avis budget group

Fourth Quarter and Full-Year 2016 Earnings Call

February 16, 2017

Webcast: ir.avisbudgetgroup.com
Dial-in: (630) 395-0021
Replay: (203) 369-1520
Passcode: 2995545

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 and other SEC filings.

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

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

Larry De Shon

Chief Executive Officer

FOURTH QUARTER AND FULL-YEAR 2016 HIGHLIGHTS

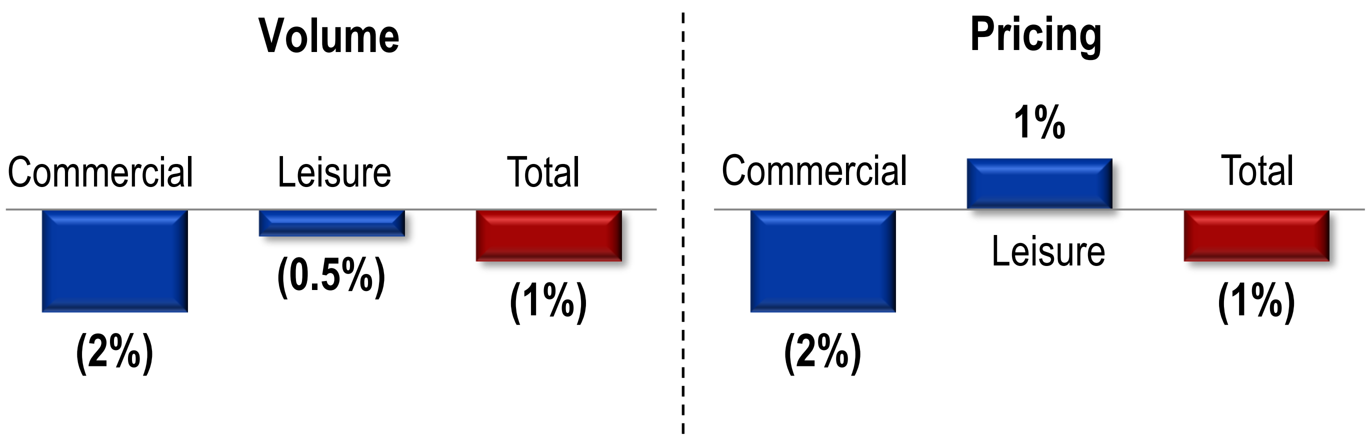
Successful 2016
despite Fourth Quarter Challenges

- **Continued progress on initiatives to drive higher long-term margins**
- **National election, December calendar shift and industry fleet levels all affected fourth quarter revenue**
- **Reported full-year Adjusted EBITDA of $838 million**
- **Generated $472 million of free cash flow and repurchased $390 million of stock in 2016**

AMERICAS – REVENUE TRENDS

Fourth Quarter Revenue Trends

- **Soft commercial demand entering the quarter**
- **Industry over-supply impacted volumes and pricing**
- **Our leisure pricing <u>increased</u> 1% despite a highly competitive pricing environment**

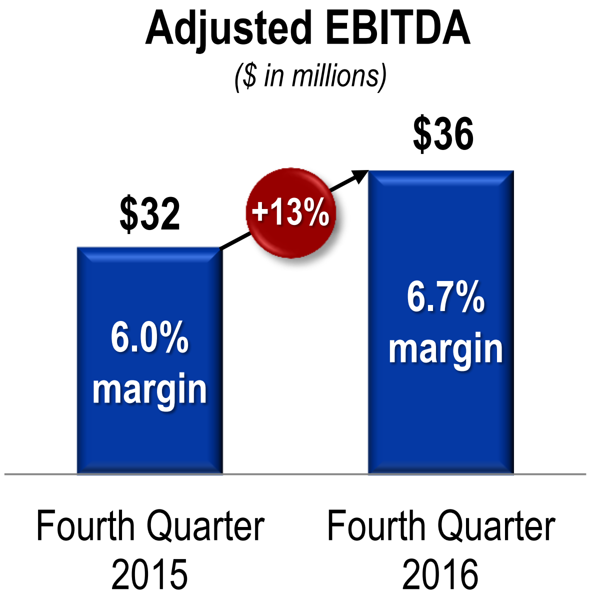


INTERNATIONAL ACHIEVEMENTS

Pricing remained competitive across Europe

Delivered Increased Volumes, Adjusted EBITDA and Margins

- **Growth in both leisure and commercial volumes**
- **Completed acquisition of France Cars in December**
- **Signed strategic partnership with DiDi Chuxing**



Significant Opportunity for Margin Improvement

- Profitable revenue growth
  - Expansion of Demand-Fleet-Pricing yield-management system
- Operational efficiencies
  - Manpower planning and shuttling initiatives delivering benefits
- Fleet optimization
  - Improved buying and disposition initiatives expected to help offset residual-value declines
- Mobility
  - Avis Now and Connected Car

Expect to increase Adjusted EBITDA margins by 300 to 500 basis points within five years

Optimistic about Our Future

- We made progress on several initiatives, delivered substantial free cash flow and bought back a significant amount of our stock
- We have a strong team in place focused on:
    - Driving profitable revenue growth
    - Optimizing fleet costs
    - Realizing operational efficiencies
    - Enhancing mobility platforms

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David Wyshner

President and Chief Financial Officer

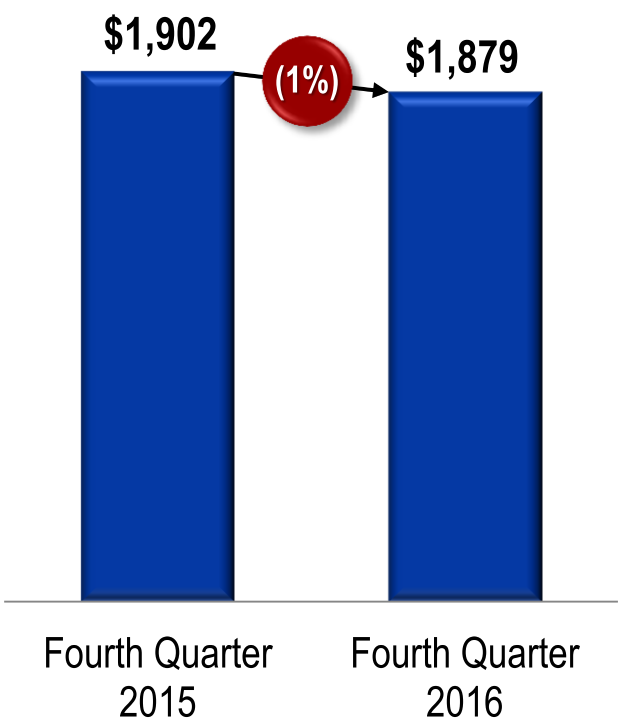
FOURTH QUARTER 2016 RESULTS

Currency movements reduced Adjusted EBITDA by $7 million versus our prior projection

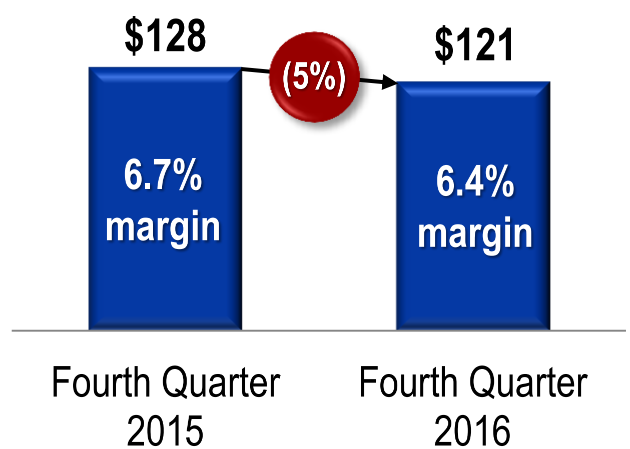
Results Negatively Impacted by Currency Effects and Challenging Pricing Environment

($ in millions)

Revenue



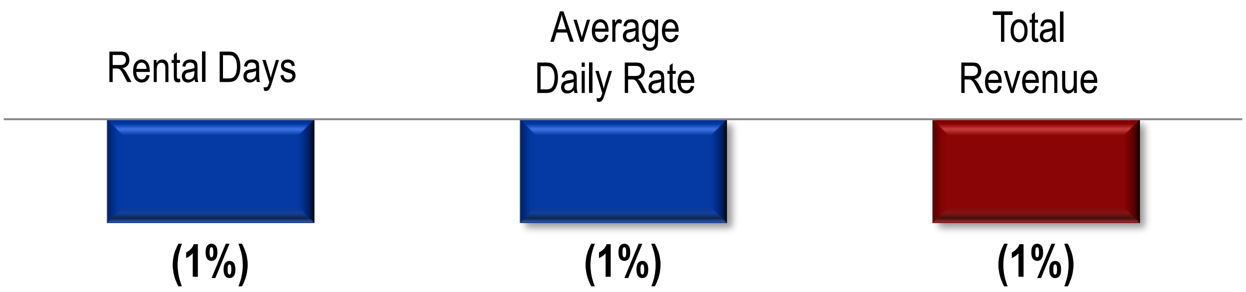
Adjusted EBITDA



Fourth Quarter Results

- Pricing declined 70 basis points year-over-year
  - Leisure pricing increased 1%
- Rental day volume declined 1%
  - Calendar shifts and U.S. elections negatively impacted demand
- Adjusted EBITDA declined 8% to $101 million

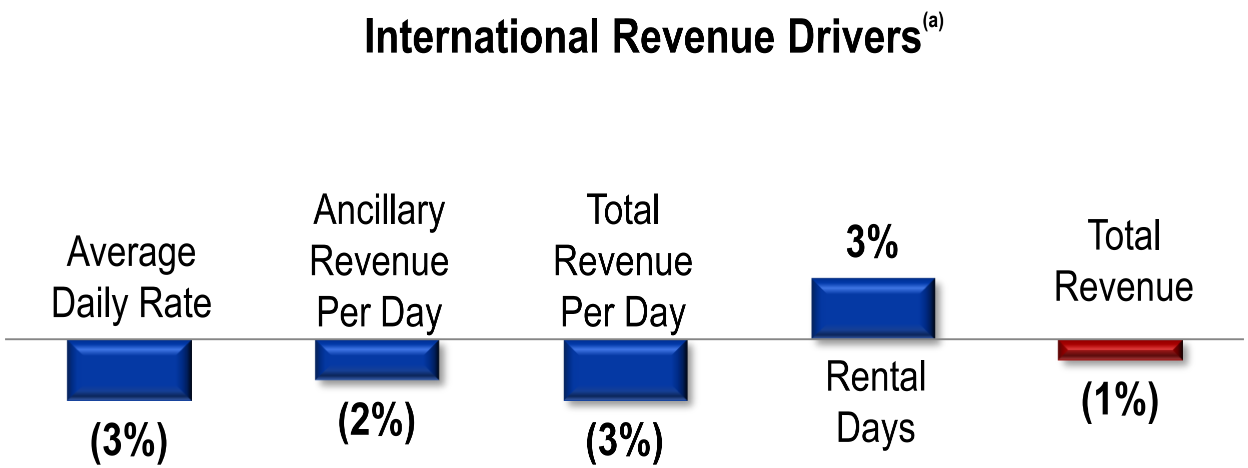
Americas Revenue Drivers[(a)]



(a) Rental days and average daily rate exclude Zipcar and Truck

Fourth Quarter Results

- Revenue declined $4 million in the fourth quarter, but was up 1% in constant currency
- Highly competitive pricing environment across Europe
- Adjusted EBITDA increased 13% and margins expanded

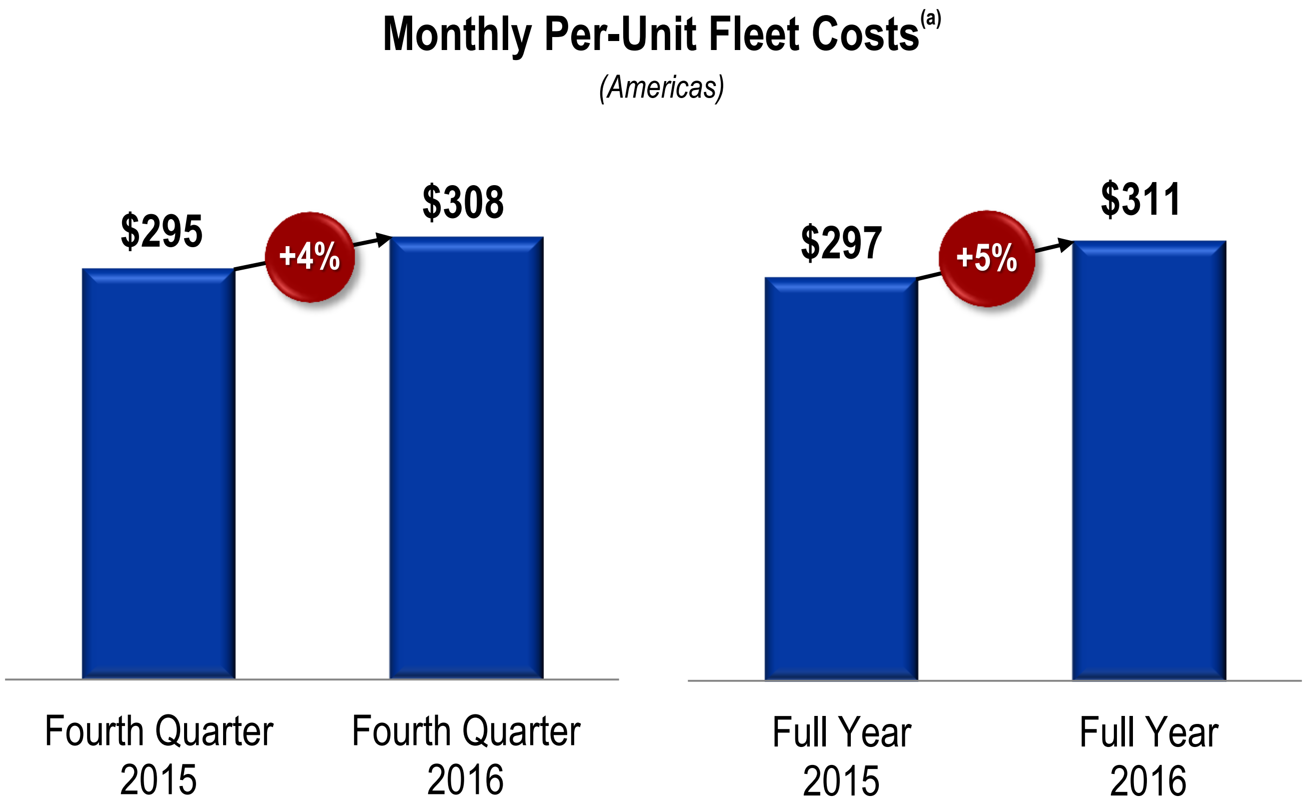


(a) Year-over-year growth excluding currency effects; all figures other than total revenue exclude Zipcar

FLEET COSTS

Americas Per-Unit Fleet Costs Expected to Increase Slightly in 2017

Americas fleet was 67% risk in 2016 and expected to be in the low- to mid-70s in 2017



(a) Including Zipcar, excluding Truck

BALANCE SHEET

We ended the quarter with nearly $500 million of cash

S&P upgraded our corporate debt ratings in the fourth quarter

We continue to target net corporate leverage[(a)] of 3.0 - 4.0x

Strong Liquidity Position

- More than $5 billion of available liquidity worldwide
- Net corporate leverage of 3.6x[(a)]
- No borrowings under our corporate revolver
  - More than $1 billion of availability
- Unused capacity of more than $3 billion under various vehicle-backed funding programs

(a) Net corporate debt divided by LTM Adjusted EBITDA

CAPITAL ALLOCATION

Since 2013, we've returned more than a billion dollars to shareholders, buying back more than 25% of outstanding shares

Consistent Use of Free Cash Flow

- Our priorities for deploying free cash flow continue to be share repurchases and tuck-in acquisitions
- Repurchased 12.3 million shares at a cost of $390 million in 2016
- Expect to generate $450 to $500 million of free cash flow in 2017[a]

Expect to spend at least $300 million on stock repurchases in 2017

(a) Excluding any significant timing differences

2017 OUTLOOK

Americas pricing expected to be unchanged to up 1%

Our 2017 Plan Reflects Our Expectation that Strategic Initiatives Will Have Positive Impact

- **Revenue projected to increase 2% to 3%**
  - **Growth primarily from increased rental volumes**
- **Adjusted EBITDA expected to be $840 to $920 million**
  - **Expect quarterly spread of our earnings to be even more concentrated in the middle two quarters**
- **Full-year Adjusted EPS between $3.05 and $3.75**

Expect 2017 to be the sixth straight year with free cash flow of more than $450 million

2017 OUTLOOK

Diluted share count of approximately 84 to 86 million, a reduction of roughly 10% year-over-year

Expect capital expenditures of approximately $210 million

Non-GAAP effective tax rate expected to be 38% - 39%

2017 Estimates

($ in millions, except EPS)	Projection[(a)]	Growth vs. 2016[(b)]
Revenue	**$8,800 – 8,950**	**2%**
Adjusted EBITDA	**840 – 920**	**5%**
Non-vehicle D&A[(c)]	**205**	
Interest expense	**205**	
Adjusted pretax income	**$430 – 510**	**7%**
Adjusted net income	**$265 – 315**	**6%**
Adjusted diluted EPS	**$3.05 – 3.75**	**16%**

(a) All figures are approximate
(b) Based on midpoint of projections
(c) Excluding acquisition-related amortization expense

FREE CASH FLOW

Free Cash Flow

($ in millions)	2017E	2016
Adjusted pretax income[(a)]	$430 – $510	$441
Plus: Non-vehicle D&A[(b)]	205	194
Less: Capital expenditures	(210)	(192)
Less: Cash taxes	(55) – (75)	(60)
Plus: Vehicle programs	20	95
Plus: Working capital and other[(c)]	60 – 50	(6)
Free Cash Flow	$450 - $500	$472

Expect to repurchase $300 million of stock or more in 2017

(a) Approximate and excluding certain items
(b) Approximate and excluding acquisition-related amortization expense
(c) Including restructuring expense

CURRENCY EFFECTS

Exchange-Rate Impacts

Year-over-Year Effect of Currency Movements[a]

(in millions)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Revenue	($17)	($48)	($51)	($14)	($130)
Adjusted EBITDA	$22[b]	($2)	($12)	$2	$10

Expect a $10 million positive year-over-year impact on Adjusted EBITDA

(a) Based on exchange rates in January 2017
(b) Primarily due to hedging losses in 2016

Strategic Objectives

- **Serving our customers' needs**
- **Building and using world-class brands to drive profitable growth**
- **Increasing our margins**
- **Succeeding in mobility**
- **Investing in technology and process improvement**
- **Delivering free cash flow and deploying it to enhance shareholder value**

AVIS® Budget® zipcar.

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GLOSSARY

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

Adjusted EBITDA

Adjusted EBITDA represents income from continuing operations before non-vehicle related depreciation and amortization, any impairment charge, restructuring expense, early extinguishment of debt costs, non-vehicle related interest, transaction-related costs, charges for an unprecedented personal-injury legal matter and income taxes. The charges for the legal matter are recorded within operating expenses in our statement of operations. We have revised our definition of Adjusted EBITDA to exclude charges for an unprecedented personal-injury legal matter which we do not view as indicative of underlying business results due to the nature of this legal matter. We did not revise prior years' Adjusted EBITDA amounts because there were no charges similar in nature to this legal matter. We believe that Adjusted EBITDA is useful as a supplemental measure in evaluating the aggregate performance of our operating businesses and in comparing our results from period to period. Adjusted EBITDA is the measure that is used by our management, including our chief operating decision maker, to perform such evaluation. Adjusted EBITDA is also a component in the determination of management's compensation. Adjusted EBITDA should not be considered in isolation or as a substitute for net income or other income statement data prepared in accordance with GAAP and our presentation of Adjusted EBITDA may not be comparable to similarly-titled measures used by other companies.

Reconciliation of Adjusted EBITDA to net loss (in millions):	**Three Months Ended December 31,**	
	2016	**2015**
Adjusted EBITDA	**$ 121**	**$ 128**
Less: Non-vehicle related depreciation and amortization (excluding acquisition-related amortization expense)	50	43
Interest expense related to corporate debt, net (excluding early extinguishment of debt)	46	48
Adjusted pretax income	**$ 25**	**$ 37**
Less certain items:		
Acquisition-related amortization expense	14	14
Restructuring expense	3	8
Early extinguishment of debt	17	-
Transaction-related costs, net	8	11
Charges for legal matter	26	-
Income (loss) before income taxes	**$ (43)**	**$ 4**
Provision for (benefit from) income taxes	**(12)**	**9**
Net loss	**$ (31)**	**$ (5)**

Reconciliation of Net Corporate Debt (in millions):

	December 31, 2016
Corporate debt	**$ 3,523**
Less: Cash and cash equivalents	490
Net corporate debt	**$ 3,033**

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

	Year Ended December 31,	
	2016	**2015**
Adjusted EBITDA	**$ 838**	**$ 903**
Less: Non-vehicle related depreciation and amortization (excluding acquisition-related amortization expense)	194	163
Interest expense related to corporate debt, net (excluding early extinguishment of debt)	203	194
Adjusted pretax income	**$ 441**	**$ 546**
Less certain items:		
Acquisition-relation amortization expense	59	55
Restructuring expense	29	18
Early extinguishment of debt	27	23
Transaction-related costs, net	21	68
Charges for legal matter	26	-
Income before income taxes	**$ 279**	**$ 382**
Provision for income tax	**116**	**69**
Net income	**$ 163**	**$ 313**

GLOSSARY

Reconciliation of adjusted net income to net income (in millions, except per-share amounts):

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2015
Adjusted net income	$ 13	$ 18	$ 273	$ 333
Less certain items, net of tax:				
Acquisition-related amortization expense	10	9	40	36
Restructuring expense	2	5	22	13
Early extinguishment of debt	10	-	16	14
Transaction-related costs, net	6	9	16	55
Charges for legal matter	16	-	16	-
Resolution of a prior-year income tax matter	-	-	-	(98)
Net income (loss)	$ (31)	$ (5)	$ 163	$ 313
Adjusted diluted earnings per share	$ 0.15	$ 0.18	$ 2.93	$ 3.17
Earnings (loss) per share – Diluted	$ (0.35)	$ (0.06)	$ 1.75	$ 2.98
Shares used to calculate adjusted diluted earnings per share	88.9	101.1	93.3	105.0

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.

Constant Currency

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