- first of all, we have jumped ahead with digital capabilities with Avis Now. So an car rental proper we are well ahead of anybody else in giving consumers what they want and managing this journey in the way consumers want it managed.

Second, we have worldwide distribution and market presence. This isn't just a few cities, this isn't just US, this is all over the world.

And third, we have global household name brands with 70 years of experience at serving customers. Everybody already knows who we are. We don't have to establish our identity, we just have to find the customers who want the products we have to sell. We think that in this space we have competitive advantages that are going to be very hard to overtake and that are not much duplicated by very many other companies.

But there is an even more important piece of our competitive advantages and that is we manage already 0.5 million cars. We know an awful lot about managing the supply chain for a fleet of cars. And that will always have to be there in a pay-to-use world for whoever is providing the transportation people are using.

That means somebody has got to buy the car, somebody has got to in-fleet the car, put a license plate on it, make it legal in the city, get it out on the road. Utilize is the bullet here, but let me tell you this is a lot. This is move the car to where people want it, then move it again to where they want it next time, then make sure that you have got somewhere to park it when it is not being used. Then if everybody is coming to the airport, get it to the airport.

That kind of logistics is not easily learned and we have been doing it for 70 years. We know a lot about how to move cars around, get cars where people want them and do it economically and efficiently.

You have got to maintain and repair cars. We have 150 maintenance facilities in the United States alone. We can maintain and repair cars at scale. And finally you have got to de-fleet them, you have got to prepare them for sale, get them where they are going to be sold, and then sell them through whatever channels give you the best return.

So all the things in this supply chain, just to be clear, we have competitive advantages over virtually any other company. It is we are good at this. And I think it is worth mentioning that whether it is self drive, chauffeur drive, autonomous vehicles -- hell, if it is drones -- all these things are still going to have to happen.

To run a pay-to-use transportation world all these fleet management capabilities are going to have to be somewhere and they are going to have to be happening at scale. We can do this at scale, 0.5 million cars. And we think very few if any other companies have our capabilities in that space.

So those are the reasons we think that we are in a very, very strong competitive position going into the future. What pulls all this together is the capabilities we have, the new capabilities we are developing, the ways and which we are changing the car rental experience all comes together under the aegis of our leading global brands -- brands everybody knows, brands that lead in their categories, brands whose reputation is solid and clear. That is how we pull it all together and what we have that no one else has. There are no brands like these three brands.

First, Avis. Avis is our premium brand. And when I say Avis is our premium brand I think it is important to mention we are changing. We are changing the positioning, evolving the positioning of Avis because premiumness in the mind of the consumer has been redefined. What consumers used to think was premium, exclusive and corporate and all those kinds of things, that is not premium anymore. Premium is control the process, make it easy for the consumer and flexibility, give a consumer exactly what they want when they want it.

So what we are now saying is Avis is a premium brand that is harnessing technology to change the way people rent cars. And we are going to do it. That means we give people complete control and flexibility of the rental process. We provide and will more and more over time, because that app develops and develops and develops in a personalized way.

We provide a highly individual and personal experience and we design car rental to, as we say, excite and inspire the journey. Meaning car rental should be pleasant and fun. And that is what we are putting Avis together to do. A premium car rental experience should be pleasant and fun.

Making Avis premium and making the premiumness really a point of difference and superior does three things for us. It protects our price premium; Avis charges more than other brands and when the product is better it is easier to protect that. It consolidates our global leadership, it makes us more than ever a global leader in premiumness. And the third thing it does is it positions us to be a mobility solution for the future, not car rental as it used to be but mobility as it is going to be.

So having Avis as a premium brand in a new world means the product got better, the way we think about our customers got better, the way we define the customer journey got better and we now have a way of leading the industry with Avis.

However, not all customers are premium customers. Some, particularly high profit leisure customers, are value customers, they are really interested in a great deal. And Budget gives us we think the strongest brand in the category, it is in its name, for a great value car rental brand. It is simple, it is efficient, it is a high quality product.

This is not a bad product cheap; this is a high quality product at a very good value price. Budget does not have to go to lowest price in the marketplace to succeed. It is just a good experience and it is at a good price. And Budget consumers are very responsive not so much to low prices as to deals. They like the feeling of I got a special.

Now that means -- one of the reasons Budget is so valuable to us is that means that Budget really responds to marketing. When we do marketing for Budget we see an immediate uptick in volume and it puts us in a position to -- frankly to choose better volume and make it more profitable. So it gives us a dial to turn to accommodate periods when we need more demand for profitability purposes. It is a great brand, we continue to see it evolving, but it has a very clear and powerful niche in the marketplace.

And the third brand that is a global leader is Zipcar. This is a brand we think that is big now, very big, it is synonymous with car sharing. It is big now, growing more and more global. And the thing that makes me excited about it is it has a cachet with urban millennial consumers that no other brand in mobility perhaps has, and certainly no other brand in the car rental, car sharing space has.

People don't just know what Zipcar is, they like it. And that means we can do a lot with this brand, we continue to be providing the first, when you get right down to it, making cars available without benefit of staffing. We really still are providing the first solution that did that and we continue to provide more solutions that do that. And we are going to continue to grow outward and expand all the solutions that Zipcar has pioneered into the rest of our portfolio.

Mobility, not car rental, it is going to be a future where pay-to-use is going to completely eclipse what we used to think of as car rental in a pay-to-own world. All this because it turns on connected cars, which we are seeing more and more of. We have 40,000 connected cars in the Avis fleet now. All Zipcars are connected. All this gives us the opportunity to add, we think, $50 million to $100 million in EBITDA in the line of sight future.

The big drivers are: first, more demand. We are picking up -- 5% of the people we are picking up with Avis Now are people we have never seen before. We are picking up people who did not use to rent cars from us, maybe they didn't rent cars at all. But they are millennial consumers, they are new demand for the future. That means, sure, we will gain some market share, but that is not really the point.

The real point is it gives us high-quality demand that allows us to walk away from less high-quality demand, leave that for somebody else, and to really make an optimized profit picture by optimizing the demand we select. We are getting new customers and we are putting an app on people's phones, the ultimate in brand loyalty.

So that means we will get a bigger share of wallet. It means that once the app is on the phone the propensity of the customer to book using that app rather than using some third-party source goes up markedly. And that means we are not going to see as many bookings -- we will see more direct bookings, fewer through third-party channels where we have to pay a commission and more direct.

And it also means I think over time that once the app is on a person's phone, they are reserving the car from the app, they probably aren't going to be as price-sensitive. If you have got an app you just don't go shop to see if somebody is $2.00 cheaper.

And I think it is going to really insulate us from having to be so very conscious of every little price move that happens in the industry. Put us in a position where we can find a less price-sensitive consumer, treat them right -- I am not saying we gouge them, treat them right, get them habituated and then they are going to be paying more because they are getting more. We think all those things are possible.

And with all of that the connected car also has very, very large potential backend benefits in improving the efficiency of our business and making us better and better at that supply chain and managing the fleet, which is something that Joe Ferraro will talk to you about in a little while. That is the other piece of that $50 million to $100 million. We think it is there and we think that we are well ahead in obtaining.

So, let me summarize. The mobility landscape has entered a period of accelerating growth. We are moving into a pay-to-use world. People are going to consume transportation like you consume data on a cell phone. They are not going to just have one car they own and pay a fortune to park it all the time.

Two, we have unparalleled capabilities in the mobility as a service industry, both in the customer journey and in the supply chain. We have unparalleled capabilities.

And three, we have brands, household names, known the world over, very powerful and clearly defined that allow us to address the full range of consumer use cases.

So that is what I wanted to talk to you about in mobility. Let me show you what it looks like to reposition a brand to change the way people rent cars.

(video playing)

So, let's stop now and see if any of you have questions for Larry or me.

QUESTIONS AND ANSWERS

Unidentified Audience Member

If I could ask a question first to Larry and then come back. Two years ago you outlined long-term goals, 13% to 14%. And back then you were doing 10% EBITDA margins. Today you're still doing 10% EBITDA margins, increased the top end of your long-term goal. Just a couple of points.

One, what gives you more confidence today than two years ago? And then secondly, what if anything headwinds kept you from showing some progression towards your long-term goals over the last couple of years? Thanks.

Larry De Shon - *Avis Budget Group, Inc. - CEO and COO*

Yes, I think as you look back over the last couple years we've been doing a lot of integration work to try to bring the whole network and the whole business, particularly international, kind of up to today's standards.

We had to deal with a lot of integration around technology; we had over 700 applications that we had to consolidate down. Just a lot of work has been done in the network to kind of get us to the position that we could actually start moving forward in a more standard global way to make sure that we could go after profit margin opportunities.

You can talk about fleet cost and pricing and some of those other things that can create headwinds or tailwinds for you. But overall I think where we are now positioned, as we look back over the last few years of work, I think where we are now positioned with modernizing our core systems, investing in technology and data analytics, it can really help us understand our business at a much more granular way.

The resources we put in place and the technologies that we have now put in place in revenue, in shuttling, in manpower planning, in fleet, and competitive pricing. We have put new technology on top of all these databases so that our folks can quickly understand where our priorities and where our opportunities are going forward.

Just taking the revenue analytics alone we put a whole team now and just all the time tearing apart our revenue, understanding the quality, understand what is working, what is not working. The type of business we want to stay away from, from a cost of sale. How did it get in, how do we stay away from it for the next time go around?

So this is all helping us understand better, through technology and data analytics, how we can find these opportunities to move forward. We have got a line of sight now on literally dozens and dozens of initiatives that we all feel comfortable with that through technology and through resources and through the rigor of the execution that we have in our DNA of our Company, that we can go out and actually execute on these. So we have come a long ways over the last few years and we feel ready to really tackle the next chapter of it.

Unidentified Audience Member

Thanks. And then a question for Scott on Avis Now and something I have used, and it is a very good product. You said you are well ahead of competitors. How far ahead do you think? I mean, how much do you think they need to invest or do or take time to get to where you are? And the real question is, is this a risk to ancillary revenues over time and what have you seen today? Thanks.

Scott Deaver - *Avis Budget Group, Inc. - EVP, Chief Marketing officer*

Yes, a really good question. As far as why we believe we are ahead, I think obviously we don't have 100% intelligence, but nothing we hear in the marketplace of where people build apps and do the technology is making us think that big investment is going on. Now that doesn't mean it's not, it's just we are not really hearing much.

But I think the real reason we are ahead is because we talk about this as an app. And I try so hard to remind myself this is an apps process and it is hard. So what took us a year was not building an app; it took us about eight weeks to build the app. What took us a year was designing the process with consumers, sitting with them until we knew exactly what they wanted and then -- our operations people are so great, they can do miracles.

Then talked to the operations people about how are you going to do this. How are you going to make sure that when the person scrolls down they actually can pick the car they see and not find out that car was gone? How are you going to put the upgrade lines onto the available inventory so they can have it?

The logistics behind making this work are going to take a long, long time even for a company that executes very well. So I think those reasons make us feel we are ahead. The real payoff of being ahead is we have got to keep putting out a new release, we have got another one coming in February that is going to add a bunch of new features. We have got another one coming in May that is going to add a bunch of new features after that. We just think it is going to be awfully -- we are going to be two releases ahead for a long time to come, that is why we think that.

Ancillaries is something we have given a lot of thought to. At this point not much is at risk because we have offered this to first to all our Avis -- well, to Avis Preferred customers, first to all our corporate customers and now just the larger group of what you might define as Avis business travelers. They are not the richest market for ancillaries on their best day for corporate contract reasons and other reasons. So, so far we haven't put much at risk.

Having said that though, what we think is that whatever risk there may be from not being able to make people stand in line -- some people, a few, stand in line and sell face to face can more than be made up for by creating a new channel for ancillary products. Part of it is learn to sell ancillary products online, on a smartphone.

And the beauty of that is we can try five different ways and see which one works best and in that way that you can do in marketing always have a control and a challenger and a control and a challenger and get incrementally better, incrementally better, incrementally better. And we believe over time we can equal or surpass our ability to sell ancillaries face to face.

The other thing that I think is a huge opportunity is we are able now to invent a whole new suite of ancillary products that make sense for the in journey and the app so that we can to some degree personalize. We know who has an app and has never bought insurance in their lives. So the way we would present insurance to them would be very different from the way we would present it to somebody who buys it every single time. There is a lot of personalization available inside the app.

So we think -- and we can sell. Right now we are selling during the journey XM satellite radio. And we are having a lot of success with it. So you are already driving and we can sell it to you. We think we will continue to be able to think of things that are appropriate in journey, appropriate for the particular customer we have got so that we can open a whole new suite of ancillary products and kind of change the playing field on ancillaries.

Larry De Shon - *Avis Budget Group, Inc. - CEO and COO*

Not to mention that it allows us to -- people that may not be really looking to buy ancillaries go through an expedited process which gives our counter folks more time to spend with those folks that are actually looking for ancillary opportunities. Allows us more time to sell with them and talk with them on the counter. So it is a benefit on that side as well.

Dan Levy - *Barclays Capital - Analyst*

Dan Levy, Barclays. Thank you. Appreciate the commentary on your plans managing the mobility supply chain. But just within managing the supply chain, can you just tell us about the types of discussions you have had with different members of the mobility ecosystem, be it the auto makers, be it the ride sharing network companies, about how your role can evolve?

Is there any risk that there could be in the future another member who doesn't currently manage large fleets who may want to step in and take control of this piece of the value chain?

Larry De Shon - *Avis Budget Group, Inc. - CEO and COO*

I think we have had a number of discussions with OEMs and others that are stepping into the mobility space, those that are looking at autonomous cars. We will continue to have those discussions. And I think there is a recognition that there is a few -- very few companies in the world that actually can manage mega fleets. There is a recognition of those people that we have had those discussions with and we will continue to have discussions with them.

We haven't really seen anyone that has really wanted to jump in in a big way and actually take on that kind of supply chain management. It is huge. When you are managing 500,000, 600,000 cars, and some of our competitors even more, and you are managing it globally in 11,000 locations, that is decades of experience and people and processes and systems to support that.

And whether cars are going to be semi-autonomous or autonomous we have still got to buy them, we still have to in-fleet them, we have to prepare them, we have to maintain them, we have to fix them, we have to sell them. We have to do all those things which is absolutely inherent and what we do every single solitary day.

So there is a recognition by those parties we have had discussions with that we do that very well, that is not something they really do at all. And so, those discussions talk about in the future could we possibly cooperate in mobility to help each other in that way. So I think there will be more discussions we have. But, yes, that is pretty obvious benefit and a pretty obvious skill set that we have as a Company.

David Tamberrino - *Goldman Sachs - Analyst*

David Tamberrino, Goldman Sachs. Scott, a question for you on the $50 million to $100 million, can you just unpack the three different buckets that you laid out for us in terms of volume pricing?

Scott Deaver - *Avis Budget Group, Inc. - EVP, Chief Marketing officer*

I don't really think we are going to be getting into like the individual details of it. I -- we are just not getting down to the individual cases. I think that in the broadest sense it is about half and half; about half demand driven and about half efficiency driven. But beyond that I really don't -- I am just not ready.

David Tamberrino - *Goldman Sachs - Analyst*

That is helpful. And then maybe just following up on Dan's question. In a world where the OEMs are starting to come out with their own ride hailing or mobility as a service programs in different cities, it is only small, it is testing. But you can't really put bad genie back in the bottle, right? They are going to continue to be there.

How do you see that evolving from a competitive landscape when five years from now you are competing against them for mileage and you are also dependent upon them for your vehicles in order to compete against them?

Larry De Shon - *Avis Budget Group, Inc. - CEO and COO*

I mean, you have got GM out there with Maven. We have talked to them about that. You have Ford who tried it for a couple years. They have already closed it down or are getting ready to close it down in London. And so, there is going to be lots of people kind of jumping in and trying out what they think that they can possibly do from a capability perspective.

But I think people realize that this is tougher than what you give it credit. It is a pretty tough business to manage the whole supply chain element particularly on a very large scale -- in a large scale way.

Look, we have got great relationships with our OEMs. From a fleet availability perspective, even through the Ford test in London and through the GM project going on with Maven, there has been no discussion that would even cause us any concern about fleet availability. We buy cars from 16 different manufacturers, we have very good relationships with them. I don't really see that as an issue and there has been no indication that it ever would be.

Unidentified Audience Member

Larry, I wanted to ask just a little bit about the EBITDA margin goals. When you talked about the 50 to 100 basis point kind of annual improvement, is there any way to think about just kind of the step function of that? Should we be expecting that 50 to 100 basis points every year or the first couple years there is not much? Or how do you expect it to kind of pace itself over the next five years?

Larry De Shon - *Avis Budget Group, Inc. - CEO and COO*

Yes, we are probably not going to get down to kind of what is the actual goal per year. So we are just leaving it 50 to 100 basis points per year for the next five years to get us there. But you can imagine that in areas like we have already jumped into initiatives and manpower planning and shuttling the Avis Now benefits. These are things that are already in flight. These are initiatives that are already running and we are seeing already benefits pay off from them as well.

So as we continue to launch initiatives there will be some that will be shorter term return in nature. There will be others that will be more difficult and will take more time over time. The mobility ones are probably one that would be longer-term over the five years, probably more in the back half of the five years than the upfront.

Things that we have literally control of today like shuttling and manpower we know that we continue to drive efficiencies there, we are walking down technologies to help us -- to support us in both of those. Those will be more short-term in nature and we will get those benefits over the next couple of years.

So all in all, when you take a look at over 100 different initiatives that we can run over the next five years, there will be some short-term, there will be some long-term and we are just going to -- we are just using kind of 50 to 100 basis points as a gauge.

Unidentified Audience Member

And along those same lines, I think it was the beginning of this year you guys had the $50 million of investment into the brand, into the technology. And it is clear those investments were smart and prudent. Should we expect another year of that next year or is it just kind of more -- a little bit more balanced now?

Larry De Shon - *Avis Budget Group, Inc. - CEO and COO*

Yes, we haven't finished our 2017 business plan yet. We are still in the final stages of getting to the finite plan, which we will hopefully get to in the next few weeks. But at this point, with that caveat, I would expect us to spend a similar amount that we spent this year.

Neal Goldner - *Avis Budget Group, Inc. - VP of IR*

We are going to take a short break now and thank everybody. There is bathrooms back there. We should have some refreshments outside. Thank you.

PRESENTATION

Neal Goldner - *Avis Budget Group, Inc. - VP of IR*

We are about to start again. If everybody can find their seats that would be great. Okay, it is my pleasure to bring up our President of International, Mark Servodidio.

Mark Servodidio - *Avis Budget Group, Inc. - President, International*

Good morning. For my presentation I would like to take some time and share with you the international business make up and our recent performance as well as sharing with you some opportunities for future growth in the region. I would then like to discuss our plans that we have in place on a global basis to grow our revenue in order to achieve our five-year margin ambitions.

Here you can see the overview of the international region, all of which power $2.5 billion worth of revenue in our corporate footprint, which includes operations across Europe, Asia and Pacific. The core of our business is self drive car rental and car sharing. However, we also operate a significant premium chauffeur drive operation in Asia.

For this slide, for those of you in the room, one slight correction to update on your slide. Where you see the channels graph, it is actually 60% direct on the printed documents and 40% non-direct. It is corrected for those on the webcast.

Of our $2.5 billion in revenue Avis is the leading brand. However, we have a diverse portfolio across the international footprint including Budget, Zipcar and regional leaders such as Maggiore in Italy and Apex in Australia and New Zealand. The message here is that our revenue is diversified and growing even without France Cars represented yet.

The European market naturally has a high proportion of leisure travelers in the peak summer months, but we have a strong business customer base which allows us not only to meet that demand but to keep growing in what is traditionally our shoulder periods. Also in the last couple of years we have seen a step change in our digital capabilities allowing us to protect and grow our direct channel despite a general industry trend towards broker channels.

In addition to diversified revenue across segments and channels we also believe that we have the deepest licensing network and relationships across the international region. Here is our overall footprint where we operate. Our licensee coverage delivers a significant amount of revenue totaling approximately $1.5 billion in revenue and drives just under $100 million of profit into our business. Not to mention there is a network that truly positions us as a global leader where our competition is trying to catch up.

This licensee network not only encompasses Avis and Budget, but more recently Payless as well. Our team closely works with all of our licensees to bring the best practices and industry-leading technologies to our licensee network, all resulting in a consistent customer experience and strong revenue growth.

We review our ownership structures regularly to ensure that we have the capabilities in place. And if we see an incremental opportunity by becoming corporate we make that happen. The recent examples being the acquisition in Scandinavia and Avis Poland. And since resetting our licensee strategy and 2013 the execution against our strategy has resulted in the increase of our annual income growth to an average of 7% per annum, all helping fuel the growth of the international region.

As I continue the growth story, you can see strong volume growth since 2013. Volume growth of over 26% in the last three years fueled by organic and inorganic growth. The highlight of our acquisitions has clearly been led by Maggiore. This accounts for the majority of our acquisition-related [days]. We have also seen Budget begin to gain momentum and Europe driven by our inbound international customers.

One of the key drivers of seeing our volume improve is through creating that direct connection with our customers and by growing our ancillary sales. Our ancillary program is one of the best examples where we have executed on our strategy of strongly performing against our expectations. Around 40% of our rentals include at least one ancillary product whether that be insurance, Wi-Fi or another number of other options.

We are continually seeking to introduce new products and services which makes our customer rental experience easier. And as we drive ancillary revenues, for example, we know many customers are shifting away from GPS to Wi-Fi as they prefer to use their smartphone for navigation.

Most importantly though we've invested in training our people and redefining roles to focus on developing a positive sales culture. To date we have seen fantastic results in Europe, which we will replicate in the Pacific region. For EMEA we have been able to effectively sell ancillaries and deliver the appropriate protection or service to our customers while improving our NPS over 800 basis points over the past year.

Our success though is not just limited to the revenue side but also the cost side. The primary cost area I will focus on is our fleet cost. As you can see, we have worked hard to continue to drive fleet costs down. Fleet is our most significant cost item and we've managed to reduce our monthly per unit cost by 16% over the last three years and 12% on a constant currency basis.

In Europe we remain strongly focused on program vehicles based on the competitive pricing for this type of fleet. In Asia-Pacific we operate a greater risk -- share of risk vehicles which enable our specific fleet strategies. And specifically for Apex where we cascade fleet and we have a longer holding period to support the low-cost operating model.

Where we do have risk fleet we have broadened our remarking channels to allow us to dispose of fleet at the right time and the right price. Our scale allows us to operate a diverse mix of car classes to meet customer needs and our fleet strategy allows us to seek richer fleet mix where we see the demand. The revenue story and the fleet cost story have also led to higher earnings over the past few years.

Given the currency volatility that we've seen in the last few years the international business has experienced significant headwinds, yet continue to find ways to grow our EBITDA and expand margins. On a constant currency basis we have grown EBITDA by over 30% since 2013 and with margins that would be 11.8% on a constant currency basis as well.

We have grown our scale as well as our margins by focusing on driving top line as well as attacking all cost lines. We have achieved scale in several key markets and we are the clear market leader in Italy, Australia, New Zealand and continue to grow in other markets.

Our cost base has undergone a major transformation since Avis Europe was reacquired by the Group. We continue to review and optimize our back office through our established performance excellence and lean Six Sigma teams. We spent time looking at our performance over the past few years. Now I'd like to give you a peek around the corner to some exciting news regarding our future.

We now have in place a strong foundation along with executional capability to allow us to grow international over the next few years. With that foundation in place there are several key growth areas for us to focus on: first, brand expansion; second, emerging markets; and third, internal efficiencies.

Brand expansion is still an opportunity. Avis is strong and will continue to grow. As you have heard from Scott, there's a great deal of optimism regarding Avis Now as well as our ongoing efforts to reinforce its premium value. However, there is a number of opportunities with our core brands.

Budget. Even though Budget's share varies from country to country in Europe, we currently only have a 3% GDF share and we do know there is growth in the value segment that still exists.

Apex. Apex is strongly penetrated in New Zealand with room to grow in Australia particularly in the local markets. Beyond this we believe there is a role to play for Apex in the wider Asia-Pacific market.

Maggiore and France Car are local brands. However, there is significant organic growth opportunity for both.

In addition to the Avis and Budget brand growth we continue our journey with Zipcar. We are currently in these six markets that we launched Zipcar in UK, France, Spain, Austria, Germany and Turkey and I did forget to leave off Brussels as Scott had mentioned earlier.

We are currently expanding our model beyond the round trip to include floating which allows us to compete in new markets and protect our existing business. We are exploring new mobility use cases for Zipcar such as an Uber pilot we are running in the UK where we have fleet available for Uber drivers to book by the hour and optimize the utilization of our Zipcars and provide a benefit to Uber and their drivers.

We continue to have an increased focus on business use cases either enabling businesses to share their own fleet through a local motion product or by offering a business proposition for our core Zipcar product. We are forecasting growth in our existing markets as we will continue to enter new markets through either direct operations or licensee relationships.

I would like to highlight our decision that we first entered into Zipcar license in Istanbul two years ago. And it has developed nicely over these past two years with a revenue stream that has been complementary for existing licensee as well for us since we receive royalties on dollar one of all revenue. The growth of fleet and membership in Turkey continues to exceed our expectations and we have several more countries we are preparing to enter with our licensee partners.

Some additional highlights include our press release this morning where we signed a strategic partner with Didi for their outbound car rental needs serving their customer base of over 300 million members. We see this as a key strategic partnership not only to serve Didi customers but to be able to customize mobility experiences as we will be the sole car-rental firm on their app.

Our conversations in mutual discussions is to find a new and unique ways to deliver for Didi customers around the world leveraging our global network which many of our competitors will be unable to match in the near future. This also positions us well for the rapidly growing outbound Chinese market which is poised to be the world's largest outbound market in the next few years.

We see this as the beginning of an exciting journey as we broaden our opportunities leveraging our track record of service and being partnered with a mobility giant. This also positions us well as I look at our existing joint ventures in Asia.

As the only global operator in both China and India we believe we have a unique advantage to capture both domestic growth and international outbound growth. In China the Avis joint venture covers domestic self drive, chauffeur drive and leasing. Avis also has the highest brand recognition in China of any car rental brand. The domestic Chinese business has a strong forecast to grow in 2017 and our strategic alliance with Didi will complement existing outbound partnerships.

In India the business started as a premium chauffeur drive service but moved into leasing two years ago to take advantage of a fast-growing segment. Self drive is still a nascent opportunity in India due to infrastructure constraints and the relatively low cost of a driver. However, we are well-positioned for this segment as the challenges are solved in the coming years.

The outbound market is not well developed which we are addressing through our joint venture where we recently established and outbound sales office. As you can see, the network revenue generated from our joint ventures of $160 million has opportunity to improve.

The last area of focus to enable our growth and margin expansion is our internal efficiencies. Our cost base is actively managed and undergone a major transformation, as you heard Larry talk about, since the acquisition of Avis Europe. We continue to review and optimize our back office as well as continuing to find opportunities to standardize in-country work and reposition to one of our shared service centers in Budapest, Barcelona or Auckland.

We have also demonstrated our track record of delivering our synergies tied to our recent acquisitions. Our Italian business and Scandinavian business are market-leading as they are outperforming their original business cases demonstrating our ability to execute on our ongoing acquisition strategy.

And lastly, through investing in digitizing our core rental processes we are achieving greater customer satisfaction and will deliver major operational improvements. For example, our Pronto tablet gets rental agents out from behind the counter, enabling customers to be served in the parking lot or as they wait in line in the queue at the counter.

And beyond this we have an industry first in our maintenance damage management system called MDMS. MDMS will eliminate paperwork, reduce customer disputes on damage and allows us to begin to digitally and vertically integrate our supply chain to reduce out of service time and optimize maintenance activities.

MDMS we believe will improve our transparency to customers while achieving operational efficiencies by delivering on one of our biggest cost opportunities to improve our overall fleet management capabilities. In just a few short months we have launched MDMS in over 350 stations and we have over 80,000 repairs either completed or in process. We have improved our out of service time and our time to repair has declined.

As we improve our inventory availability it communicates more quickly with our agents at the counter so they know what cars are available for the customer or creating the possibility of an upsell. Here are some of the screenshots of the app with the headline of the functionality.

At check in we scan the car, we assess for damage and follow the screens to mark the damage, identify its severity, take pictures as needed, capture the odometer and vehicle registration. The pictures in the report are now attached to the rental agreement and to the history of the vehicle. You can then swipe left for heavy damage or again swipe left for maintenance needed. You will then have charges screen that you can review on the spot with the customer and sign on the handheld unit and receive an e-receipt.

Behind the scenes MDMS will route automatically the request for repair to our automated PO system and then line up scheduling and approve body shop if repairs or maintenance are needed. As you can see, MDMS was really driven from customer feedback to create a more transparent process for our retail and B2B customers and we saw this as an opportunity to improve our operational capabilities and to continue to drive cost out of our fleet management process.

So hopefully this gives you a sense for how we are performing as an international region and how we are aiming -- aligning with the global strategy of developing our brands, harnessing opportunity to growing our emerging markets and drive continuous improvement by focusing on internal efficiencies.

Now I would like to shift gears for a moment and focus on one of our global strategic initiatives, global revenue growth. As the landscape evolves our strategy to drive sustained profitability -- profitable growth is clear. As you can see, we do have a clear framework that looks at all the areas of our revenue development that focuses on improving our margins.

We aim to deliver significant EBITDA over the next five years through these revenue optimization initiatives which will also deliver an enhanced customer experience. I will focus first on our demand fleet pricing efforts.

We believe we are implementing the best pricing system in the industry. North America and Pacific are already live on the system and Europe is close to implementation. This next generation technology and pricing manager allows us to deliver consistent pricing strategies which can rapidly adapt to market conditions.

The US will be implementing the demand forecaster module which will increase the accuracy of demand projections and accurately match fleet and prices to demand. This enables accelerated time to market prices, science-based rather than intuitive decisions all of which maximize our overall profitability, be it from improving utilization or driving rate-per-day opportunities as they exist.

Specifically I look to leverage this technology in Europe and will be able to manage 55 million price points based on markets, car groups and varying lengths of rentals in addition to the almost 14 million price points currently being managed by the US. The tool provides a strong foundation, allowing us not only to manage the day-to-day business but also focus on the highest margin segments with more science. But this is not the only area of focus to drive margins.

To highlight a few additional areas of profit opportunities, we have dedicated, as Larry mentioned, a revenue optimization team to continue to analyze business for the highest margin opportunities. We are working on developing our inbound business coming from our emerging markets in Latin America or Asia.

And while it is clear we will always focus on growing and retaining our existing customer base, our sales teams are focused on hunting new, small and midmarket opportunities and we are seeing the results from our development efforts.

The more we digitize these efforts to create opportunities to build loyalty and continue driving our direct channel. We are also seeing growth in our prepaid reservations particularly in international where we know this is the key to capturing emerging market demand.

Our own direct channels are delivering results. We re-platformed the UK and US websites with over a 70 basis point increase in conversions. The US Avis mobile app site enabled with prepay is exceeding projections by 5X. The Avis iOS UK app has seen over 200% increase in bookings since 2014.

And another key driver to deliver high end conversion is full integration with our airline partners or other strategic partners where car rental product is sold through a multitude of touch points along the customer journey, whether it is to book a flight or a holiday resulting in high conversions. All leads to higher rate per day opportunities.

With all of the tools we have put in place and continue to assemble we can build a foundation to keep the momentum of growth along with our ability to optimize our revenue per day through price manager implementation in Europe and demand forecaster in the US. Along with ongoing development of our ancillary sales capabilities not just in execution at the counter but bundled packages, along with our continued development of existing partnerships to improve conversion as well as establishing partnerships in our emerging markets with new mobility players.

All of this done the right way also creates an opportunity to improve on the customer experience. Our global Net Promoter Score is on an upward trajectory, even though we are not satisfied until we are best-in-class. Since our acquisition of Avis Europe we've seen NPS grow significantly.

In addition, our investment and technology is at the heart of how we aim to transform the customer experience. Simplifying the rental process, reducing waiting times and improved counter bypass experience especially with Avis Now. All of this creates a customer led culture where our people are empowered to serve not only our customers in the best way possible but driving up loyalty and ultimately delivering on our revenue growth fueling our margin ambitions.

As you can see from this slide, our ambition is $100 million to $150 million of EBITDA through profitable revenue growth from now until 2021.

As I wrap up my presentation I hope I've delivered a framework of how we have a proven track record of transformation, a plan to grow our revenue globally and an international growth strategy leveraging our brand development, mobility alliances and developing our emerging markets. Thank you.

Joe Ferraro - *Avis Budget Group, Inc. - President, Americas*

Good morning. My name is Joe Ferraro. I'll take a minute to introduce myself. I have been President of the Americas business unit for the past two years, but it is fair to say I have been with this organization for some time now, starting my career some 30 years ago as a manager of our field operations. I spend a good deal of my time managing our business units and my last role was managing the North America operations.

So today I would like to take you through the America business as it stands today and then focus in on two of our initiatives to drive significant margin improvement. One is optimizing our fleet costs as well as operational efficiencies. So let's take a look at the Americas business unit.

It is $6.1 billion worth of revenue, it has over 100 million rental days and 385,000 vehicles performed -- rentals performed at 6,700 locations across two continents. I want to stop here for a minute and just give you a comparison of where we were since the last investor presentation back in early 2014. Revenue increased 12%, rental days increased 11% and our fleet size increased 9.9%.

Now why is that important? Larry talked about it and you will hear me say it a lot today that we take a very hard look at positioning our fleet in line of demand and sometimes below it. 9.9% -- a 9.9% average fleet and over 11% rental days over a three-year period shows you the consistency in this approach.

If you take a look at our revenue sources they are diverse in nature, Avis being the largest as it has both a complement of large commercial business as well as strong leisure. And Budget, which has some commercial business but an affinity towards great leisure travel and partnerships.

Our customer base has been unchanged since the last Investor Day, about 45% commercial and 55% leisure. And one other aspect I would like to point out is that our footprint of airport to off-airport remains constant at 75% airport and 25% local market or off-airport. This ratio is important to us because we believe it does a number of things. It provides revenue growth, it provides rate growth and it provides margin expansion.

As mentioned, our revenues grew 12% since our last Investor Day. Two-thirds of this was done organically or same-store sales. Like the international region, we had tremendous growth in ancillary sales performing well above 15% over this period as we aligned our selling process to our teams and with the introduction of new products like TravelTab or satellite radio to go along with the bevy of our insurance waivers.

We have had two acquisitions during the course of this last period. One was our Payless acquisition which was our entry into the deep value space, and our acquisition of our largest Budget licensee at the time which was Southern California. Both have added significant revenue to our system and terrific profits as we have taken and combined the noncustomer facing activity of both these segments.

Fleet costs have remained manageable going up 4% since the prior investor meeting. If you look at our risk versus program mix, it is 67% versus 33%, last year was 55% versus 45%. We have a diverse mix of car classes with 17 or so OEMs and 200 different makes and models. We like to keep this diversification because it allows us to meet our customer demand.

You can look at the fleet mix and see that our premium or specialty fleet has grown since the last time we met. We continually invest in this car group mix as we see or cater to the discerning traveler who likes to rent similar cars to what they own. And we also see the tremendous opportunity that these cars bring as far as T&M per day which is much greater than core cars and overall revenue per unit. And during this period of time we have overall reduced the amount of small and midsized vehicles.

Our EBITDA over this time has grown 15%, as I mentioned, due to increased revenue. We have controlled fleet costs with our alternative sales which I will get more deeper in as we go through the presentation. And through this entire period, inclusive of 2014 which we had a tremendous burden due to recall activity, we've managed to grow our utilization.

Our operational efficiencies, I like to think we have a culture of cost containment both -- as Larry has mentioned, we have introduced our manpower planning and our shuttling aspects to the business. So let's take you through some of the strategies for 2017 and beyond.

As with my colleagues, you see our three-pronged approach to driving sustainable profitable growth. Both Mark and Scott talked about winning customers through our brands and our success in mobility as well as our revenue generation. And I'm going to talk about how we manage cost and margin going forward.

I think it is fair to look at the bottom and see the three drivers because I will talk about a lot of that as we go through it being innovation, technology and our people. So let's talk about how we optimize fleet cost.

When I think about fleet cost it is really three activities, one is how you acquire or buy the cars. Two is the cost associated and how you manage the cars during its current lifecycle. And three, your strategy surrounding how you dispose of vehicles either risk cars or scheduling a program (inaudible).

So let's look at our strategies around our sophisticated decision analysis towards fleet acquisition. I think of it in four buckets, one is the balance of risk versus program and I will come back to an earlier comment that I made. We look very hard at the relationship between our supply or supply vehicles, our fleet size and our overall demand. And we believe this balance allows us to maintain that strategy.

For example, in the US business from the time we exit the summer peak to the time we step into December we will have decreased our average fleet by somewhere in the range of 20%. We take a look at how we optimize our fleet based on customer demand that has to do with makes, models and manufacturer types. We also look at trim levels with an eye towards customer comfort but also the value that has as you dispose of vehicles. And then the lifecycle cost of running a car during the time that you keep it.

You would think well what does this have to do with acquisition? Well, it has a lot to do with it. When you think about the cost of running a car you can make better decisions about that vehicle acquisition going forward. I will give you one example.

During this past year we had one particular manufacturer make and model that we have seen a whole lot more than the averages on damage costs -- not that the car was in any more accidents than any other car, so it wasn't about incident rate. It was about the cost of repair due to the nature of the way the car was built and the price of parts. Armed with this information we have significantly reduced the buy of this vehicle and made alternative choices when it comes to other make and models.

Mark talked about demand fleet pricing. Let me give you my spin. We have been utilizing this demand fleet pricing system in the US, actually in North America for some time right now. The price manager, it has been in our system for a number of years. It is basically a rule-based price environment that allows us to look and understand prices by day, by week, by month, by car group, by business segment and by location. And makes strategies and allows us to price in a very automated way.

We have in test right now our forecaster. Our forecaster takes a look at supply -- actually takes a look at demand, I am sorry, both close in and long-term and by the same indices levels, by car group, by segment, by location. When you combined both the price in the marketplace along with the forecasted ability you then have the third prong approach which is our -- really our fleet and revenue optimizer.

The fleet and revenue optimizer combines supply, which is very difficult to kind of get your hands around through a non-autonomous way, about the amount of cars that come into the fleet, about how many cars we are deleting from the fleet, and about how many cars are in the station inventory. And combines that supply with the demand level forecasted as well as the price to produce the most optimal result.

When you take the demand fleet forecaster technology that we have and you combine it with the tenured pricing and yield team that manages our business, you get a result that we believe is a lot better than we have had in the past.

So let me talk a little bit about how we position the fleet and how we look at utilization. We involve both technology and a lot of on-the-ground intelligence. We think a lot about how we position the fleet. We think a lot about it, where we put it by brands. We think a lot about it where we put it by segments, both airport and off airport, and we think a lot about it on how we put it, where we put it by location.

When we think about how we manage this supply and demand matrix, it is really about what is the demand of the location or a city. We think about what is the seasonality, the summer peak compared to the winter peak; the summer peak in New York, for example, versus the winter peak in Florida.

We think about holidays, Christmas and how it falls. We think about Fourth of July; we think about Presidents' Day as some examples. We think about special events, situations like sporting events, college football games, the World Series, the Super Bowl that is happening in Houston next year.

And we think about non-occurring events like the Democratic National Convention in Philadelphia or the Republican National Convention in Cleveland. Here is a little tidbit; Cleveland not a very big city. During the four-day period of the Republican National Convention, our volume was up 12, our revenue was up 30, and our price was up 13. How you manage peaks are very important, how you position the fleet is very important.

And we also think about recalls and the ever-growing concern about recalls in the industry. We had a fairly large one in July right before Fourth of July that we worked really hard to mitigate. And we think about the effect of weather; the hailstorms in the Midwest, the floods in Baton Rouge and the Carolinas due to Hurricane Matthew.

And we spend a good deal of time trying to analyze and support these decision sets. If you were going to look for me on a Friday morning between 7:00 and 12:30, you would find me in a room surrounded by my key decision-makers on fleet and pricing, and on the phone the leadership of our field organization.

And the best way to illustrate this is think of a map of the US; start off in Portland, Maine, travel across to Seattle, Washington, and then finish in Hawaii. We go city by city, location by location, and make decisions about supply, demand and pricing along the way.

We get down to the car level. So 385,000 cars, we get down to the car level on where we want to position our fleet because we really make sure that our fleet is in line with our demands.

I talked a little bit about lifecycle of vehicles on the acquisition side, but think about understanding lifecycle costs as you better manage your fleet costs. By being aware of the costs associated with running a car, you can make decisions about where you place a vehicle.

If, for example, we have a car that is accruing some higher mileage, we might rent it to the consulting group customer that takes the car out on Monday, returns it Thursday, and drives little mileage. Or the family traveling to theme parks in Florida that does basically the same.

Having an understanding of the costs associated with running a car has a tremendous impact on your fleet holding costs.

And lastly, our work on alternate channels or alternative channels. We have had this alternative channel since 2013, which we grew it by 17%. We are at 37% currently and as announced on our investor call the other day, our third quarter was close to 45%.

We spend a significant amount of time thinking about the ways we want to dispose of vehicles. We dispose of them really, risk vehicles, in two ways. One is our direct to the consumer. We have a product called our Ultimate Test Drive, UTD as we refer to it, that is really a rent-to-buy product that we deliver to our consumers.

A person interested in buying a vehicle will go to our site, come to us via a partnership or a commercial relationship, and take a car for rental with the idea of buying it. We know that 50% of the time that a customer comes to rent one of our cars with the intention of buying it, they actually do purchase it. And the benefits are listed are pretty significant as compared to other channels.

We are currently in 24 states, looking to roll out significantly more by year end and then some into the first quarter of next year.

We have entered into the retail market with our first store opening up in Florida, which has done quite well early on, quite frankly. And we look to maximize this at specific strategic cities where we believe this would be appropriate.

And lastly is our direct-to-dealer network. We've spent investment dollars in improving our website and improving our organization around our dealer network, which aside from cost mitigation and not having to shuttle or move a vehicle or pay auction fees, we have the benefit of improved utilization because many times these cars are sold while on rent.

So we have taken our car sales team, our fleet team, our field operations team, our finance team, and combined it with our performance excellence team and create an environment of future success. So remember when I think about fleet and fleet optimization, it is about how you acquire the vehicle. It is about the useful life of the vehicle and then combined with the disposal that we believe we get our cost improvement.

Driving operational efficiencies. I think we have a culture of cost containment. Larry talked about being in our DNA; I kind of agree with that. So I will take you through our strategies around manpower planning, shuttling. Supply chain really has to do with connected car that Scott mentioned, our global shared services, our procurement and how it all comes together with our performance excellence team.

Using technology to control manpower. Well, frankly, Larry has been mentioning this in a number of the presentations that he has done. We spent a lot of time this year looking at controlling our manpower costs. It is a $1 billion cost item for us globally.

When we think about manpower or when I think about it, it is really about improving nonproductive time through a repositioning of our people through better scheduling. And when you do that, you get a productivity improvement and you get some cost improvement. And we have seen some tremendous productivity gains throughout this year.

When you position the people where the activity is or where the customer demand is, you really come to this intersection of both service and profitability. We are rolling out in the first quarter or early on next year our scheduling tool, which will take technology to the art that I just mentioned that we currently perform, both of which we feel will have tremendous benefits as we move forward.

You take our scheduling tool combined with our increase of part-timers to take care of the peaks, we feel that we have an integrated process for success.

Shuttling. Shuttling is a rule-based system that we have employed. It is basically taking a look at your highest value rentals and also looking at the cost to do that. And we have worked really hard establishing these heuristics that will determine when we should move a car and when we shouldn't.

An example is our off-airport situation. We have fixed the fleet in many of our off-airport stores, and some stores we still shuttle to. When we look at our overall shuttle improvement in these stores, it was roughly 25% this last quarter.

So, for example, and seeing as we are in New York, we might take a car from Newark to Manhattan because of the price of that rental. But we may not take a car from Newark to Princeton, New Jersey. That is the beauty of the system and that it is the significance of the opportunity.

Scott talked a lot about Avis Now and the effects that has on revenue and customer experience. I am here to talk to you about one of the byproducts of that and that is our ability to connect our cars to our front-end point-of-sale system or our back-end operating environment.

The opportunities are endless. We are currently in test phase of a number of different initiatives, and I will give you some examples of some. For supply chain, it could be about scheduling oil changes or PM, preventive maintenance.

For asset control, it could be about inventory. Without having to count a car, we now press a button and understand how many we have. And for operational control, it might mean getting an overdue vehicle back sooner and create more available days to rent.

When you think about the future, the opportunities are left to one's innovation and imagination. Think about a world where you could park a car in a space and not have to have human intervention to tell you what space it is in. Think about in a situation where you can exit one of our facilities and not have to have anyone press the button to let you leave because you could do it through automation.

Think about unmanned facilities and the impact that would have on cost and brick and mortar. Think about -- and one of my favorites -- a rental sales agent renting a car to a customer, having three choices for a mid-size vehicle and picking one that they think the customer wants; but in the new world, picking a car that manages towards the customer's use.

If a customer is keeping a car in a leisure environment going four days accruing a lot of miles, you take the car that's best fit to serve that experience. As I said, the opportunities as we go forward are endless.

When we think about our shared services and how we want to improve it, I think about it in three specific ways. The first brings process efficiency, and that's really about the standardization of our performance around the globe. It's really best practices.

Then you combine it with organizational design, taking advantage of the labor arbitrage that exists throughout the globe and our economies of scale. And then automation is really about data analytics and the automated way to improve manpower costs.

Procurement, and the procurement process to realize savings. It's really about focus expertise. That's having the right amount of skilled performance and optimized team. And you combine that with utilization of data and technology designed to improve pricing decisions and strategic sourcing. And that is really influencing the purchase and purchase price, and driving our purchase price as it pertains to scale.

And then combine it with a rigorous, robust way to improve vendor management, making sure that we get what we paid for. You create a sustainable and a continued improving environment that allows for cost improvement.

And how it all comes together which is really with our performance excellence team, which we kindly refer to as PEx. And PEx has been in our organization right now for over 10 years. So it is really fully ingrained in the fabric of our business unit.

When I think about PEx, I think about the growth of the team and our organization over time. It started out as an answer to simple process improvements using lean strategies; how you clean a car, the walk around to determine damage. And then as our team developed and had a greater understanding of those techniques involved in Six Sigma, it was really about going after root cause of defects and coming up with larger strategies to improve profit.

And now I think as our team has grown and we've developed many, many black belts, the highest level of Six Sigma, we pair them up with our business partners to go after the really tough problems like lifecycle costs, like vendor management, like manpower planning, like supply chain, to reduce the amount of incidents of salvage while also understanding the right customers to rent cars to.

So when I think about our margin growth and our margin opportunity, I am not shy to say that if we manage the fleet to the way that we describe and we combine it with the operational execution of the initiatives that I set forth, or we set forth, you can get between $200 million and $300 million worth of costs over the next five years.

So to review, we are laser focused on reducing costs and driving margin improvement. We are an industry leader in the car rental and car sharing space with terrific brands designed for growth. We have fleet optimization, provide significant margin improvements and opportunity by the way we acquire, utilize and dispose of our fleet. And our operational efficiencies will drive significant cost savings.

The last point I want to make is about the enablers which are innovation, which I spoke about, technology, and now I will just close with the people. Being in this industry a long time, I know that nothing gets done without an engaged workforce. And I believe at our Company we have had this engaged culture for as far back as I can remember.

Our workforce cares deeply about our Company. They care about our brands, they came about our customers, and they care about each other. So whether or not you are a service agent cleaning a car in the hot sun of Dallas, Texas in the summer, or a rental sales agent who is working in a dimly-lit counter in Orlando, Florida helping the last customer leave through the pending storm of Hurricane Matthew, our people care.

And they are led by leaders who have terrific skills and a very high experience level. Many of our leaders are here over 20 years and a byproduct of really our robust, strategic plan on sustainability.

To our leaders and our team, these goals are non-aspirational but extremely obtainable through innovative practice and terrific business planning. Mark and I are both proud to represent our teams here today. And with that, I will bring Mark back up and we will be able to answer any and all questions you might have.

QUESTIONS AND ANSWERS

Unidentified Audience Member

I have a question about residual costs since you were talking about fleet management. And obviously, one of your big competitors had a very negative announcement, I think it was last week. It feels like a long time ago, but I think it was last week with respect to their residual costs up 14% in the US.

So can you give us a little bit more color about how you are managing risk versus program in 2017, how you are managing hold periods, basically to get investors comfortable that what happened to your competitor is not going to happen here?

Joe Ferraro - *Avis Budget Group, Inc. - President, Americas*

Well, listen, I can't pretend to understand what happened to the competitor. I will just tell you what we do. Like the rigorous efforts that we have in aligning our fleet to supply and demand, we also take a look monthly on how we set our depreciation rates, and it is a collaborative environment.

We take a look at how we set our depreciation rates by our own trends and also by an outside service. And in that room is our fleet people, our fleet admin people, our finance people, our Chief Accounting Officer and an outside audit group. And we sit there and we analyze and talk about where the depreciation levels of these cars are and where they should be, and adjust them monthly.

If you take a look at our small cars, just over a period of time we have done two things. First of all, we took a lot of them out earlier in 2016 when residual curves were at its highest. But if you look at the amount of cars that we disposed of in the small and midsize category, the difference between our holding cost at the beginning of the year and at the end of the year really only changed by 2%.

So I am confident that, number one, we have a rigorous process in place to ensure that our depreciation levels are accurate based on our trends and what our outside support says to us. And we have a track record this year of proving that the holding cost really didn't change a whole heck of a lot.

Mark Servodidio - *Avis Budget Group, Inc. - President, International*

And the other thing I would just add to that is it is the same process internationally. We go country-by-country residual value meetings that we set up every month exactly what Joe said. And I know for us, we don't see any big swings in terms of changing our mix as well. So it should be fairly consistent.

Unidentified Audience Member

Okay. And then can you comment on 2017 risk versus program in the US?

Joe Ferraro - *Avis Budget Group, Inc. - President, Americas*

I mean the only thing -- we are still going through it right now, to be honest. The only thing I will say is that, as David mentioned on the investor call a couple of days ago, that we are probably going to be a little bit north of 70%. And that is the way we see it.

Anj Singh - *Credit Suisse - Analyst*

Anj Singh from Credit Suisse. I have got a two-part question for Joe and a two-part question for Mark. Joe, on the connected car front, is this predicated on any consolidation of systems from the various manufacturers that are out there? Or are your projections based on systems and capabilities that are available today?

And can you speak to the mix within your alternative disposition channels, how has that changed; what are you targeting in that 50% over time?

Joe Ferraro - *Avis Budget Group, Inc. - President, Americas*

Okay. So I think the answer to the first question is we have arrangements with certain manufacturers that allow us to have this connected car technology. But quite frankly, some of them are quicker than others. And we are looking at alternate ways to put this technology in our vehicles. That is the first question.

I think the second was about alternate channels. We have seen significant growth in our direct-to-consumer channel, although as compared to the whole book of business not as big, and we have seen significant growth in our dealer direct business. And you will see that going forward.

Anj Singh - *Credit Suisse - Analyst*

Okay, got it. And for Mark, is there a reason that you found Uber and Didi partnerships to make more sense internationally than pursuing something like this in the Americas? And could you remind us where international margins are at the corporate level; how much have those improved over time and what opportunity do you see there?

Mark Servodidio - *Avis Budget Group, Inc. - President, International*

I don't think there's any boundaries at this point in terms of as we look at the mobility partnerships. These are just ones that were in flight, and we were able to secure a deal in terms that we were prepared and ready to speak about here. So I don't think there is anything preventing this more broadly.

In terms of the margin level, I think I put it up there in terms of approximately 10.7% with the currency effects impacting that as well. We have seen margin improve approximately 1 point over the past three years.

Dan Levy - *Barclays Capital - Analyst*

Dan Levy, Barclays. A question for both of you, Joe and Mark, two separate questions. Joe, at least in the US side of the business, in the past we have framed fleet costs. Typically, we have seen you frame them as a percent of cap costs. If you could just give us a sense of where that currently is, where that is going.

And I guess just more broadly, I think we all get the piece of residuals are under pressure. But why is it that fleet costs as a percent of your broader cap costs isn't remaining constant when you consider that the automakers in the US have a fair amount of capacity? We have seen pricing on the retail side come down. Why haven't those lower prices flown through to you in your procurement?

Joe Ferraro - *Avis Budget Group, Inc. - President, Americas*

I think about it -- when you think about it, it is probably about mix and business mix risk versus program. So program costs or cap costs are allegedly probably flat while -- I'm sorry, risk cars are flat and program cars have gone up a bit.

I think through the past years, we have had this mix of both program and risk. And as I mentioned earlier, we have changed from 65% risk from 55% last year. So we have kind of inched it up there, and now we are at 67% and probably north of 70%. I think that starts to get more in line.

I think about when you think about the increase in program costs, and there's something that you want to do it, I do think that there is -- you take advantage of utilization improvements by having that type of vehicle in your fleet because it allows you to peak up in certain environments like the summer, and peak out very quickly. And I think that combination has an effect on your fleet size as well as fleet holding costs, as well as how you position your fleet and price in the marketplace.

Dan Levy - *Barclays Capital - Analyst*

And then a question for you, Mark. On the China piece if you could just frame for us roughly today what your exposure is and how large the opportunity is. I think at the last investor day, we also heard about the potential for the China opportunity and, obviously, it does seem like there is a fair amount of growth there. But just wondering why we haven't seen until now much runway on that.

Mark Servodidio - *Avis Budget Group, Inc. - President, International*

In terms of the China joint venture business?

Dan Levy - *Barclays Capital - Analyst*

Or your broader China exposure.

Mark Servodidio - *Avis Budget Group, Inc. - President, International*

Well, what I am learning is things take a bit longer in China, for those of you that have done business in China, but here is what I do feel very positive on. We have recently won some significant corporate business that is going to really take advantage of the chauffeur drive opportunity in China. And it will be a very big boost of revenue going into the domestic Chinese market.

The other thing where it is probably a bit slower is on development of -- you know, we have got the chauffeur drive, we have got the self drive, and we have got leasing. And leasing for the most part has been more of the leader of that, and that is a -- it's a bit of a slower growing business with a little lower margin on it.

But I think the efforts we have put in place in terms of some of our international base sales resources driving more into China, we have predominantly been focused I would say more so on the outbound -- developing outbound business historically, and have continued that momentum. And in the last year or so, we have developed more capability inside, both operationally with resources that we have put in China. I've just recently hired a regional director who will sit in Shanghai, and we have an operational person that we flex up into help the operation develop. And then we have a sales resource that we've put in place to really drive into China as well.

So it has been slow going as we are in a 50/50 joint venture, but with some of the recent signings we have, we are very optimistic about seeing the top line grow in that business.

Adam Jonas - *Morgan Stanley - Analyst*

Adam Jonas, Morgan Stanley. Joe, a couple questions on the fleet management side. Of your target of $75 million to $125 million of what you call fleet optimization, can you tell us your underlying market assumption for residuals over that time period?

Joe Ferraro - *Avis Budget Group, Inc. - President, Americas*

You know, we are going to net our gross number of that. I would have to say we're kind of looking at that right now, to be perfectly frank. We have our business plan process that is going into effect. A couple of weeks further we will have a better understanding of it, and we could probably give color to that in the February investment call.

Adam Jonas - *Morgan Stanley - Analyst*

So just interpreting that today since you gave the target today but still looking at the market, am I wrong to interpret that $75 million to $125 million is kind of irrespective -- well, meaning that is what you could do in any residual environment even like, for example, flat you could get that improvement?

Joe Ferraro - *Avis Budget Group, Inc. - President, Americas*

Yes.

Adam Jonas - *Morgan Stanley - Analyst*

Okay. And then the second question, that move back towards risk again, it really is a big move especially if you kind of -- I think your last capital markets day or maybe going back about 18 months, I think the rhetoric was you want to move more towards program during this kind of potential inflection in the used market.

And my understanding both from you and your competitors, both public and private, is that you are just getting a better deal. The costs are just lower for a risk car vis-a-vis the program car.

In your discussions with the fleet management folks at the OEMs, why is that? What are the OEMs thinking when they explain it to you why they are charging such a dear rate, what is it? Why are they -- I don't want to say gouging, but why are they making it harder for you to go program?

Joe Ferraro - *Avis Budget Group, Inc. - President, Americas*

Listen, it could be a number of factors. One could be the off-lease vehicles that are coming back into the marketplace. I think when we think about our situation and what we want to do, when we had a larger amount of program vehicles -- I think it was in 2015 -- and if you recall, we came off just a ridiculous amount of recalls. I think fleet flexibility was important to us.

But if you think back and you go back a couple of years, I think 70% risk fleet is not unusual for us. We had it in the years prior to 2015. And I think we have the expertise to manage both the supply and demand. I went through a rigorous granular process of how we look at our fleet and how we position it. And even with our fleet being at 67%, which is risk right now currently today, we've managed to have by the time we get to December, which is the traditional downward cycle of our peak, to have 20% of our average fleets to have come down.

Michael Millman - *Millman Research Associates - Analyst*

I am Michael Millman. So quite, and particularly in the US, to what extent do you consider share of market, particularly airport share of markets in terms of your pricing, in terms of your planning? And to what extent do you kind of tiptoe around what Enterprise may be doing, thinking, or what you think they are doing and thinking at airports?

Joe Ferraro - *Avis Budget Group, Inc. - President, Americas*

Listen, I don't think we are setting prices to grow market share. So I want to be perfectly clear about that, we don't. We set our fleet in line with our demand. I think when I look at market share, I want to see if whether -- and there are big swings and losses, and I think Larry showed it -- that we have had market share that has been incredibly stable for the past number of years.

And I think that is important for us as an organization as these airport environments grow. And if you think about it, most of these airports have been consolidated and over time have gone to these consolidated rental facilities, and gone from five or six competitors to seven and in some cases 15. And I think to keep that consistency of share during that period of time has been pretty good, and that is the way we look at it.

As far as how we price, how we price in the marketplace, we have technology that allows us to look at it in various different ways. And we look at our own individual -- our own individual ability to generate price. Some of it is what is the price in the marketplace and do people take price increases or not. I think in the last two quarters, we have shown that during a period of time when fleet has been aligned, our organization has been able to capture price.

Neal Goldner - *Avis Budget Group, Inc. - VP of IR*

Okay, we are going to take another break right now. If everybody can come back by 11:00, that would be great. Thank you.

Joe Ferraro - *Avis Budget Group, Inc. - President, Americas*

Thank you.

Neal Goldner - *Avis Budget Group, Inc. - VP of IR*

Okay, if everybody can please find their seats again, we are going to restart. Thank you. Right now, it is my pleasure to introduce our President and Chief Financial Officer, David Wyshner.

David Wyshner - *Avis Budget Group, Inc. - President and CFO*

Thanks, Neal, and good morning. Thank you very much for joining us today, both those of you here in person and those of you joining on our webcast. It is great to have the opportunity to speak with so many of you beyond the confines of our quarterly earnings call. I hope that the enthusiasm that my colleagues and I have for our business and our prospects is evident today. I believe our market position, our strategy, and our ability to execute put us on the cusp of moving Avis Budget Group to the next level of making our Company both a great place to work and a great place to invest.

As the last presenter this morning and as the Company's CFO for the last 10 years, I want to cover four topics today: Our business model, our balance sheet and cash flows, the pivotal opportunity for margin growth that we have, and how I think the messages you have heard today all fit together.

Let me start with our business model. Avis Budget Group is a global leader in the vehicle services industry. We generate nearly $9 billion in annual revenue from a fleet of more than 0.5 million vehicles, completing some 33 million rental transactions a year. We operate directly in 25 countries, primarily in North America, in Europe plus Australia, and we have licensees operating our brands in more than 150 countries around the world.

In fact, more than $100 million of our revenue comes in the form of higher margin royalty revenues from our licensees who pay us a percentage of their revenues.

This slide highlights some of the attractive elements of our business model, including our ability to generate significant free cash flow. Our business is diversified in its revenue sources, flexible in its ability to adapt to changes in the marketplace, opportunity rich, particularly from a margin perspective, and profitable not only on an accrual basis but also in terms of generating cash.

To borrow an old distiller's line to describe our cash flow, we consume what we need to and we distribute the rest. Let me spend a moment on the key characteristics of our model. Our revenue is diversified along a number of different axes, with 60% of our revenue coming from our flagship Avis brand and 30% from Budget, two-thirds coming from airport locations, a fairly even split between leisure and commercial renters, and about one-third of our business coming from outside of the Americas.

What this means is that our most common transaction type in on-airport Avis commercial rental in the United States represents only about 15% of our total global revenue. What we are highlighting here is that our business model has a highly variable cost structure, which makes it fairly distinct in the travel and hospitality space.

Looking at the circles across the top of this slide, most of our direct operating costs, from headcount to vehicle maintenance to the percentage of revenue rents we pay to airports, move with rental volumes. We can change the size of our fleet rapidly in response to increases or decreases in demand, and a significant portion of our selling costs, particularly commissions, adjust with revenue.

As a result, we estimate that around three-quarters of our costs are variable over a relatively short period of time. This is the best of both worlds. We have the ability to adjust our cost structure to mitigate any effects of weaker demand, while we also have some fixed costs that allow us to benefit from growth and scale.

In this context, changes in pricing have a more dramatic effect on our results than changes in rental activity or cost drivers. In fact, this slide presents the EBITDA impact of a 1% change in key metrics. A 1% move and pricing, about $0.40 per rental day, will affect our earnings by $37 million in the Americas and $13 million internationally. The impact of a 1 point change in volume is significantly less.

Our fleet utilization has been increasing modestly this year, but it doesn't move dramatically. And a 1 point move in per unit fleet costs has a $14 million effect on EBITDA in the Americas. These metrics can be helpful as one thinks about and models our future results.

Turning to the third component of our business model, margin growth sits at the center of our strategic priorities and we view it as a critical imperative. We have a track record of having grown our margins over time, with an increase in nearly 200 basis points since 2010.

We have worked our P&L from top to bottom to deliver this margin growth. We've delivered significant wins from adjusting our car class mix, growing our ancillary revenue capabilities, better optimizing our fleet purchases and sales, effectively integrating our acquisitions, and relentlessly driving for operational efficiencies.

Our award-winning performance excellence process improvement efforts have helped us take millions of dollars of costs out of our business over the last several years. And while we are looking to accelerate our margin growth going forward, the takeaway here is that margin expansion is not something new for us. We have an established history of successfully driving margin growth throughout our business.

In our model, the combination of diversified revenue sources, a variable cost structure, and our focus on margins allows us to deliver a substantial amount of free cash flow. Not only do we expect to generate $450 million to $500 million of free cash flow this year, we expect that 2016 will be our fifth consecutive year with free cash flow of more than $450 million.

What's more, our calculation of free cash flow works out to roughly $5 per share and is after our reinvestment in the business in the form of capital expenditures. As you can see, that reinvestment in our business is significant and growing.

Our annual information-technology CapEx is well north of $100 million a year and roughly 3 times what it was four years ago. We typically have more than 100 projects of various sizes going on at any one time. Key projects include new websites and mobile apps, fleet and yield optimization tools, a re-architecting of our core Wizard operating system, and new technologies to support car-sharing product expansion worldwide.

I enjoy the General Electric commercials on this issue. We too are a dig-industrial Company with a sizable and critical technology operation within our global services business.

Our investment in our business is not limited to capital expenditures. We are also spending through our P&L to support our brands, our market position, our customer value proposition, and the mobility efforts that Scott discussed. Our brand advertising and the rollout of Avis Now are important examples of this P&L spending in 2016. I will touch on our future plans in the area of P&L spending a little later.

Next, our business is inherently capital intensive, and it is worth spending a few minutes on how we think about and manage our balance sheet and cash flow. Our generation of roughly $500 million of cash flow a year has allowed us to strategically expand our business and return cash to shareholders while keeping our leverage profile steady. In particular since 2012, we have returned $1.4 billion to shareholders in the form of share repurchases, including our purchase of our convertible debt.

At the same time, we have used our free cash flow to support more than $1 billion of tuck-in acquisitions, of licensees in California, Canada, Scandinavia, Brazil and Poland, of Zipcar, of the Payless car rental brand, and of Maggiore which was the largest independent car rental company in Italy. We will continue to look for strategically attractive tuck-in acquisitions that have the clear potential to be accretive not only to our earnings but also to our margins.

Our primary use of cash flow, however, has been and will probably continue to be share repurchases, particularly when our stock is trading with a free cash flow yield in the teens. We are keenly focused on maintaining strong liquidity, flexibility to address opportunities and challenges when they arise, and a balance sheet that is both healthy and efficient in its use of leverage.

We just celebrated Avis' 70th Anniversary, and will continue to invest to grow and sustain our business over the longer term. And we look to return cash to shareholders with a preference for doing this reasonably consistently over time, using share repurchases rather than dividends; and within a fairly broad range of stock prices, not trying to be market timers.

Our targeted net corporate leverage ratio has been and continues to be 3 to 4 times, with a preference for being in the lower half of that range. We employ a fair amount of leverage in our corporate capital structure, and this has helped us generate strong returns on equity over the last several years.

We ended 2014, 2015 and September 2016 at close to 3.5 times leverage, which highlights how we have held our leverage steady while buying back significant amounts of stock.

Turning to our debt, we have minimal corporate debt maturities between now and 2022. The interest rate environment over the last few years has clearly been attractive, particularly for high-yield issuers. We have seized this opportunity to lock in corporate debt financing at attractive rates for the next six to nine years.

Less than 20% of our corporate debt matures within five years, our weighted average corporate interest rate is less than 5%, and almost all of our corporate debt is either fixed rate or swap to fixed.

As I mentioned earlier, we plan to continue to invest in our business, both in areas that are expensed and on projects that are capitalized and amortized. On the P&L side, consistent with what Joe, Mark and Scott discussed, key opportunities for us include connected car and mobility technologies, which offer customer and operational benefits. Brand marketing, so that we are winning and retaining as many customers as possible through the strength of our brands. The continued expansion of Zipcar, driving efficiency and productivity throughout our operations and building our position in emerging markets, including places like China, Brazil and India, which have the potential over time to be major car rental markets.

Our investment through the P&L will continue in 2017, but our level of spending is likely to be similar to this year so that the year-over-year effect of this spending should be roughly neutral.

In the area of capital projects, our workload is well-defined, global in scope, and well underway. It is also balanced with projects like Avis Now being focused on customer-facing technology. Some projects designed to make our employees more productive, some driving revenue and cost efficiencies behind the scenes of our operations, and others positioning us for future product and service evolution.

I expect that our information- technology CapEx will continue to exceed $100 million a year for the foreseeable future, in order to maintain and enhance our position as a global leader in our space.

Importantly, we have been able to make these investments in our business while returning a high percentage of our net income to shareholders in the form of share repurchases. Our diluted share count is almost 30% lower than it was five years ago. We should end 2016 with our EPS denominator being around 89 million shares. And yesterday's announcement of a $250 million increase in our share buyback authorization reflects our expectation that we can and will continue to be active in repurchasing our stock in 2017.

This brings me to one of the key messages that we as a management team are communicating today. We see a significant opportunity to grow our margins over the next several years. As we have discussed, we have been evolving our strategies to be increasingly focused on brands, margins, and mobility to drive sustained profitable growth.

A friend pointed out that arguably, this means that our strategies boil down to tackling intermediate-term margins, near-term margins, and long-term margins respectively. I am okay with that interpretation.

What has also become clear to us is that the strategies we have adopted have tremendous financial potential. As a result, and here is the headline for today's investor meeting, we are focused on delivering $350 million to $550 million in margin expansion over the next five years. This means moving to a 13% to 15% EBITDA margin and increasing our pretax margin by more than half through profitable revenue growth, fleet optimization, operational efficiency and enhanced mobility.

And the sub headline here should be that our strategic initiatives are already well underway, which will allow us to deliver results from our work sooner rather than later.

Let's look at the four components. Our efforts to win customers through differentiated brands are all about driving profits from our rental volumes, including price, product, placement and promotion, and will be worth $100 million to $150 million to us. The next two phases of demand fleet pricing and the global rollout of DFP will be significant sources of these benefits.

We also expect to drive more customers to our own sites and to use our digital capabilities to increase conversion rates. And what is most important about the initiatives on this slide is that all of them are already in progress and positioned to deliver incremental earnings in 2017 and/or 2018.

We see fleet optimization as a $75 million to $125 million EBITDA opportunity. There are two principal components to this. The first is that as a buyer of more than $10 billion of vehicles each year, being just a 0.5 point wiser among all of the different decisions we make can be worth $50 million to us.

And the second component is in the area of fleet dispositions. Not only can we further optimize the timing, location, and presale repair work we do for our risk car dispositions, we also have the opportunity to grow our direct-to-dealer sales and an untapped opportunity to sell vehicles directly to consumers.

As we have discussed with many of you, our fleet optimization efforts to date have helped us control our fleet costs, but we are still in the early innings of what we can ultimately achieve.

Next, as Joe highlighted, operational efficiencies represent a $125 million to $175 million opportunity for us. We have more than $5 billion of non-fleet costs to go after. We have a history of driving progress in these areas. And whether it is our performance excellence initiative or our manpower and shuttling projects, our work here is already underway.

You should expect to see operational efficiency benefits from us beginning next year and growing every year.

And the fourth opportunity for us is an enhanced mobility, which we estimate to be $50 million to $100 million in size, with connected car having upside potential beyond that. A number of people have pointed out that we and our car rental competitors have more experience in mobility than anyone, and I agree.

The opportunities we have to better serve customers' needs, expand Zipcar's product offerings, handle fleet logistics less manually and grow in markets where car rental and car sharing have a fraction of the presence they do in the US, are exciting. You should expect that the timeline for incremental earnings in this area will be slower than for the other three, but enhanced mobility is nonetheless an important opportunity for us.

And one other point, please know that we as a Company are laser focused on delivering results. Those of you who have followed us for a while know our relentless and long-standing focus on execution, and that is not going to change.

So what does this all mean? We are intensely focused on growing our margins by $350 million to $550 million over the next several years. Our efforts are well past the hopes and dreams stage; we are already executing against numerous initiatives to deliver progress.

We intend to move our EBITDA margin to 13% to 15% over the next five years. That works out to a 0.5 point to 1 point of margin improvement a year. And while this margin growth will almost certainly not be linear, we are working to deliver some of it in 2017.

Let me also address a question that will arise. How much of this planned margin expansion is driven by pricing? There are a few initiatives, most notably demand fleet pricing, from which we expect to achieve slightly better pricing than we would in their absence. But we are not assuming that the industrywide pricing environment will strengthen significantly in estimating the $350 million to $550 million opportunity that we are tackling.

Lastly, let me just share with you how I think our messages today fit together. We have outstanding capabilities across the entire customer value chain, from reservation to rental and beyond. It is not easy to put all of these components together 33 million times a year, and to make money doing it at rates of $40 to $50 a day from thousands of locations. We believe this skill set is valuable and difficult to replicate.

What is more, we combine our customer value-chain capabilities with an unparalleled ability to manage fleet logistics around the world. We think we purchase in-fleet, use, maintain and de-fleet significant numbers of vehicles in more countries than any other rental company in the world. I don't think the market has fully appreciated how unique this is.

In summary then, Avis Budget Group is driving aggressively for future success. Our strategic focus is on our brands, our margins, and mobility. We couple that strategic focus with a relentless tactical emphasis on execution. We see 13% to 15% EBITDA margins as being an attainable goal for us within five years.

We have a proven track record of increasing margins, and we have already identified, initiated, and begun to implement numerous projects to strengthen our margins. Our efforts include, but are not limited to, cost and efficiency initiatives. We are leveraging a unique and valuable set of capabilities, from car rental to car sharing to fleet management skills.

As a result, we are well positioned as the mobility landscape continues to evolve. And we are consistently generating a substantial amount of free cash flow and returning a majority of it to shareholders in the form of share repurchases.

To return to where I started, I hope that the enthusiasm that my colleagues and I have for our business and our prospects has been evident in our presentations. I thank you for your time and attention, and would be happy to answer easy questions on the topics I have discussed. Then I will ask my colleagues to join me for a broader Q&A.

QUESTIONS AND ANSWERS

Unidentified Audience Member

Thanks, David. You talked about the incremental margin opportunity over the next couple of years. When we think about free cash flow, what are the incremental uses of cash? And then also can you update us on the NOL, and how long do you think you won't be a full cash tax payer for?

Thank you.

David Wyshner - *Avis Budget Group, Inc. - President and CFO*

Sure, working backwards through the two questions. I see our NOL is in the $3 billion range growth at this point. And as a result, I think we are comfortable out to 2020 and probably beyond that in terms of not being a federal cash tax payer, based on everything we see. That position could go beyond that, but that is really as far as we have been able to look, so we see that being good.

I don't see our uses of the free cash flow changing a lot. We are going to continue to look for tuck-in acquisitions where we can find them, again when they can be accretive not only to earnings but also help us from a margin perspective.

And based on what we have seen over the last few years, that putting us in a position where the significant majority of our cash flow is being used for share repurchases. This year alone, we are in a position where we are returning north of -- more than 100% of our net income to shareholders in the form of share repurchases. As a result of not being a federal cash taxpayer, we can do that.

Michael Millman - *Millman Research Associates - Analyst*

Thank you. It is reputed that Enterprise has about an 18% margin. Are you being particularly conservative in your assumptions?

David Wyshner - *Avis Budget Group, Inc. - President and CFO*

I think as we look at the next three to five years, our focus is on continuing to deliver. When we look at 2010 to 2015, and the 270 basis point improvement that we had there, it works out to 54 basis points a year on average. And I look at that and say, we have proven our ability to be able to grow margins by 0.5 a point to 1 point a year over an extended period of time. And that is really what we are focused on going forward over the next three- to five-year period.

We are not -- we don't mean to view what we are talking about today as a cap; we are going to get to 14.6% and we are going to stop. I think we will always be continuing to focus on margin growth and margin growth opportunities.

What we are laying out here, I think, is a plan that we are well-positioned to execute against and is consistent with the track record of having delivered 0.5 a point to 1 point of margin growth over time.

Unidentified Audience Member

David, I guess one of the questions on the cost cuts is, do you think this industry has just kind of been maybe behind the curve historically, in terms of using technology, and that it's essentially just getting caught up now? Or do you think that these are -- the technology is making these initiatives possible?

Just trying to get a sense as to, it seems like there is maybe a bigger opportunity here than there are in some other businesses. And is it more a function of the past or the current technology? I mean, how would you segregate that?

David Wyshner - *Avis Budget Group, Inc. - President and CFO*

Yes. I think technology broadly speaking is creating a significant opportunity for us. And what is exciting about it right now is that we are in a position where we can apply some technologies that are out there that have been proven in other context, and we don't have to be the first to come up with them or the first to invent them. We just need to apply them in our particular space.

And our space is complicated. We have all of the issues that a travel company does in terms of yield management and inventory management, coupled with the fact that our inventory and our competitors' inventory is flexible in size over a relatively short period of time. So it makes for a fairly complex business model. And as a result, the advent of new technologies is creating a real opportunity for us to operate in that complex environment.

I think also we are in a similar position from a customer-facing perspective where as we put together Avis Now, the app itself, as Scott mentioned, isn't the hard part. The challenge is coupling the virtual pieces, the app, with all of the things that have to go on physically in our business.

It is not an app service we are providing. At the end of the day, it is a tangible, very physical, cars that a lot of stuff happens to service that we are providing. And how we connect all the way through that value chain, those requirements, is the hard part. So I think the technology is in a position where we can do that, and we are coupling more and more technologies to be able to deliver benefits here.

Unidentified Audience Member

Thanks for taking my questions. A two-part question on your free cash flow and your expectations of repurchases. It seems your newly-upped authorization is a little light of where your free cash flow will likely be for next year.

So is there anything to read into why it is just incremental $250 million? It seems like if we take what you have guided to for 2016, you probably only have $270 million to $290 million to deploy for 2017.

And then the second part is on the margin front, can you give us some perspective on perhaps why 2010 is the appropriate base level to gauge your margin expansion over the past few years? It seems like if we look at 2011, since then margins have sort of bounced around this 10%-ish, 11%-ish level. So any perspective there would be helpful.

David Wyshner - *Avis Budget Group, Inc. - President and CFO*

Yes, absolutely. In terms of the share repurchases, the way I look at it, the way we have looked at it, is that the $250 million increase in our authorization gives us $400 million of share repurchase capacity as of October 1. And I compare that to the amount of share repurchases we are planning to do this year, which is in the $370 million to $400 million range.

And I view us as, give or take something, having re-upped our share repurchase authorization with about a year's worth of capacity, again, give or take a little bit, which seems to me about right and balances the competing views on it that we have.

The good news is that our Board is always available and if we use up what they have authorized, it is not hard to discuss increasing that again. But I think this is -- I feel this is the right amount for us to continue to be -- to allow us to continue to be fairly aggressive in buying back stock later this quarter, over the course of this quarter and into 2017.

With respect to why 2010 is the right base, we look at that as the first normalized post-recession year, and it is a year without some of the noise in it that we have had. 2011 has one quarter -- one quarter of Avis Europe in it because the acquisition occurred on October 1 of 2011. And the European business tends to be more seasonal than the rest of our business.

So adding just the fourth quarter has an impact on our margins increase and noise there. 2012, I believe, had the Japanese earthquake in it where we saw residual value spike for four or five months; and then with some carryover effect, actually, into 2013.

So when we put all of those together, 2010, given things have gone on in the business, is the right place to start. We also couple that with the fact that 2010 is when we put in place our strategy, the four pillars that we continue to build off of.

And as a result, I think from a strategic perspective, not just a financial perspective, 2010 to us is a sensible place to start measuring from.

David Tamberrino - *Goldman Sachs - Analyst*

Good morning, it is David Tamberrino from Goldman Sachs. I have two questions. First one is just as we go out to 2021, I think we heard your underlying assumptions on pricing. But perhaps what are you expecting from a volume growth perspective as we are moving along the next five years? That is question one.

And then secondly, as we think about the 50 to 100 basis point kind of annual bridge or guidepost that you have been giving to us, I heard earlier you have 40,000 connected cars. That is out of 600,000 fleet, so that is less than 10%. But the operational efficiency, some of the fleet optimization and the enhanced mobility, comes from incremental connected cars.

What does the runway look like for the next couple of years of increasing that percentage of connected cars within the fleet? And then how long does it take to get that data, analyze it, implement it in the processes and generate the $350 million to $550 million that you are looking for?

David Wyshner - *Avis Budget Group, Inc. - President and CFO*

Sure. Two-part questions certainly seem to be in vogue today. For the first part, as we think about the $300 million to $550 million of opportunity, we view this as being idiosyncratic to us. It is stuff that we are doing and we are focused on, regardless of volumes or fleet cost or pricing in the industry. This is an opportunity; we look to deliver over and above how those variables may move around.

I think we don't -- when we look at the market, I think we have been seeing volume growth in the low single digits for a few years now. There is nothing that we would point to in terms of enplanements, which is a principal driver of volume for us, that would necessarily cause that to change significantly.

So the view of how volumes are likely to move around, I think would be consistent with the growth we have seen over the last few years, and that's probably in the low single digits.

With respect to the connecting of cars, we are looking at partnering with manufacturers to take advantage of some of the connectivity that they have, as well as multi-modal or multi-manufacturer solutions that are maybe available out there.

And I think how we do expect that to grow -- it has been growing over the last couple of years -- exactly what the trajectory looks like, that is a harder one to estimate. We are probably in the teens now in the percentage of our fleet that is connected other than Zipcar, which is 100% connected using our overlay technology to do that.

And I think the way that -- I just think it is hard to estimate exactly which of those solutions is going to work out to be the best and what the trajectory is going to be. But certainly when we look three to five years out, we expect many more, a much higher percentage of our fleet to be connected in some way to what we -- to us.

And it really does -- an important part associated with that is the operational efficiencies that come along with that. The separate tangibleness of our products create a lot of inefficiencies on a lot in managing a fleet and in being able to know exactly where a car is. Not that it is just somewhere at this location.

It can be extremely valuable to us in terms of just managing the logistics and doing all of the things we want to do to better match the right customer with the right car. We can do that better and much better in a connected context than without.

Neal Goldner - *Avis Budget Group, Inc. - VP of IR*

Okay. We are going to -- give us a minute or two going to put some chairs on the podium, and then we are going to have all five of the speakers to come up and do a group Q&A. Okay, now that we have them.

Adam Jonas - *Morgan Stanley - Analyst*

Hey, Adam Jonas again. I want to go back to that question earlier on in today's presentation; and thank you very much for hosting, and it has been very informative. But the question about the OEMs that seem to be experimenting or looking at getting into the mobility business.

And from the perspective of an auto analyst, almost every major OEM is kind of launching some kind of initiative. And maybe it is PR and image and trying to attract people, but they seem to be taking it very seriously at the C-level, Board level, creating separate legal entities, rebranding themselves as mobility companies.

What would your message be to them? Because earlier you suggested they can try, but Ford is giving up in London and let's see how Maven goes; I'm summarizing here. But they really seem like it is existential for them to at least try this. You are saying it is very difficult and that they are underestimating how complex it is.

So this is being webcast. What would be your message to your OEM vehicle suppliers today, saying -- warning them or telling them what they should or should not do, I guess, as they attempt this transformation that they seem to be taking seriously?

Larry De Shon - *Avis Budget Group, Inc. - CEO and COO*

Of course, if you are an OEM looking at some of the statistics that we talked about earlier about how car ownership is going to be moving to more of a pay-per-use model, you are going to be looking at a number of different ways at which how you are going to play mobility. I think that is completely appropriate.

And trust me, we have had these conversations with our OEM partners. We continue to have these conversations. So I am not here to warn anyone. I mean everyone knows how we talk about the capabilities that managing -- that we have managing very, very large fleets, how that applies to some of the things that they are looking at.

We talked about how we could partner on those types of opportunities. I think over time, perhaps, you will even see some of those ideas play out. So not here to warn anyone. I am just here to say that we have been a huge part of the ecosystem; we plan to stay to be a big part of the ecosystem of mobility.

We have a number of brands and products that play to it, a number of different use cases. Will we be in the business of all use cases in mobility? No, we won't. We don't belong in all of those places, but we can certainly partner with people who do. And leverage what they bring to the table and leverage what we bring to the table, and partnerships. And I think that is how you will see us really move forward going forward.

Dan Levy - *Barclays Capital - Analyst*

Dan Levy, Barclays. Two separate questions. One, just a shorter follow-up for David. In terms of the cash tax rate, is that contingent on maintaining a base level of fleet growth so that you can maintain the benefits of like-kind exchange?

And then a separate question more broadly on the benefits that you've outlined today. I think it is pretty clear there is a lot of runway, a lot of technology that can be employed. But wondering to what extent is realizing that benefit contingent on the rest of the industry. Adopting certain practices, certainly we could understand that. If you are -- if other players in the industry aren't optimizing their fleet so well, that could have a read-through impact to you.

And if the industry does adopt these practices, what is the risk that the benefits are competed away?

David Wyshner - *Avis Budget Group, Inc. - President and CFO*

I will tackle the first piece. This year we are expecting cash taxes to be in the $50 million to $60 million range. And it has been fairly consistent in that 50 -- or $40 million to $75 million range over the last several years. I think that is likely to continue to be the case. That is about the right cash tax rate for us.

What drives it is accelerated depreciation combined with our like-kind exchange program, and the nature of the way like-kind exchange programs work is that it is not on a vehicle-per-vehicle basis; it is on vehicle-pool-per-vehicle-pool basis.

And as a result, the generation and the use of that benefit is not dependent on growing the fleet size in any particular way. In fact, we have estimated we could significantly shrink our fleet and still be able to take full advantage of that and not change our cash tax position.

Larry De Shon - *Avis Budget Group, Inc. - CEO and COO*

As it relates to our strategies, our initiatives are really focused on what we control, what we have got line of sight on, what we think we can actually affect inside our organization. It is less focused on what we think our competitors will really do with it.

If you look at all of the initiatives we put up there, these are all within our ability to add technology, to develop technology, develop better data analytics, to get smarter about each one of these areas, to get faster to the market and improve our abilities in each of these areas.

And we are already seeing benefits in some of the revenue quality we have been able to capture when our competition has not had the same pricing success in the quarter. And manpower and shuttling, those are internal metrics that provide returns when we get smarter about how we do that business.

Of course, in areas of fleet and pricing, sure, things would be better for everybody as those get managed better and better across the industry. I think everyone in the industry -- there is nothing that tells me that our competitors in the industry aren't aligned with trying to make sure their fleets are right and that they push for every pricing opportunity that they can.

To the levels that they develop technology that helps them do that, I think that is great. I think that is great for the industry. It is good for us. I am sure it will be good for them.

So we are not so focused on what they will or won't do and how they will or won't react to this. We will focus on initiatives that are within our control, that we have got line of sight on, that we have resourced, that we can leverage technology to go after, and that is how we are going to go after our strategic plan.

Chris Agnew - *MKM - Analyst*

Chris Agnew, MKM. You talked about fleet management logistics being a key competitive advantage. As autonomous cars come, how does that change that competitive advantage and what are your thoughts around autonomous cars in your fleet?

Larry De Shon - *Avis Budget Group, Inc. - CEO and COO*

Yes. I think autonomous cars bring a lot of benefits to us. If I can just start first with the fact that through autonomous cars, you are going to attract a market that you can't attract today, so people that don't drive.

When you think about the autonomous cars from a safety perspective, we have a lot of -- there is a lot of damage that occurs in a fleet our size. And to the degree that autonomous technology allows that to decline over time is only beneficial for us as well.

But whether it is autonomous or not autonomous, you have got to acquire them; you have got to in-fleet them and register them; you have got to prepare them and maintain them and fix them, hopefully less fixing. And you have got to sell them on the other end. And you have still got to make sure that car gets to the right place to the right customer at the right time, and actually the best car for that customer rental.

None of that is going to really change. How you position fleet will obviously -- could take out a lot of costs. We spend a lot of money shuttling -- paying people to move cars. If cars in the future could actually move themselves and reposition where they need to go, that is a cost savings, a huge cost savings for us.

So when you think about brick and mortar and all of the structure that goes into supporting fleet that have to be driven around, I think there is only opportunities and upside for that. I don't think it really changes the core strength that we have, and that is how you manage that fleet from acquisition to disposal.

Unidentified Audience Member

Larry and David, I just wanted to talk a little bit about the parameters you put out there in terms of the pillars of where the incremental margin will come from. How much, what I would say, cushion is there around those numbers? Because if I kind of put the numbers pen to paper here, you're literally talking about doubling the earnings power of the Company over the next five years.

And if you think about what you have done in free cash flow earnings numbers, that could $8 to $9 a share in five years. Just seems like astronomical numbers. I'm just trying to understand what kind of cushion is around those pillars?

Larry De Shon - *Avis Budget Group, Inc. - CEO and COO*

Yes, I think there is cushions in two ways. One is we know we are not going to execute on every single solitary initiative perfectly. So we certainly didn't bake in everything we can possibly think of and the maximum value that we possibly could think it could generate. We did not do that.

So I think we put in what we think is realistic from an execution perspective and actually benefits that we think are realistic based on our current evaluation of the low to the high. So we weren't overzealous in that way.

The other area I think that gives us some buffer is that -- and I have learned this over 10 years of being in this business and Joe can tell you for 30 -- that when you dig into these things and you drive these initiatives, you find opportunities you never knew were there. And none of those are actually identified now.

So as we go through the next five years, this list will get more and more robust. We will be adding more and more things that we find as we dig into that says, didn't know that opportunity was there, but through technology or through data analytics or through tearing this issue apart, we have now found these other three opportunities, put them on the list, and when we get to them, we get to them.

So you will find us to continue to build this out over time over five years, and I think that is logical. David said we are not going to stop at any magical moment and say, victory, we got there; so no one has to worry about margins anymore. That is not in our ethos; that is not in our DNA.

This is an organization that constantly looks for ways of which to make tomorrow better than it was today. If you go out and talk to our field managers, it is rewarding when you go out. And one of the first things an airport manager starts talking to you about is what he is doing to improve margins at a location level. This is how they are thinking. And I give a lot of credit to Mark and Joe who have kind of instilled that thinking in our field folks.

So there is a lot to be discovered over the next five years, and we will continue to go after every opportunity that we can.

Michael Millman - *Millman Research Associates - Analyst*

So talking about opportunities, at least in the third quarter, each of Expedia and Priceline showed a 13% increase in car rental days. Obviously, you are paying for that. To what extent is that an opportunity to bring more of that in-house?

Larry De Shon - *Avis Budget Group, Inc. - CEO and COO*

Sure. These are important partners to us, so we respect our relationships with these folks. But of course, you are always looking for ways to drive more business direct to your own sites, and these are your lowest cost channels.

So looking at cost of sale is something that we do all the time, and this is part of the revenue quality, the revenue optimization that I was talking about earlier; really understanding what channels is this business coming to you from, what customer segments is it coming, what was the profitability end that you took? If you had to do that day all over again, would you take that same book of business?

And if the answer is no, then what are you going to do to fix that? And that is what we've got a revenue optimization team doing. We were really focused in revenue management. And looking at once we got today over with, looking at tomorrow, the next week, the next month, we weren't spending enough time tearing apart what we did and really understanding it down to the rental; dumping every single reservation that we had on any rental day and say, okay, we sold out that day. Knowing we sold out that day, let's take a look at the business that we took. When did we take it, what channel did we take it in, what cost of sale did we take it, and what was the ultimate profitability of that book of business?

If you're going to sell out again that day next year the same way, would you take this book of business? What do you like about it; what do not like about it? And if there is parts of it that you don't like from a cost-to-sell perspective, then what are you going to do to fix that next year?

So this is what this team is doing, and finding opportunities within those analyses to say, here is how we need to be driving our rental, our cars to better rentals, more profitable rentals.

So, of course, I think anyone is going to be looking at ways to try to drive more business to your site. I think that is why Avis Now is a winner for us in a number of different ways. As customers get used to using the app to transact through their entire rental, they will stay on the app to do their bookings. And when they do that, that is the lowest cost-to-sell channel that we have.

Unidentified Audience Member

Last week, obviously, there was a pretty shocking result from your competitor. Do you think that there is any long-lasting effect or immediate effect of how they are going to act in the marketplace or what might change?

Larry De Shon - *Avis Budget Group, Inc. - CEO and COO*

You know, no, I don't think so. I mean, obviously, I think as I said earlier, our competitors I think are aligned on what they -- on how they should manage their fleet and how they should manage pricing. Where certain competitors are at any given moment and where they need to go to develop those skill sets is issues that they've got to face internally.

It doesn't change how we are focused. For us, we are going to stay focused on making sure we keep our fleet tied to demand, finding those opportunities to yield pricing as much as we possibly can, particularly those close-in opportunities, try to get pricing as high as we possibly can get it. I think we have proven that kind of quarter after quarter this year after coming off of the first-quarter pricing issues that we had. And that is what demand fleet pricing on our revenue management tools overall are designed to do, to really help us find those opportunities and get a lot more granular to see where those opportunities are than we have ever been able to do in the past.

But overall, I think there is nothing in the industry from our competitors that tells me that people aren't aligned on what they want to do. It is just a matter of how they can get there, develop the skill sets inside their Company, develop the tools to be able to help them get there. But I don't think you are going to see anything crazy from a fleeting perspective or a pricing perspective. It just doesn't make sense; it doesn't help anybody.

Neal Goldner - *Avis Budget Group, Inc. - VP of IR*

Okay. With that, I'm going to turn it over to Larry to, I guess, do a close.

Larry De Shon - *Avis Budget Group, Inc. - CEO and COO*

You guys don't have to run; just stay there. Well, thank you all for coming today. I appreciate it, particularly all of the rain this morning that you faced to get here. I hope that you take away some confidence that this team is very much aligned on what we need to achieve over the next five years and beyond.

We've put a lot of thought into this strategy over the next five years, a lot of thought, a lot of endless meetings really thinking about where our opportunities are. Getting alignment about what we wanted to go after and what we don't want to go after. And as we dig into this, as I said, we are going to find lots of opportunities of things that we didn't even know were there.

When you take a look at our ability to grow margins between 2010 and 2015, as David illustrated, we have been able to hit years of 50 basis points or more year after year. If you take a look at this year in particular, in particular our third quarter, where from an economy perspective it has been a pretty uneven environment throughout the year. You have had terrorism threats and situations happening in Europe. You've had fleet costs that are higher in North America. You have us investing through the P&L. And even through all of that, we turned out a record quarter in the third quarter in both of our regions, and a record margin quarter.

So I feel pretty confident that when we put these initiatives up there and these goals that we are talking about, we have got clear line of sight. We realize that we need to dedicate resources and invest in the business to be able to make it happen. And we believe that we can execute and use the execution discipline that we have established over a number of years and we have built inside the culture of this business, that we can achieve these results.

So the proof is in the metrics and I look forward to talking to you again, and thank you very much for being here.