



# avis budget group

**Presentation to Investors**

May 2013

# Forward-Looking Statements

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

These statements are based on current expectations and the current economic environment. Forward-looking statements and projections are inherently subject to significant economic, competitive and other uncertainties and contingencies, many of which are beyond the control of management. The Company cautions that these statements are not guarantees of future performance. Actual results may differ materially from those expressed or implied in the forward-looking statements.

Important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements and projections are specified in the Company's most recently filed Form 10-K, Form 10-Q and other SEC filings.

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

This presentation includes certain non-GAAP financial measures as defined under SEC rules. Important information regarding such measures is contained within this presentation, including in the Glossary section.

# Key Messages

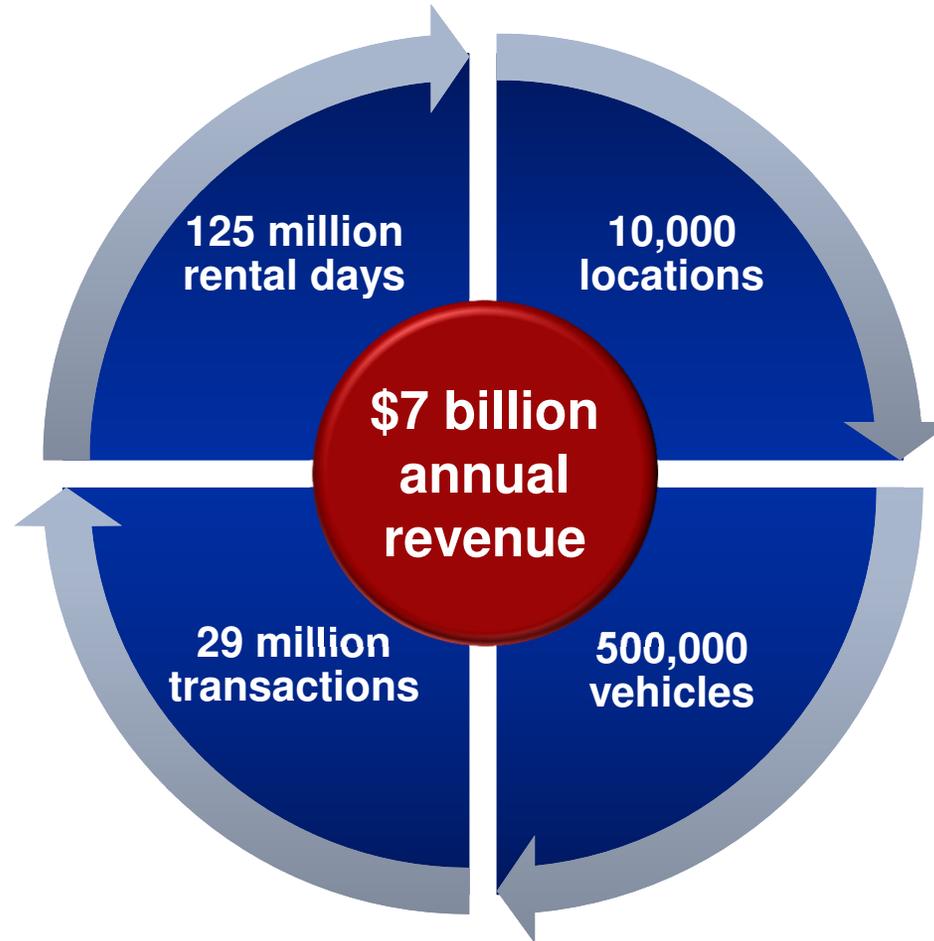
**The Business Today**

**Strong Financial Performance**

**Investing in Profitable Growth Initiatives**

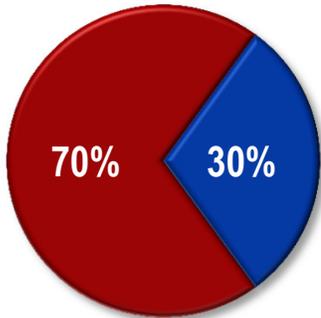
**Driving Revenue and Earnings**

# A Global Leader in the Car Rental Industry

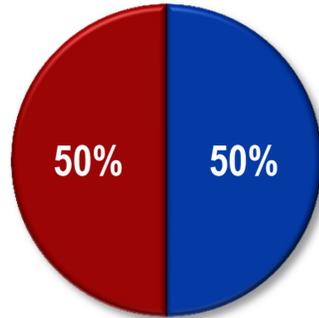


# Diversified Revenue Sources

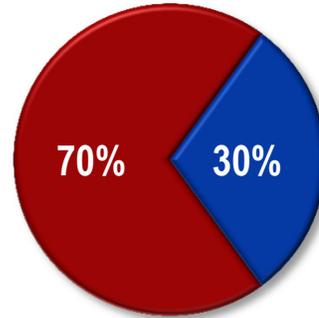
**Avis vs. Budget**



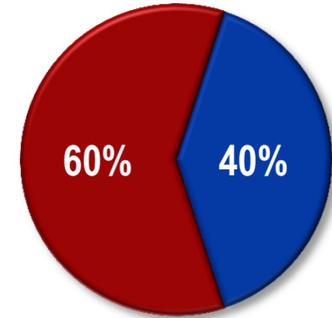
**Commercial vs. Leisure**



**On-Airport vs. Off-Airport**



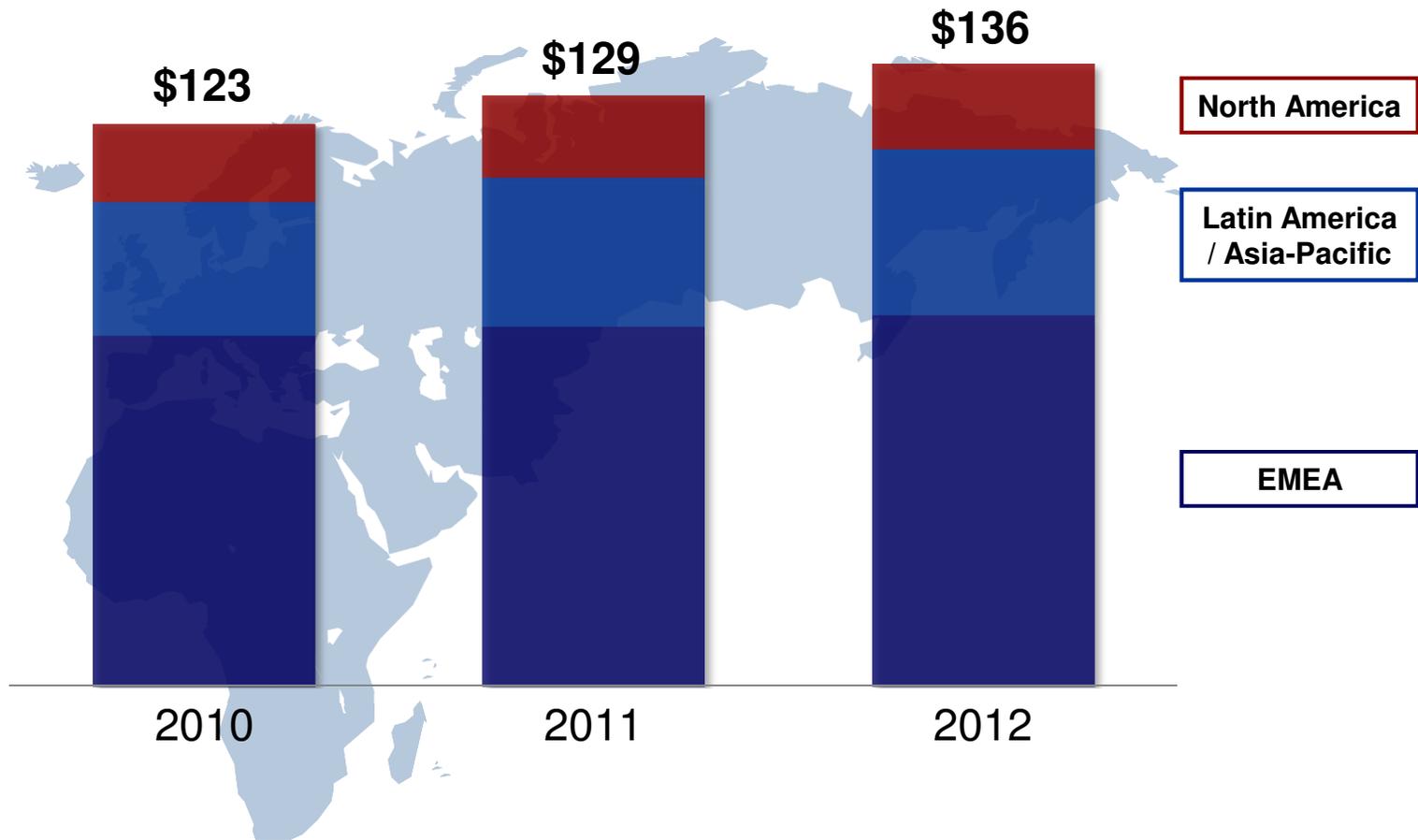
**U.S. vs. International**



**Locations in More Than 175 Countries and  
a Leading Position in Most Major Markets**

# Substantial Worldwide Licensee Revenue Stream

**Licensee Revenue**  
*(\$ in millions)*



# Key Messages

**The Business Today**

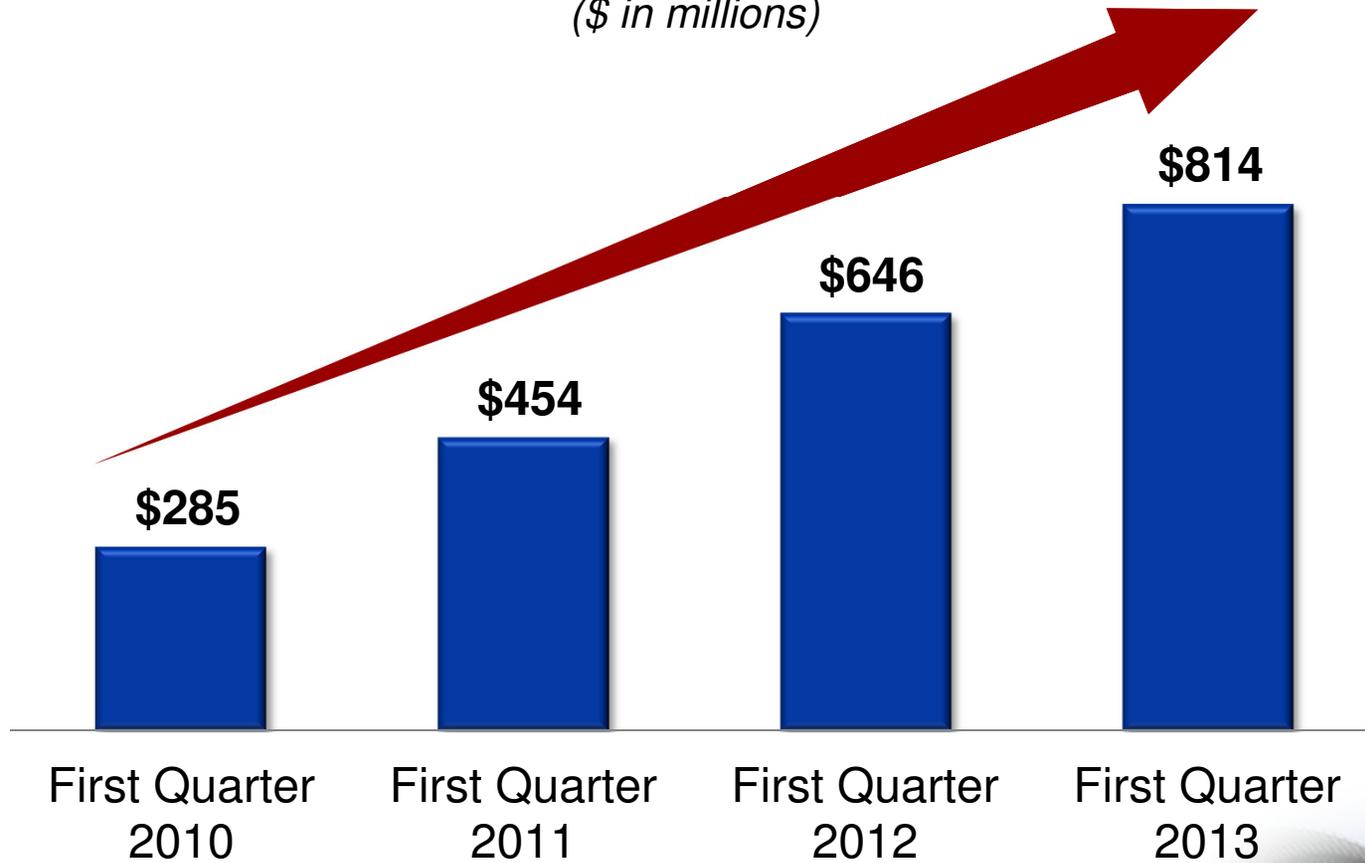
**Strong Financial Performance**

**Investing in Profitable Growth Initiatives**

**Driving Revenue and Earnings**

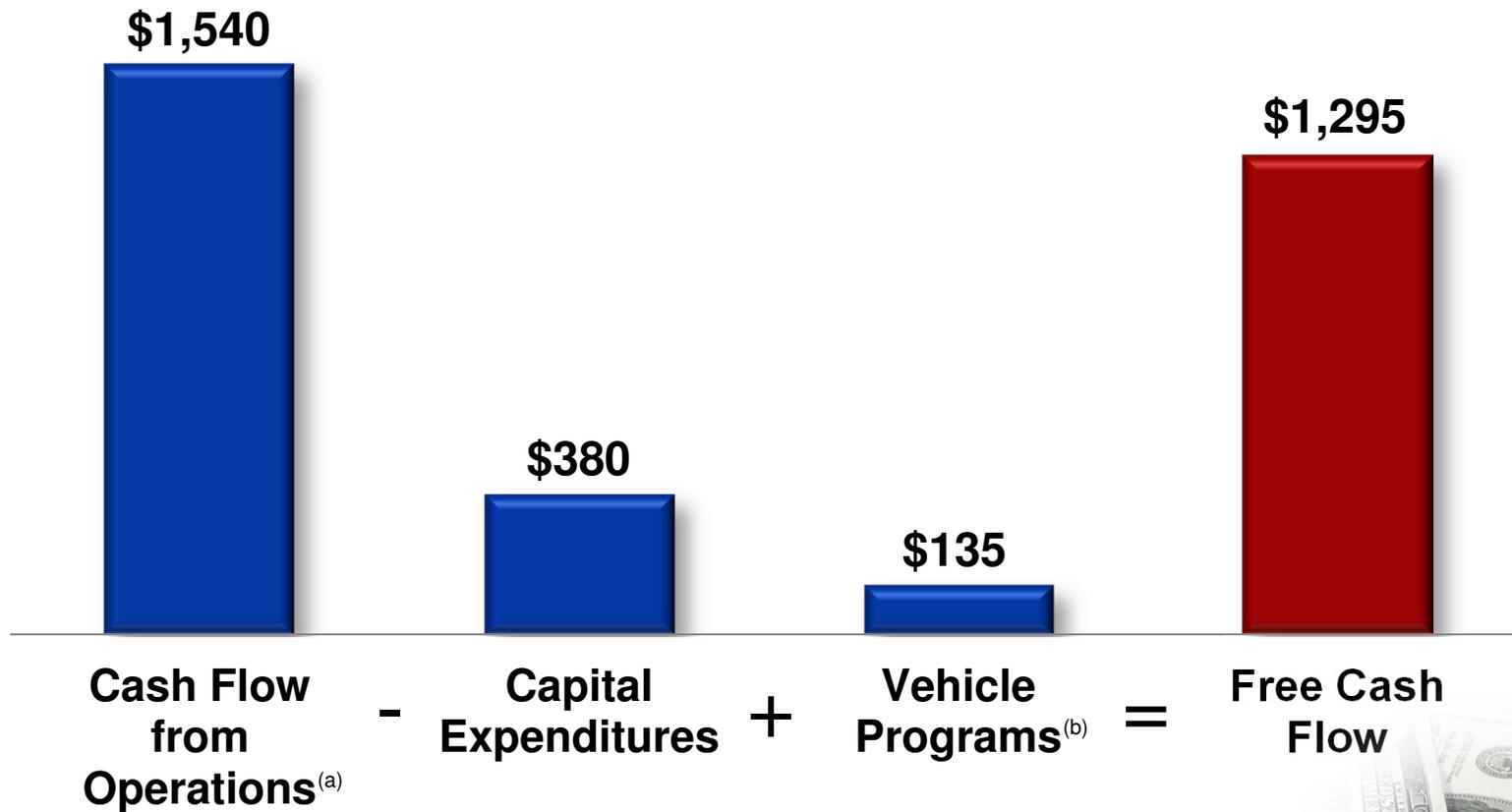
# Strong Earnings Growth

**LTM Adjusted EBITDA<sup>(a)</sup>**  
*(\$ in millions)*



# Free Cash Flow of \$1.3 Billion Since 2008

(\$ in millions)



# Key Messages

**The Business Today**

**Strong Financial Performance**

**Investing in Profitable Growth Initiatives**

**Driving Revenue and Earnings**

# Strategic Plan

## Driving Sustained, Profitable Growth



***Strategically  
Accelerate  
Growth***



***Expand Our  
Global  
Footprint***



***Put the  
Customer  
First***



***Drive  
Efficiency  
Throughout  
the  
Organization***

# Strategically Accelerate Growth

## We are Focused on Faster-Growing, Higher-Margin Segments

Small Business

17% higher revenue per transaction<sup>(a)</sup>

International Inbound

72% higher revenue per transaction<sup>(b)</sup>

Specialty & Luxury Rentals

52% higher revenue per transaction<sup>(b)</sup>

Rentals with Ancillary Products

54% higher revenue per transaction<sup>(c)</sup>

Note: Data are 2012 results for North America

(a) Compared to contracted commercial transactions

(b) Compared to all transactions

(c) Compared to the average base rental rate for ancillary transactions; generated more than \$6 per rental day in ancillary revenue across all transactions



# Expand Our Global Footprint

## Our Acquisition of Avis Europe was a Watershed Event

### *Brands*

- ▶ Enables us to control our brand proposition globally

### *Growth*

- ▶ Increases our presence in faster-growing markets

### *Opportunity*

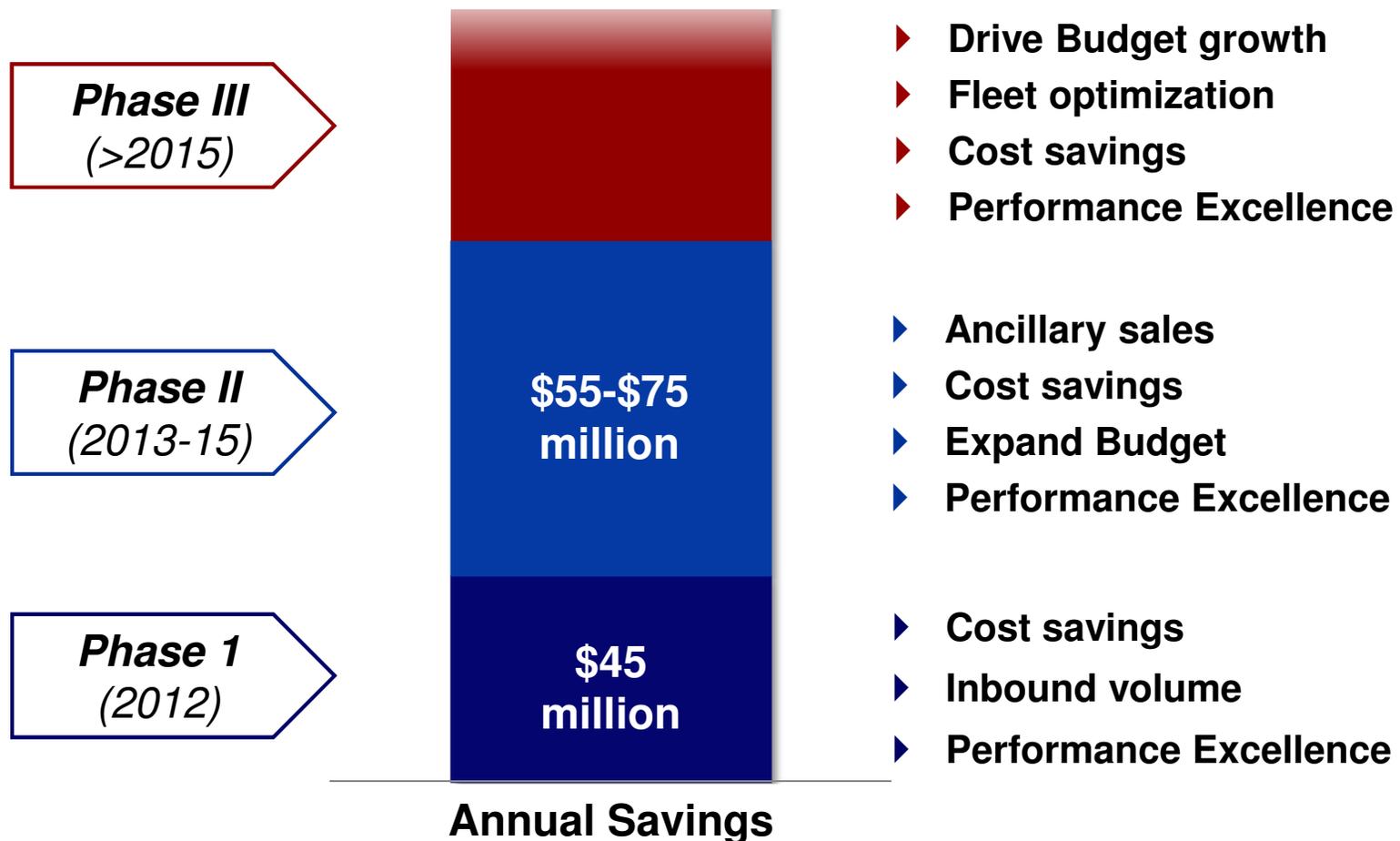
- ▶ Expanding Budget in Europe is a significant opportunity

### *Synergies*

- ▶ Provides meaningful cost and revenue synergies

# Expand Our Global Footprint

## European Integration is Generating Significant Benefits



# Put the Customer First

**We Are Improving the Customer Experience  
to Drive Brand Strength and Long-term Profits**

## ***Empowerment***

- ▶ Empowering customers with *Avis Preferred Select & Go*

## ***Loyalty***

- ▶ Investing in our brands to drive revenue and loyalty

## ***Ease of Use***

- ▶ Re-engineering customer “touchpoints” to make them easier and more efficient

## ***Trusted Relationship***

- ▶ Capturing a higher share of our customers’ rental spend

# Drive Efficiency Throughout the Organization

## Yield Management

- ▶ Targeted pricing strategies
- ▶ Integrate fleet and revenue management

## Performance Excellence

- ▶ Fleet maintenance and repair
- ▶ Improve speed of vehicle sales
- ▶ Capture profitable walk-up business

## Fleet Optimization

- ▶ Reduce acquisition costs
- ▶ Optimize in-service usage
- ▶ Increase use of alternative disposition channels

**Expect \$100 Million of Benefits by 2015**

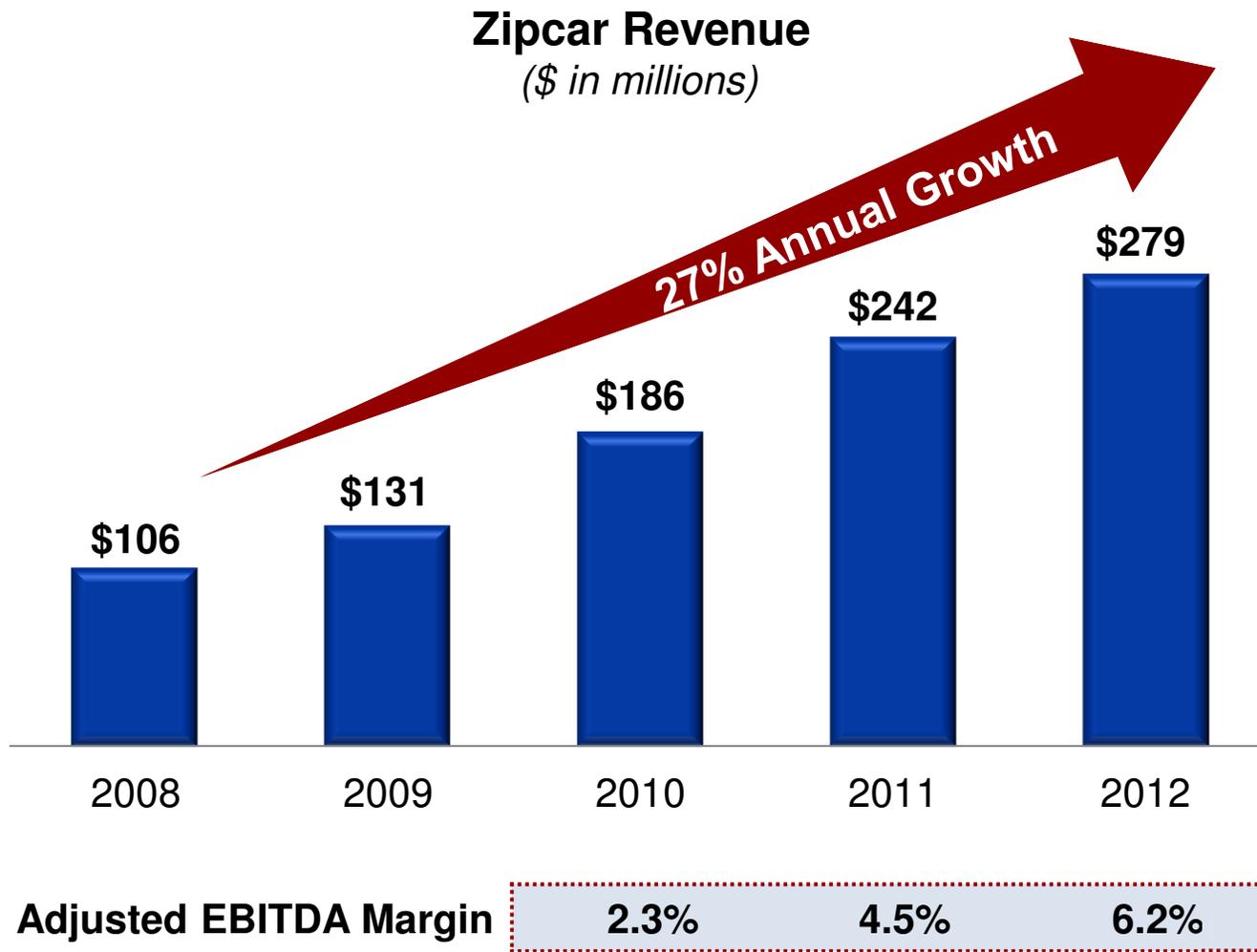
# Acquisition of Zipcar is Strategically Compelling . . .

- ▶ **Founded in 2000, Zipcar operates the largest member-based, car sharing network in the world**
  - **20 major metropolitan areas**
  - **More than 300 college campuses**
  - **Locations in the United States, Canada and Europe**
- ▶ **Provides over 775,000 members with self-service vehicles**
- ▶ **Proprietary technology drives Zipcar's leadership and innovation**



**Transaction Closed March 2013**

## ... And Financially Attractive



# Numerous Sources of Significant Synergies

## Cost

- ▶ Lower fleet acquisition costs
- ▶ Lower vehicle operating costs
- ▶ Lower vehicle financing costs
- ▶ Lower insurance costs
- ▶ Lower general and administrative costs and elimination of public company costs

**\$20 to \$25 million**

## Fleet Utilization

- ▶ Meet Zipcar's demand with smaller fleet by utilizing available Avis Budget cars
- ▶ Increase Zipcar's opportunities on the weekends by using available Avis Budget cars

**\$20 to \$25 million**

## Revenue

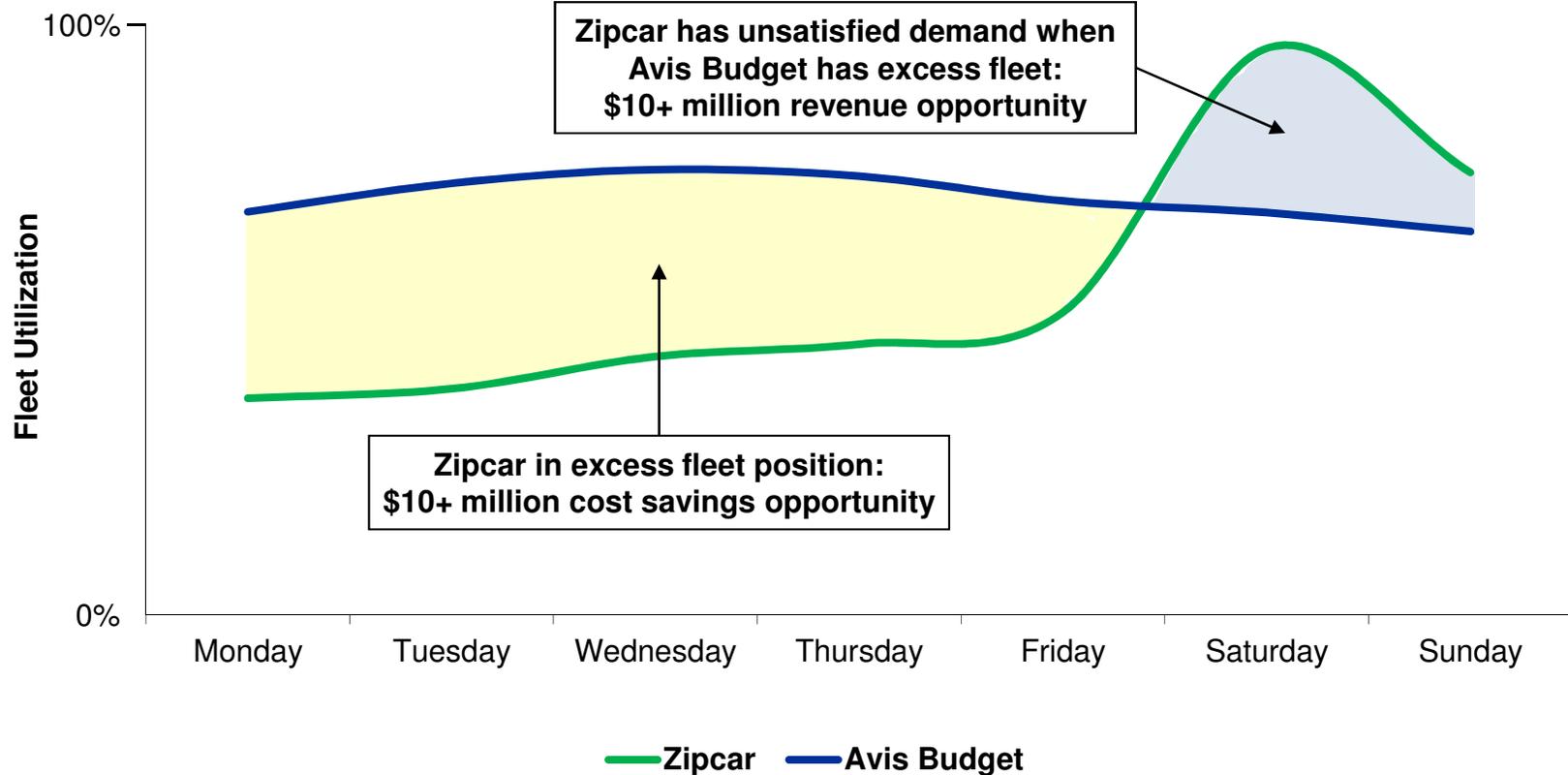
- ▶ Expand Zipcar product offerings and downtown locations
- ▶ Offer airport opportunities and one-way usage to / from airports
- ▶ Leverage Avis Budget's partnerships and commercial accounts
- ▶ Increase locations both in existing and new geographies

**\$10 to \$20+ million**

**\$50 to \$70 Million in Annual Synergies<sup>(a)</sup>**

# Fleet Utilization Will Generate Substantial Benefits

**\$20+ Million Opportunity**



# Key Messages

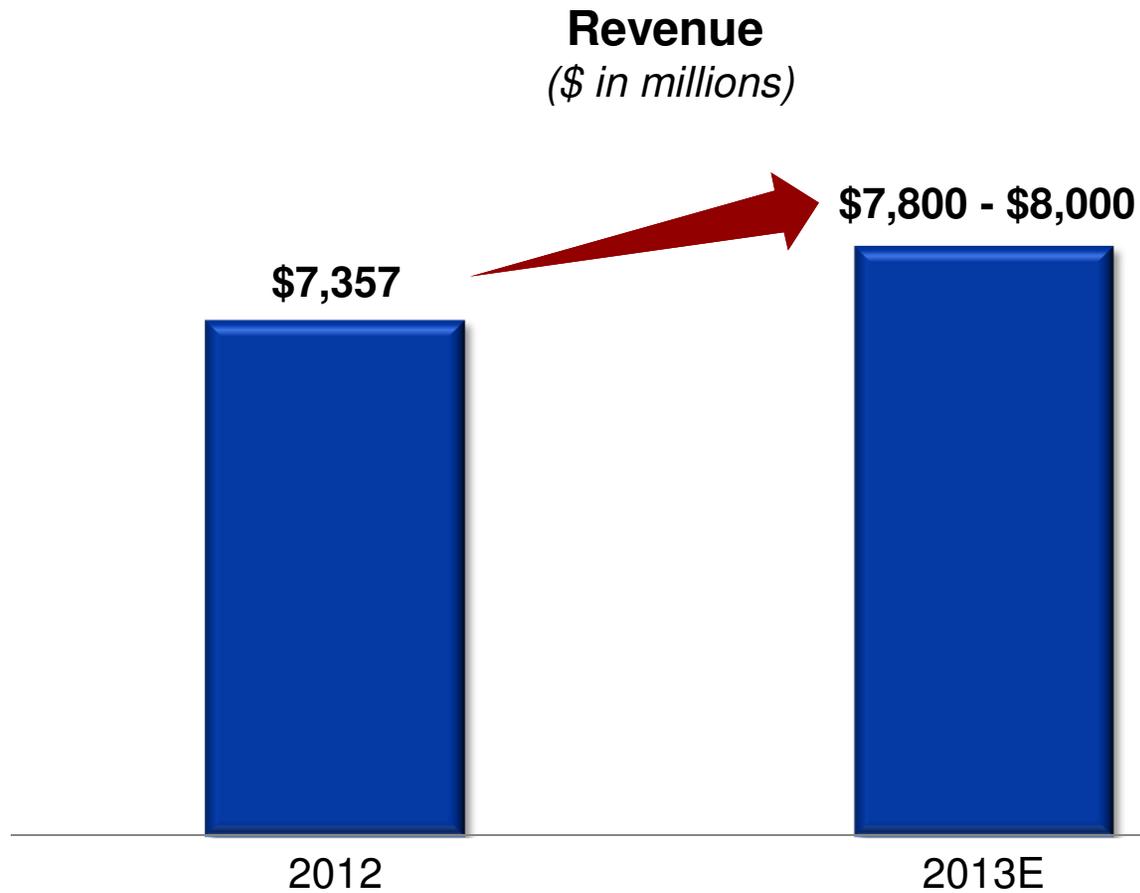
**The Business Today**

**Strong Financial Performance**

**Investing in Profitable Growth Initiatives**

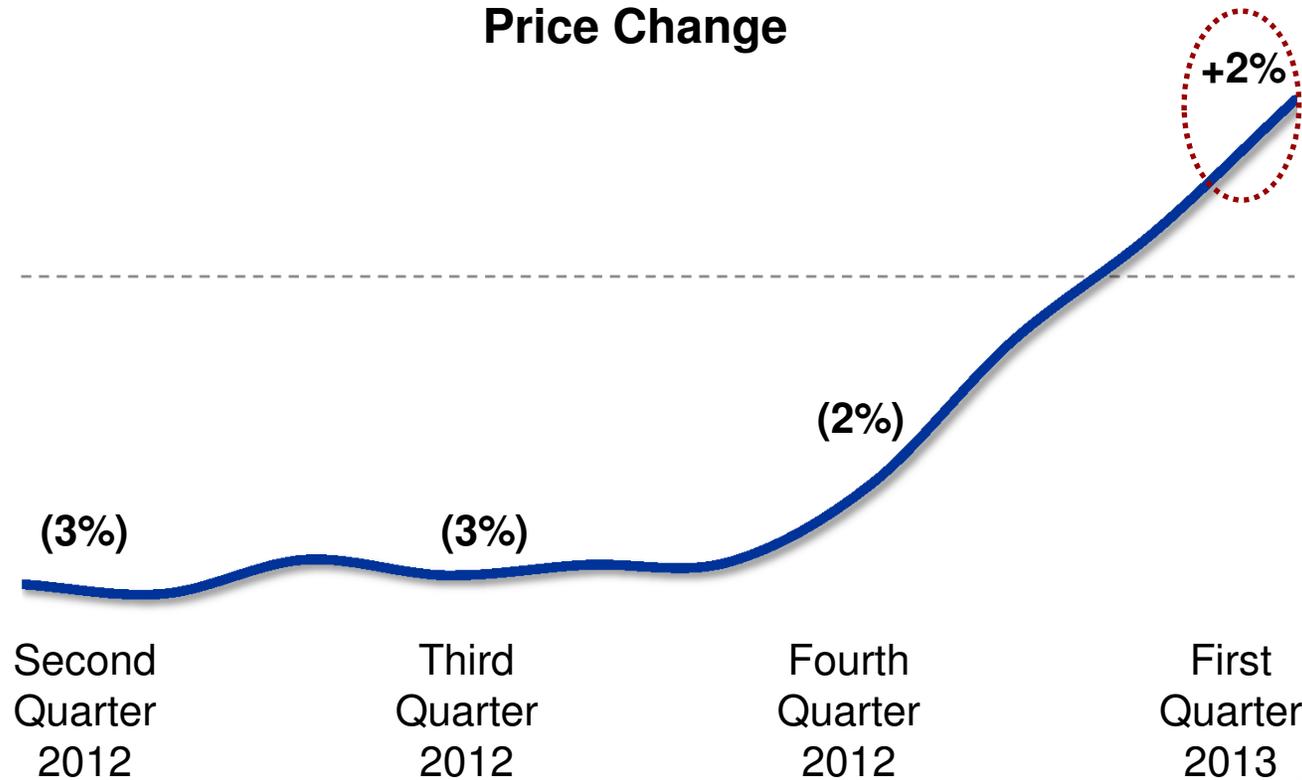
**Driving Revenue and Earnings**

# Expect Revenue to Increase 6% to 9% in 2013



# Recent Pricing Trends Improved in North America

## Trailing 6-month Year-over-Year Price Change



**North America Pricing Increased 4% in First Quarter 2013**



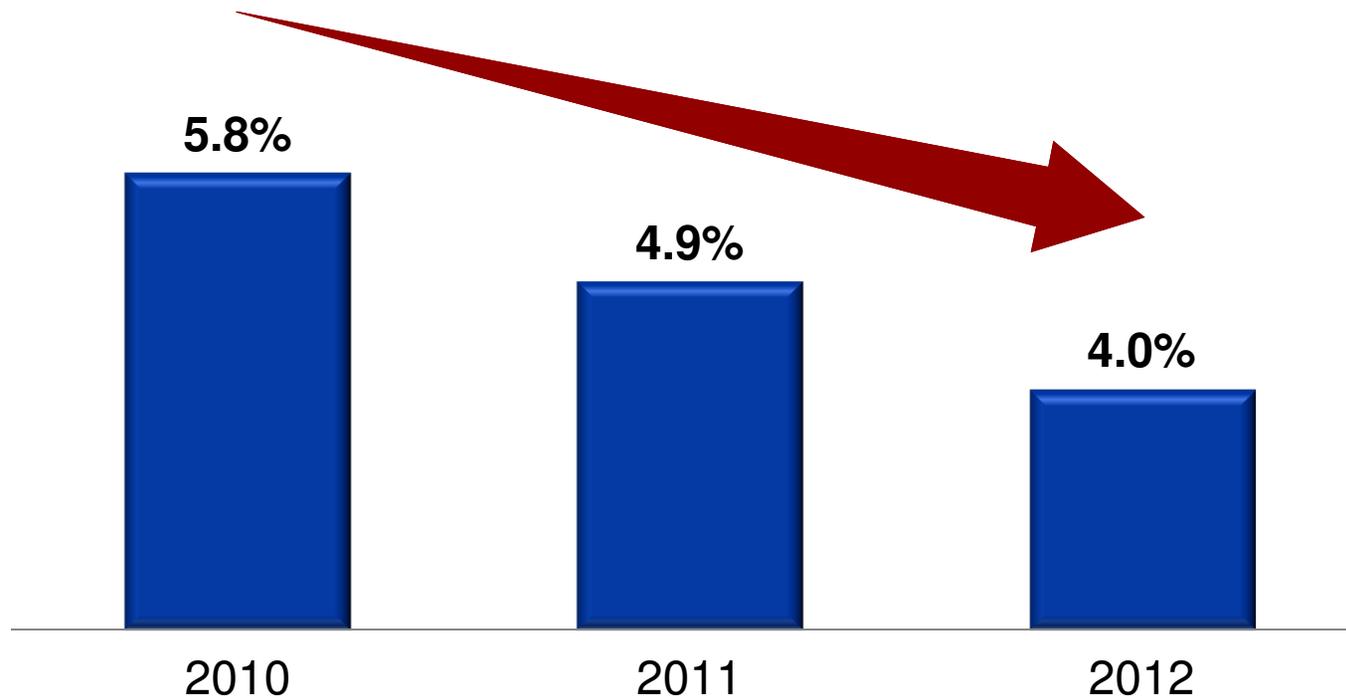
# North America Per-Unit Fleet Costs Normalizing in 2013

**LTM Monthly Per-Unit Fleet Costs<sup>(a)</sup>**  
*North America*



# Lower Vehicle Borrowing Rates

**ABS Term Debt Average Rates<sup>(a)</sup>**



**Expect to Generate More Than \$30 Million of Annual Interest Savings in 2013 Due to Lower Rates**

# Expect Strong Free Cash Flow Generation

(\$ in millions, except EPS)

	<b>2013 Estimate<sup>(a)</sup></b>
<b>Revenue</b>	<b>\$7,800 – \$8,000</b>
<b>Adjusted EBITDA</b>	<b>750 – 855</b>
<b>Non-vehicle D&amp;A</b>	<b>130 – 135</b>
<b>Interest expense</b>	<b>240</b>
<b>Pretax income</b>	<b>375 – 485</b>
<b>Income taxes<sup>(b)</sup></b>	<b>140 – 180</b>
<b>Net income</b>	<b>\$235 – \$305</b>
<b>Diluted EPS</b>	<b>\$2.00 – \$2.60</b>

**Expect Free Cash Flow of approximately \$300 Million<sup>(c)</sup>**

# Strategic Plan is the Foundation for Long-term Growth

## Driving Sustained, Profitable Growth



***Strategically  
Accelerate  
Growth***



***Expand Our  
Global  
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***Put the  
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***Drive  
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# Expect More than \$1 Billion of Adjusted EBITDA by 2015

## Avis Europe Synergies

- ▶ Performance Excellence
- ▶ Budget expansion
- ▶ Cost savings

**\$55 to \$75 million**

## Zipcar Synergies

- ▶ Cost savings
- ▶ Fleet utilization
- ▶ Revenue opportunities

**\$50 to \$70 million**

## Organizational Efficiencies

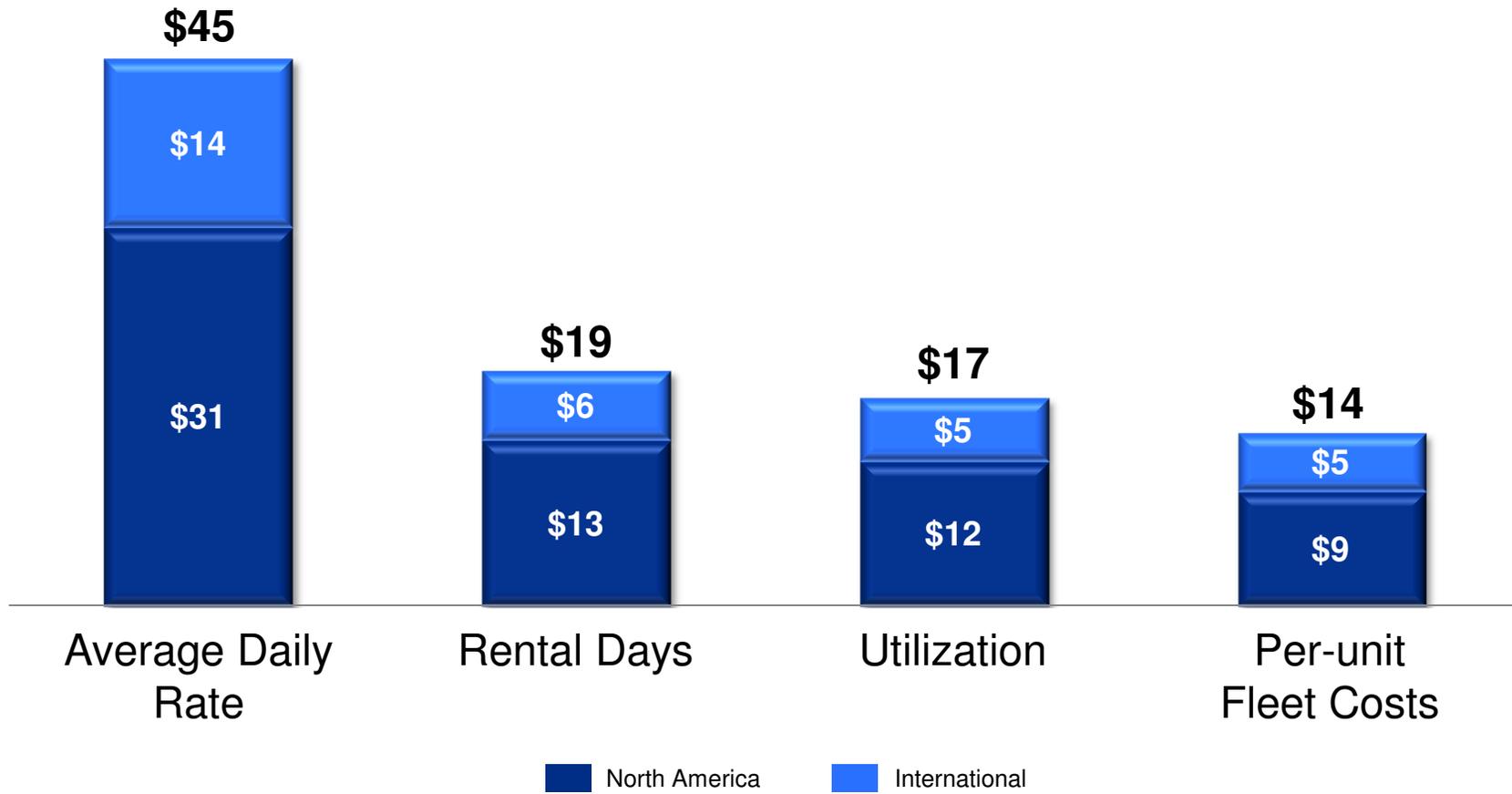
- ▶ Demand / fleet pricing
- ▶ Fleet optimization
- ▶ Process improvement

**\$100 million**

**avis** **budget** group

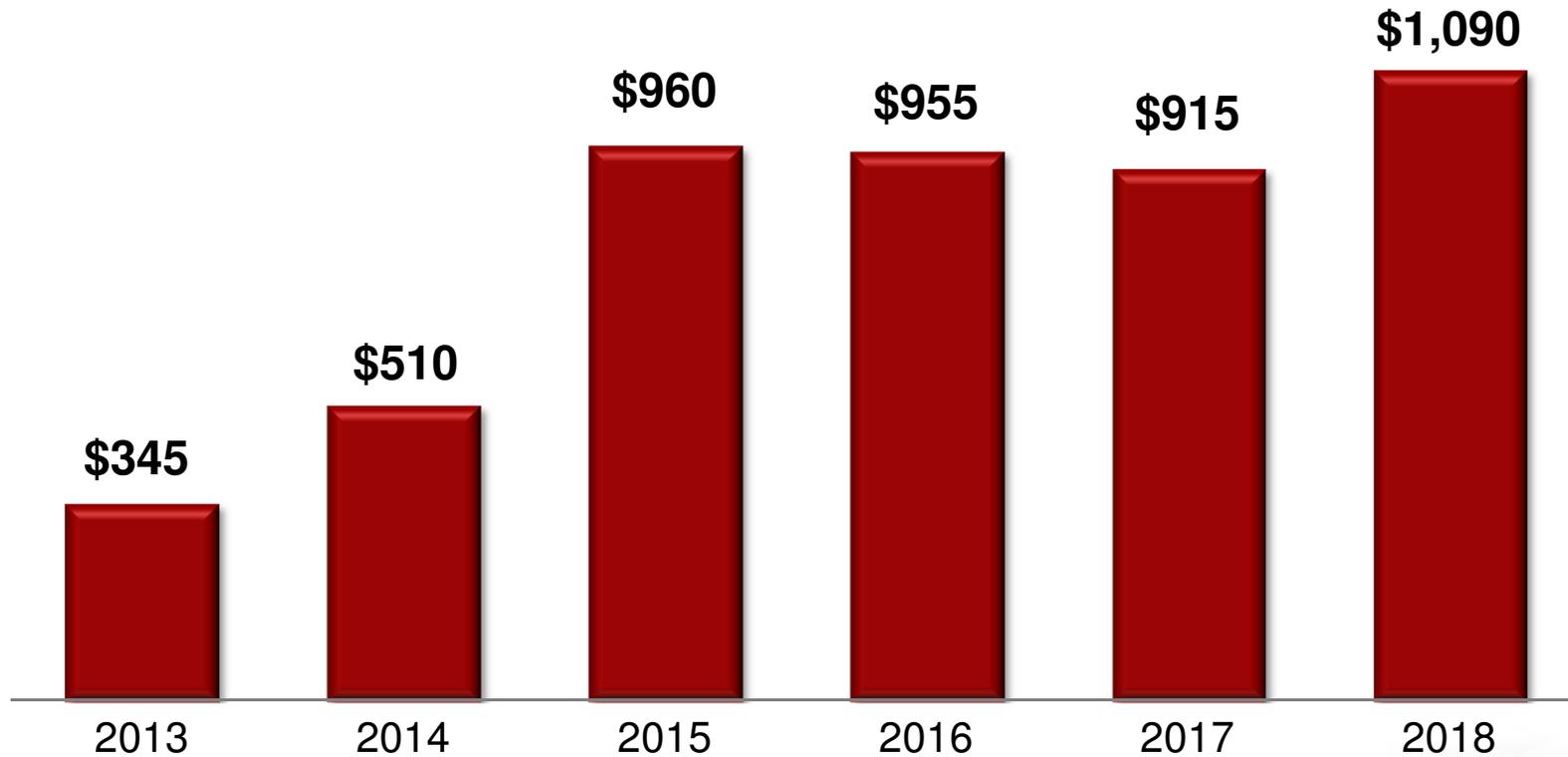
# Focused on Key Drivers

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



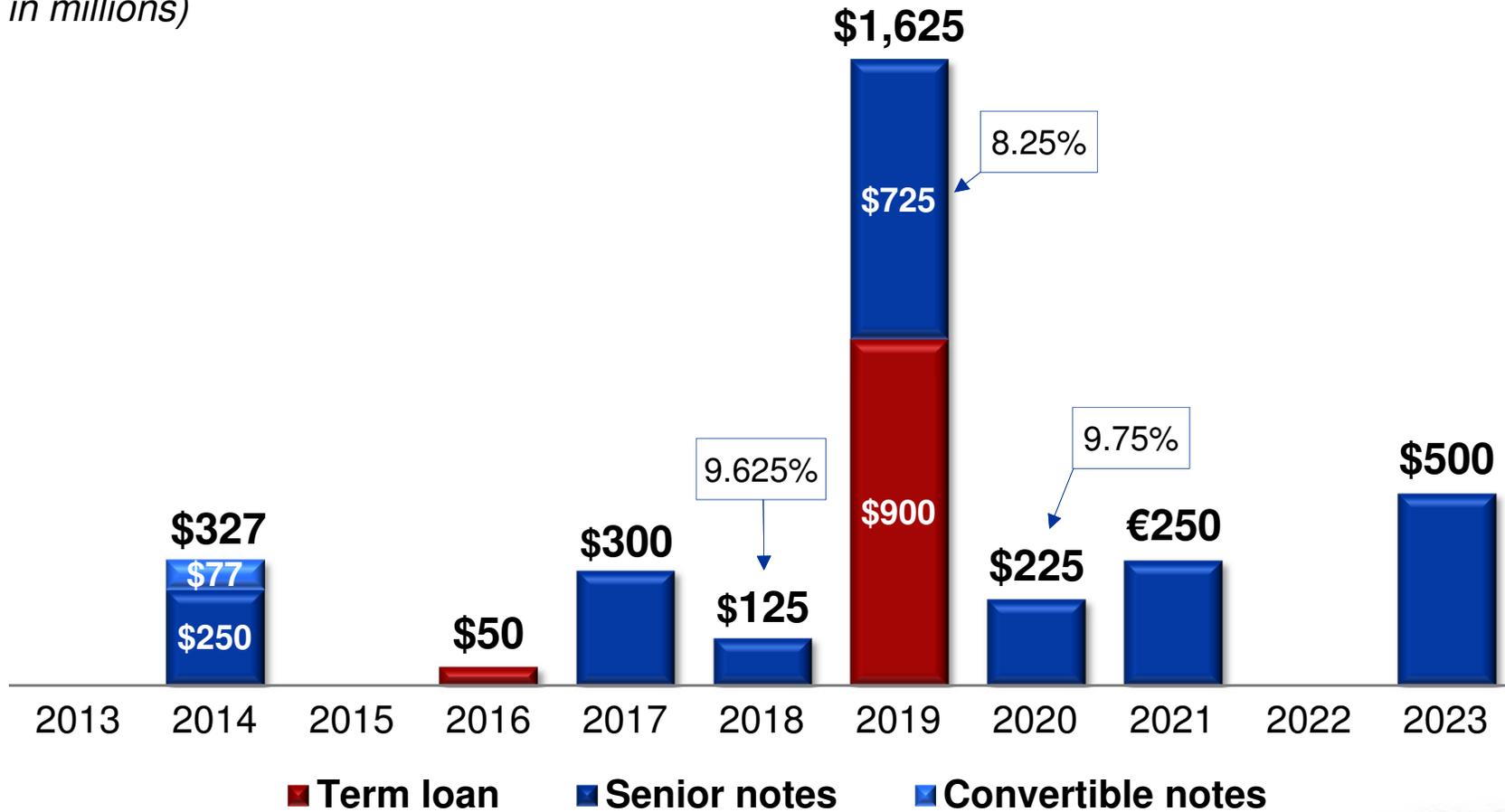
# Well-Laddered ABS Term Maturities

*(\$ in millions)*



# Limited Corporate Debt Maturities Through 2016

(\$ in millions)



**Over \$1 Billion of High-Cost Debt**

# Glossary (Avis Budget Group)

*This presentation includes certain non-GAAP (generally accepted accounting principles) financial measures as defined under SEC rules. We have provided below reasons we present these non-GAAP financial measures, a description of what they represent and a reconciliation to the most comparable financial measure calculated and presented in accordance with GAAP.*

## Adjusted EBITDA

Adjusted EBITDA represents income (loss) before non-vehicle related depreciation and amortization, any impairment charge, transaction-related costs, non-vehicle related interest and income taxes. Adjusted EBITDA excluding certain items represents Adjusted EBITDA excluding restructuring-related expenses, costs related to early extinguishment of debt and other certain items as such items are not representative of the results of operations of our business. We believe that Adjusted EBITDA and Adjusted EBITDA excluding certain items are useful as supplemental measures in evaluating the aggregate performance of our operating businesses. Adjusted EBITDA is the measure that is used by our management, including our chief operating decision maker, to perform such evaluation. It is also a component of our financial covenant calculations under our credit facilities, subject to certain adjustments. Adjusted EBITDA should not be considered in isolation or as a substitute for net income (loss) or other income statement data prepared in accordance with GAAP and our presentation of Adjusted EBITDA may not be comparable to similarly-titled measures used by other companies. We believe that the measures referred to above are useful as supplemental measures in evaluating the aggregate performance of the Company.

## Reconciliation of Adjusted EBITDA to income (loss) before income taxes (in millions):

	Year Ended December 31,		
	2010	2011	2012
<b>Adjusted EBITDA excluding certain items</b>	<b>\$ 410</b>	<b>\$ 610</b>	<b>\$ 840</b>
Less: Non-vehicle related depreciation and amortization	90	91	109
Interest expense related to corporate debt, net (excluding pre-closing interest related to acquisition financing)	162	195	268
<b>Income before income taxes, excluding certain items</b>	<b>\$ 158</b>	<b>\$ 324</b>	<b>\$ 463</b>
<b>Less certain items:</b>			
Early extinguishment of debt	52	-	75
Restructuring expense	11	5	38
Transaction-related costs	14	255	34
Acquisition-related amortization expense	-	4	16
Acquisition-related interest	8	24	-
Litigation costs	1	-	-
<b>Income before income taxes</b>	<b>\$ 72</b>	<b>\$ 36</b>	<b>\$ 300</b>

## Free Cash Flow

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

# Glossary (Zipcar)

## Adjusted EBITDA

This presentation contains the non-GAAP financial measure of Adjusted EBITDA. Zipcar, Inc. defines Adjusted EBITDA as earnings before non-vehicle depreciation, non-vehicle interest expense, interest income, amortization, preferred stock warrant liability adjustment, stock compensation expenses, acquisition and integration costs, taxes, loss of equity-method investee, other income related to Zero Emission Vehicle credits and other gains or losses associated with events of a non-recurring nature. Zipcar believes that this non-GAAP measure is an important measure of its operating performance because it allows management, investors and analysts to evaluate and assess Zipcar's core operating results from period to period after removing the impact of changes in Zipcar's capital structure, income tax status and method of vehicle financing, and other items of a non-operational nature that affect comparability. Zipcar includes vehicle-related depreciation and interest in its definition of Adjusted EBITDA because vehicles represent core operating assets used in the delivery of Zipcar's service that require periodic replacement. In addition, the exclusion of these costs would result in a lack of comparability in the treatment of vehicles that are owned or leased under capital leases and those leased under operating leases. Zipcar believes that various forms of the Adjusted EBITDA metric are often used by analysts, investors and other interested parties to evaluate companies such as Zipcar for the reasons discussed above. Adjusted EBITDA is also used for planning purposes and in presentations to Zipcar's board of directors as well as in Zipcar's annual incentive compensation program for senior management.

Zipcar does not consider the non-GAAP measure of Adjusted EBITDA in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitation of Adjusted EBITDA is that it excludes significant elements that are required by GAAP to be recorded in Zipcar's financial statements. In addition, it is subject to inherent limitations as it reflects the exercise of judgments by management in determining how it is formulated. In order to compensate for these limitations, management of Zipcar presents this non-GAAP financial measure in connection with its GAAP results. Zipcar urges investors to review the reconciliation of this non-GAAP financial measure to the comparable GAAP financial measures included in this presentation, and not to rely on any single financial measure to evaluate Zipcar's business.

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

	Year Ended December 31,		
	2010	2011	2012
<b>Adjusted EBITDA</b>	<b>\$ 4,221</b>	<b>\$ 10,913</b>	<b>\$ 17,156</b>
Less: Non-vehicle depreciation	1,976	2,376	3,225
Amortization	3,414	3,892	3,070
Non-vehicle interest expense	5,386	5,098	162
Interest income	(47)	(128)	(367)
Preferred stock warrant liability adjustment	78	724	-
Stock compensation	2,774	4,108	5,561
Acquisition and integration costs	5,627	5,626	1,766
Merger-related costs	-	-	751
Taxes	311	(270)	(10,937)
Zero Emission Vehicle credits	(1,173)	(3,361)	(3,028)
Hurricane Sandy	-	-	952
Loss of equity-method investee	-	-	1,325
<b>Net income (loss) attributable to Zipcar, Inc.</b>	<b>\$ (14,125)</b>	<b>\$ (7,152)</b>	<b>\$ 14,676</b>