
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September-30-2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 001-10308

Avis Budget Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

6 Sylvan Way

Parsippany, NJ

(Address of principal executive offices)

06-0918165

*(I.R.S. Employer
Identification Number)*

07054

(Zip Code)

(973) 496-4700

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-accelerated Filer
Smaller Reporting Company Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value \$0.01	CAR	The NASDAQ Global Select Market

The number of shares outstanding of the issuer's common stock was 69,683,361 shares as of October 27, 2020.

Table of Contents

	Page
PART I	Financial Information
Item 1.	Financial Statements
	Consolidated Condensed Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2020 and 2019 (Unaudited)
	4
	Consolidated Condensed Balance Sheets as of September 30, 2020 and December 31, 2019 (Unaudited)
	5
	Consolidated Condensed Statements of Cash Flows for the Nine Months Ended September 30, 2020 and 2019 (Unaudited)
	6
	Consolidated Condensed Statements of Stockholders' Equity for the Three and Nine Months Ended September 30, 2020 and 2019 (Unaudited)
	8
	Notes to Consolidated Condensed Financial Statements (Unaudited)
	9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations
	29
Item 3.	Quantitative and Qualitative Disclosures about Market Risk
	40
Item 4.	Controls and Procedures
	40
PART II	Other Information
Item 1.	Legal Proceedings
	42
Item 1A.	Risk Factors
	42
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds
	44
Item 6.	Exhibits
	44
	Signatures
	45

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q may be considered “forward-looking statements” as that term is defined in the Private Securities Litigation Reform Act of 1995. The forward-looking statements contained herein are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by any such forward-looking statements. Forward-looking statements include information concerning our future financial performance, business strategy, projected plans and objectives. These statements may be identified by the fact that they do not relate to historical or current facts and may use words such as “believes,” “expects,” “anticipates,” “will,” “should,” “could,” “may,” “would,” “intends,” “projects,” “estimates,” “plans,” and similar words, expressions or phrases. The following important factors and assumptions could affect our future results and could cause actual results to differ materially from those expressed in such forward-looking statements. Additionally, many of these risks and uncertainties are currently amplified by and will continue to be amplified by, or in the future may be amplified by, the Coronavirus (“COVID-19”) outbreak, and the continued restrictions that have been placed on travel in many countries as a result of the outbreak and the adverse impact on the global economy from the outbreak. These factors include, but are not limited to:

- the COVID-19 outbreak and resulting economic conditions, which had, and is expected to continue to have, a significant impact on our operations, including an unprecedented decline in demand, as well as its current, and uncertain future impact, including, but not limited to, its effect on the ability or desire of people to travel due to travel restrictions, and other restrictions and orders, which is expected to continue to impact our results, operations, outlooks, plans, goals, growth, cash flows, liquidity, and stock price;
- a change in our fleet costs, including as a result of a change in the cost of new vehicles, manufacturer recalls, disruption in the supply of new vehicles, and/or a change in the price at which we dispose of used vehicles either in the used vehicle market or under repurchase or guaranteed depreciation programs;
- our ability to realize our estimated cost savings on a timely basis, or at all, and the amount of cash expenditures made in connection with such cost saving efforts;
- the high level of competition in the mobility industry, including from new companies or technology, and the impact such competition may have on pricing and rental volume;
- the results of operations or financial condition of the manufacturers of our vehicles, which could impact their ability to perform their payment obligations under our agreements with them, including repurchase and/or guaranteed depreciation arrangements, and/or their willingness or ability to make vehicles available to us or the mobility industry as a whole on commercially reasonable terms or at all particularly when COVID-19 related restrictions are lifted and travel demand increases;
- the significant decline in travel demand as a result of COVID-19, including the current and any future disruptions in airline passenger traffic;
- the absence of an improvement in, or further deterioration of, economic conditions, particularly during our peak season or in key market segments;
- an occurrence or threat of terrorism, the current and any future pandemic diseases, natural disasters, military conflict, civil unrest or political instability in the locations in which we operate;
- any substantial changes in the cost or supply of fuel, vehicle parts, energy, labor or other resources on which we depend to operate our business including the current and any future impacts as a result of COVID-19;
- our ability to continue to successfully implement our business strategies, achieve and maintain cost savings and adapt our business to changes in mobility;
- political, economic or commercial instability in the countries in which we operate, and our ability to conform to multiple and conflicting laws or regulations in those countries;

- our dependence on third-party distribution channels, third-party suppliers of other services and co-marketing arrangements with third parties;
- our dependence on the performance and retention of our senior management and key employees;
- risks related to completed or future acquisitions or investments that we may pursue, including the incurrence of incremental indebtedness to help fund such transactions and our ability to promptly and effectively integrate any acquired businesses or capitalize on joint ventures, partnerships and other investments;
- our ability to utilize derivative instruments, and the impact of derivative instruments we utilize, which can be affected by fluctuations in interest rates, gasoline prices and exchange rates, changes in government regulations and other factors;
- our exposure to uninsured or unpaid claims in excess of historical levels and our ability to obtain insurance at desired levels and the cost of that insurance;
- risks associated with litigation, governmental or regulatory inquiries, or any failure or inability to comply with laws, regulations or contractual obligations or any changes in laws, regulations or contractual obligations, including with respect to personally identifiable information and consumer privacy, labor and employment, and tax;
- risks related to protecting the integrity of, and preventing unauthorized access to, our information technology systems or those of our third-party vendors, and protecting the confidential information of our employees and customers against security breaches, including physical or cybersecurity breaches, attacks, or other disruptions, and compliance with privacy and data protection regulation;
- any impact on us from the actions of our licensees, dealers, third-party vendors and independent operators and independent contractors and/or disputes that may arise out of our agreements with such parties;
- any major disruptions in our communication networks or information systems;
- risks related to tax obligations and the effect of future changes in tax laws and accounting standards;
- risks related to our indebtedness, including our substantial outstanding debt obligations, potential interest rate increases, recent and potential further downgrades by rating agencies and our ability to incur substantially more debt;
- our ability to obtain financing for our global operations, including the funding of our vehicle fleet through the issuance of asset-backed securities and the global lending markets;
- our ability to meet the financial and other covenants contained in the agreements governing our indebtedness, or to obtain a waiver or amendment of such covenants should we be unable to meet such covenants;
- our ability to accurately estimate our future results;
- the further deterioration in general economic conditions due to COVID-19 or the future outbreak of any other highly infectious or contagious disease, which could be an indicator that our goodwill or other intangible assets are impaired and could result in a future impairment charge to earnings;
- risks related to actions by activist stockholders and responses from our Board of Directors and senior management; and
- other business, economic, competitive, governmental, regulatory, political or technological factors affecting our operations, pricing or services.

We operate in a continuously changing business environment and new risk factors emerge from time to time. New risk factors, factors beyond our control, or changes in the impact of identified risk factors may cause actual results to differ materially from those set forth in any forward-looking statements. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. Moreover, we do not assume responsibility for the accuracy and completeness of those statements. Other factors and assumptions not identified above, including those discussed herein, including but not limited to, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in Item 2 and “Risk Factors” in Item 1A and in similarly titled sections set forth in Item 7 and in Item 1A and in other portions of our 2019 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 20, 2020 (the “2019 Form 10-K”), may contain forward- looking statements and involve uncertainties that could cause actual results to differ materially from those projected in any forward-looking statements. Such statements are based upon assumptions and known risks and uncertainties.

Although we believe that our assumptions are reasonable, any or all of our forward-looking statements may prove to be inaccurate and we can make no guarantees about our future performance. Should unknown risks or uncertainties materialize or underlying assumptions prove inaccurate, actual results could differ materially from past results and/or those anticipated, estimated or projected. We undertake no obligation to release any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

PART I — FINANCIAL INFORMATION**Item 1. Financial Statements**

Avis Budget Group, Inc.
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(In millions, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues	\$ 1,534	\$ 2,753	\$ 4,047	\$ 7,010
Expenses				
Operating	825	1,291	2,505	3,534
Vehicle depreciation and lease charges, net	256	551	1,089	1,579
Selling, general and administrative	166	350	549	947
Vehicle interest, net	77	90	247	261
Non-vehicle related depreciation and amortization	74	62	214	195
Interest expense related to corporate debt, net:				
Interest expense	64	49	163	139
Early extinguishment of debt	2	10	9	10
Restructuring and other related charges	17	22	89	66
Transaction-related costs, net	—	—	3	6
Total expenses	<u>1,481</u>	<u>2,425</u>	<u>4,868</u>	<u>6,737</u>
Income (loss) before income taxes	53	328	(821)	273
Provision for (benefit from) income taxes	8	139	(227)	113
Net income (loss)	<u>\$ 45</u>	<u>\$ 189</u>	<u>\$ (594)</u>	<u>\$ 160</u>
Comprehensive income (loss)	<u>\$ 74</u>	<u>\$ 155</u>	<u>\$ (631)</u>	<u>\$ 119</u>
Earnings (loss) per share				
Basic	\$ 0.64	\$ 2.52	\$ (8.40)	\$ 2.12
Diluted	\$ 0.63	\$ 2.50	\$ (8.40)	\$ 2.10

See Notes to Consolidated Condensed Financial Statements (Unaudited).

Avis Budget Group, Inc.
CONSOLIDATED CONDENSED BALANCE SHEETS
(In millions, except par value)
(Unaudited)

	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,564	\$ 686
Receivables, net	601	911
Other current assets	470	548
Total current assets	2,635	2,145
Property and equipment, net	692	792
Operating lease right-of-use assets	2,642	2,596
Deferred income taxes	1,443	1,662
Goodwill	1,112	1,101
Other intangibles, net	780	798
Other non-current assets	249	217
Total assets exclusive of assets under vehicle programs	9,553	9,311
Assets under vehicle programs:		
Program cash	94	211
Vehicles, net	8,780	12,177
Receivables from vehicle manufacturers and other	499	778
Investment in Avis Budget Rental Car Funding (AESOP) LLC—related party	670	649
	10,043	13,815
Total assets	\$ 19,596	\$ 23,126
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and other current liabilities	\$ 2,147	\$ 2,206
Short-term debt and current portion of long-term debt	19	19
Total current liabilities	2,166	2,225
Long-term debt	4,145	3,416
Long-term operating lease liabilities	2,166	2,140
Other non-current liabilities	764	757
Total liabilities exclusive of liabilities under vehicle programs	9,241	8,538
Liabilities under vehicle programs:		
Debt	2,234	3,132
Debt due to Avis Budget Rental Car Funding (AESOP) LLC—related party	6,105	7,936
Deferred income taxes	1,685	2,189
Other	407	675
	10,431	13,932
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, \$0.01 par value—authorized 10 shares; none issued and outstanding, respectively	—	—
Common stock, \$0.01 par value—authorized 250 shares; issued 137 shares, respectively	1	1
Additional paid-in capital	6,672	6,741
Accumulated deficit	(1,380)	(785)
Accumulated other comprehensive loss	(194)	(157)
Treasury stock, at cost—67 and 63 shares, respectively	(5,175)	(5,144)
Total stockholders' equity	(76)	656
Total liabilities and stockholders' equity	\$ 19,596	\$ 23,126

See Notes to Consolidated Condensed Financial Statements (Unaudited).

Avis Budget Group, Inc.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Nine Months Ended September 30,	
	2020	2019
Operating activities		
Net income (loss)	\$ (594)	160
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Vehicle depreciation	1,063	1,457
Amortization of right-of-use assets	710	752
(Gain) loss on sale of vehicles, net	(123)	(69)
Non-vehicle related depreciation and amortization	214	195
Stock-based compensation	6	18
Amortization of debt financing fees	24	23
Early extinguishment of debt costs	9	10
Net change in assets and liabilities:		
Receivables	156	(65)
Income taxes and deferred income taxes	(239)	40
Accounts payable and other current liabilities	(59)	41
Operating lease liabilities	(707)	(746)
Other, net	172	115
Net cash provided by operating activities	632	1,931
Investing activities		
Property and equipment additions	(75)	(178)
Proceeds received on asset sales	5	7
Net assets acquired (net of cash acquired)	(63)	(68)
Other, net	—	80
Net cash used in investing activities exclusive of vehicle programs	(133)	(159)
<i>Vehicle programs:</i>		
Investment in vehicles	(4,749)	(10,621)
Proceeds received on disposition of vehicles	7,386	7,826
Investment in debt securities of Avis Budget Rental Car Funding (AESOP) LLC—related party	(243)	(221)
Proceeds from debt securities of Avis Budget Rental Car Funding (AESOP) LLC—related party	222	137
	2,616	(2,879)
Net cash provided by (used in) investing activities	2,483	(3,038)

Avis Budget Group, Inc.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (Continued)
(In millions)
(Unaudited)

	Nine Months Ended September 30,	
	2020	2019
Financing activities		
Proceeds from long-term borrowings	991	402
Payments on long-term borrowings	(303)	(427)
Issuance of common stock	15	—
Repurchases of common stock	(119)	(65)
Debt financing fees	(24)	(6)
Net cash provided by (used in) financing activities exclusive of vehicle programs	<u>560</u>	<u>(96)</u>
<i>Vehicle programs:</i>		
Proceeds from borrowings	12,349	16,042
Payments on borrowings	(15,280)	(14,838)
Debt financing fees	(12)	(18)
	<u>(2,943)</u>	<u>1,186</u>
Net cash provided by (used in) financing activities	<u>(2,383)</u>	<u>1,090</u>
Effect of changes in exchange rates on cash and cash equivalents, program and restricted cash	<u>28</u>	<u>(10)</u>
Net increase (decrease) in cash and cash equivalents, program and restricted cash	760	(27)
Cash and cash equivalents, program and restricted cash, beginning of period	900	735
Cash and cash equivalents, program and restricted cash, end of period	<u>\$ 1,660</u>	<u>\$ 708</u>

See Notes to Consolidated Condensed Financial Statements (Unaudited).

Avis Budget Group, Inc.
CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance at June 30, 2020	137.1	\$ 1	\$ 6,670	\$ (1,425)	\$ (223)	(67.4)	\$ (5,176)	\$ (153)
Comprehensive loss:								
Net income	—	—	—	45	—	—	—	
Other comprehensive income	—	—	—	—	29	—	—	
Total comprehensive income								74
Net activity related to restricted stock units	—	—	2	—	—	—	1	3
Balance at September 30, 2020	137.1	\$ 1	\$ 6,672	\$ (1,380)	\$ (194)	(67.4)	\$ (5,175)	\$ (76)
Balance at June 30, 2019	137.1	\$ 1	\$ 6,723	\$ (1,116)	\$ (139)	(61.1)	\$ (5,093)	\$ 376
Comprehensive income:								
Net income	—	—	—	189	—	—	—	
Other comprehensive loss	—	—	—	—	(34)	—	—	
Total comprehensive income								155
Net activity related to restricted stock units	—	—	(3)	—	—	0.1	10	7
Option premiums paid	—	—	16	—	—	—	—	16
Activity related to employee stock purchase plan	—	—	(1)	—	—	—	1	—
Repurchase of common stock	—	—	—	—	—	(2.1)	(59)	(59)
Balance at September 30, 2019	137.1	\$ 1	\$ 6,735	\$ (927)	\$ (173)	(63.1)	\$ (5,141)	\$ 495
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance at December 31, 2019	137.1	\$ 1	\$ 6,741	\$ (785)	\$ (157)	(63.2)	\$ (5,144)	\$ 656
Cumulative effect of accounting change	—	—	—	(1)	—	—	—	(1)
Comprehensive loss:								
Net loss	—	—	—	(594)	—	—	—	
Other comprehensive loss	—	—	—	—	(37)	—	—	
Total comprehensive loss								(631)
Non-controlling interest	—	—	(2)	—	—	—	—	(2)
Net activity related to restricted stock units	—	—	(82)	—	—	0.4	82	—
Issuance of common stock	—	—	15	—	—	0.4	—	15
Repurchase of common stock	—	—	—	—	—	(5.0)	(113)	(113)
Balance at September 30, 2020	137.1	\$ 1	\$ 6,672	\$ (1,380)	\$ (194)	(67.4)	\$ (5,175)	\$ (76)
Balance at December 31, 2018	137.1	\$ 1	\$ 6,771	\$ (1,091)	\$ (133)	(61.5)	\$ (5,134)	\$ 414
Cumulative effect of accounting change	—	—	—	4	1	—	—	5
Comprehensive income:								
Net income	—	—	—	160	—	—	—	
Other comprehensive loss	—	—	—	—	(41)	—	—	
Total comprehensive income								119
Net activity related to restricted stock units	—	—	(30)	—	—	0.4	46	16
Exercise of stock options	—	—	(5)	—	—	0.1	5	—
Activity related to employee stock purchase plan	—	—	(1)	—	—	—	1	—
Repurchase of common stock	—	—	—	—	—	(2.1)	(59)	(59)
Balance at September 30, 2019	137.1	\$ 1	\$ 6,735	\$ (927)	\$ (173)	(63.1)	\$ (5,141)	\$ 495

See Notes to Consolidated Condensed Financial Statements (Unaudited).

Avis Budget Group, Inc.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)
(Unless otherwise noted, all dollar amounts in tables are in millions, except per share amounts)

1. Basis of Presentation

Avis Budget Group, Inc. provides mobility solutions to businesses and consumers worldwide. The accompanying unaudited Consolidated Condensed Financial Statements include the accounts and transactions of Avis Budget Group, Inc. and its subsidiaries, as well as entities in which Avis Budget Group, Inc. directly or indirectly has a controlling financial interest (collectively, the “Company”), and have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission for interim financial reporting.

The Company operates the following reportable business segments:

- **Americas**—consisting primarily of (i) vehicle rental operations in North America, South America, Central America and the Caribbean, (ii) car sharing operations in certain of these markets, and (iii) licensees in the areas in which the Company does not operate directly.
- **International**—consisting primarily of (i) vehicle rental operations in Europe, the Middle East, Africa, Asia and Australasia, (ii) car sharing operations in certain of these markets, and (iii) licensees in the areas in which the Company does not operate directly.

The operating results of acquired businesses are included in the accompanying Consolidated Condensed Financial Statements from the dates of acquisition. The fair value of the assets acquired and liabilities assumed in connection with the Company’s 2019 acquisitions of various licensees has not yet been finalized; however, there have been no significant changes to the preliminary allocation of the purchase price during the nine months ended September 30, 2020.

In presenting the Consolidated Condensed Financial Statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”), management makes estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgment and available information. Accordingly, actual results could differ from those estimates. In management’s opinion, the Consolidated Condensed Financial Statements contain all adjustments necessary for a fair presentation of interim results reported. The results of operations reported for interim periods are not necessarily indicative of the results of operations for the entire year or any subsequent interim period. These financial statements should be read in conjunction with the Company’s 2019 Form 10-K.

Liquidity and Management’s Plans

The continuing cases of COVID-19 and the developments surrounding the global pandemic are having a material negative impact on all aspects of the Company’s business. Significant events affecting travel and the overall economy have historically had an impact on vehicle rental volumes, with the full extent of the impact generally determined by the length of time the event influences travel decisions as well as general economic conditions. The COVID-19 outbreak and resulting economic conditions have had, and the Company believes will continue to have, a significant adverse impact on its operations and vehicle rental volumes, and on its financial results and liquidity, and such negative impact may continue well beyond the containment of the outbreak.

The Company cannot assure its assumptions used to estimate its liquidity requirements will be correct because it has never previously experienced such a decrease in demand, and as a consequence, its ability to be predictive is uncertain. In addition, the duration of the global pandemic is uncertain. Therefore, the Company has taken, and plans to take further actions to manage its liquidity, including reducing capital expenditures, operating expenses and the number of vehicles in its fleet. The Company has no meaningful corporate debt maturities until 2023. The Company plans to finance the routine Asset Backed Securities (“ABS”) maturities with program cash on hand, available revolving debt capacity and fleet sales. As a result,

based on current operational assumptions, the Company believes it has adequate liquidity beyond the next twelve months.

In April 2020, the Company entered into an amendment (the "Amendment") to its senior credit facilities, consisting of an approximately \$1.2 billion term loan maturing in 2027 and a \$1.8 billion revolving credit facility maturing in 2023, which remain in place after the Amendment. The Amendment provides for relief from the quarterly-tested leverage covenant contained in the credit agreement governing the senior credit facilities until the end of a specific relief period, including a holiday from such leverage covenant through June 30, 2021, during which time (i) certain negative covenant exceptions are not available to the Company, (ii) pricing on the senior credit facilities is increased, (iii) the Company must comply with a liquidity covenant and additional reporting requirements and (iv) the Company must meet additional conditions to borrow under the revolving credit facility.

Summary of Significant Accounting Policies

The Company's significant accounting policies are fully described in Note 2, "Summary of Significant Accounting Policies," in the 2019 Form 10-K.

Cash and cash equivalents, Program cash and Restricted cash. The following table provides a detail of cash and cash equivalents, program and restricted cash reported within the Consolidated Condensed Balance Sheets to the amounts shown in the Consolidated Condensed Statements of Cash Flows.

	As of September 30,	
	2020	2019
Cash and cash equivalents	\$ 1,564	\$ 615
Program cash	94	89
Restricted cash ^(a)	2	4
Total cash and cash equivalents, program and restricted cash	<u>\$ 1,660</u>	<u>\$ 708</u>

^(a) Included within other current assets.

Vehicle Programs. The Company presents separately the financial data of its vehicle programs. These programs are distinct from the Company's other activities since the assets under vehicle programs are generally funded through the issuance of debt that is collateralized by such assets. The income generated by these assets is used, in part, to repay the principal and interest associated with the debt. Cash inflows and outflows relating to the acquisition of such assets and the principal debt repayment or financing of such assets are classified as activities of the Company's vehicle programs. The Company believes it is appropriate to segregate the financial data of its vehicle programs because, ultimately, the source of repayment of such debt is the realization of such assets.

Transaction-related costs, net. Transaction-related costs, net are classified separately in the Consolidated Condensed Statements of Comprehensive Income. These costs are comprised of expenses related to acquisition-related activities such as due diligence and other advisory costs, expenses related to the integration of the acquiree's operations with those of the Company, including the implementation of best practices and process improvements, non-cash gains and losses related to re-acquired rights, expenses related to pre-acquisition contingencies and contingent consideration related to acquisitions.

Currency Transactions. The Company records the gain or loss on foreign-currency transactions on certain intercompany loans and the gain or loss on intercompany loan hedges within interest expense related to corporate debt, net. During the three months ended September 30, 2020 and 2019, the Company recorded an immaterial amount, in each period, related to such items. During the nine months ended September 30, 2020 and 2019, the Company recorded a loss of \$5 million and a gain of \$3 million, respectively, related to such items.

Divestitures. In 2018, the Company entered into a definitive stock purchase agreement to sell its 50% equity method investment in Anji Car Rental & Leasing Company Limited ("China"), located in China, to Shanghai Automotive Industry Sales Company, Ltd., a 50% owner of China. In 2019, the Company completed the sale for \$64 million, net of cross-border withholding taxes and recorded a \$44 million gain within operating

expenses. China's operations were reported within the Company's International segment.

Investments. As of September 30, 2020 and December 31, 2019, the Company had equity method investments with a carrying value of \$59 million and \$56 million, respectively, which are recorded within other non-current assets. Earnings from the Company's equity method investments are reported within operating expenses. For the three months ended September 30, 2020 and 2019, the Company recorded income of \$3 million and \$5 million, respectively related to its equity method investments, and for the nine months ended September 30, 2020 and 2019, the Company recorded income of \$4 million and \$9 million, respectively.

Nonmarketable Equity Securities. As of September 30, 2020 and December 31, 2019, the Company had nonmarketable equity securities with a carrying value of \$8 million, respectively, which are recorded within other non-current assets. During the nine months ended September 30, 2019, the Company realized a \$12 million gain from the sale of a nonmarketable equity security, which is recorded within operating expenses. No adjustments were made to the carrying amounts during the three months ended September 30, 2020 and 2019, and during the nine months ended September 30, 2020.

Revenues. Revenues are recognized under "Leases (Topic 842)," with the exception of royalty fee revenue derived from the Company's licensees and revenue related to the Company's customer loyalty program, which were approximately \$30 million and \$40 million during the three months ended September 30, 2020 and 2019, respectively, and \$84 million and \$103 million during the nine months ended September 30, 2020 and 2019, respectively.

The following table presents the Company's revenues disaggregated by geography.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Americas	\$ 1,114	\$ 1,868	\$ 2,936	\$ 4,822
Europe, Middle East and Africa	363	742	879	1,747
Asia and Australasia	57	143	232	441
Total revenues	<u>\$ 1,534</u>	<u>\$ 2,753</u>	<u>\$ 4,047</u>	<u>\$ 7,010</u>

The following table presents the Company's revenues disaggregated by brand.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Avis	\$ 843	\$ 1,580	\$ 2,230	\$ 4,008
Budget	539	950	1,425	2,417
Other	152	223	392	585
Total revenues	<u>\$ 1,534</u>	<u>\$ 2,753</u>	<u>\$ 4,047</u>	<u>\$ 7,010</u>

Other includes Zipcar and other operating brands.

Adoption of New Accounting Pronouncements

Intangibles—Goodwill and Other—Internal-Use Software

On January 1, 2020, as the result of a new accounting pronouncement, the Company adopted Accounting Standard Update ("ASU") 2018-15 "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement That Is a Service Contract," which provides guidance for determining when the arrangement includes a software license. The amendments align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The amendments in this Update also require the entity to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the

hosting arrangement, to present the expense in the same line in its statement of income as the fees associated with the hosting element (service) of the arrangement and classify payments for capitalized implementation costs in its statement of cash flows in the same manner as payments made for fees associated with the hosting element. The entity is also required to present the capitalized implementation costs in its balance sheet in the same line that a prepayment for the fees of the associated hosting arrangement would be presented. The adoption of this accounting pronouncement did not have a material impact on the Company's Consolidated Condensed Financial Statements.

Fair Value Measurement

On January 1, 2020, as the result of a new accounting pronouncement, the Company adopted ASU 2018-13, "Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement," which adds, removes, and modifies disclosure requirements related to fair value measurements. The adoption of this accounting pronouncement did not have a material impact on the Company's Consolidated Condensed Financial Statements.

Measurement of Credit Losses on Financial Instruments

On January 1, 2020, as the result of a new accounting pronouncement, the Company adopted ASU 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," and related updates which sets forth a current expected credit loss impairment model for financial assets that replaces the current incurred loss model. This model requires a financial asset (or group of financial assets), including trade receivables, measured at amortized cost to be presented at the net amount expected to be collected with an allowance for credit losses deducted from the amortized cost basis. The allowance for credit losses should reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The adoption of this accounting pronouncement did not have a material impact on the Company's Consolidated Condensed Financial Statements.

Financial Disclosures About Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant's Securities

During first quarter 2020, the Company early adopted the Securities Exchange Commission's, "Financial Disclosures About Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant's Securities" rules, which simplify the disclosure requirements related to the Company's registered securities under Rule 3-10 of Regulation S-X. The final rule also allows for the simplified disclosure to be included within Management's Discussion and Analysis of Financial Condition and Results of Operations. During third quarter 2020, the Company redeemed its remaining \$100 million of publicly registered debt securities (see Note 11—Long-term corporate debt and borrowing arrangements for details). The Company's remaining outstanding debt securities were issued in private placements exempt from the registration requirements of the federal securities laws, and therefore, such disclosure is not required.

Recently Issued Accounting Pronouncements

Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes," which simplifies the accounting for income taxes by removing certain exceptions and improving the application of existing guidance. ASU 2019-12 becomes effective for the Company on January 1, 2021. Early adoption is permitted. The Company is currently evaluating the impact of this accounting pronouncement on its Consolidated Condensed Financial Statements but does not expect it to have a material impact.

Compensation—Retirement Benefits—Defined Benefit Plans

In August 2018, the FASB issued ASU 2018-14, "Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans," which adds, removes, and clarifies disclosure requirements related to defined benefit pension and other postretirement plans. These changes are part of the FASB's

disclosure framework project, which the Board launched in 2014 to improve the effectiveness of disclosures in notes to financial statements. ASU 2018-14 becomes effective for the Company on January 1, 2021. Early adoption is permitted. The adoption of this accounting pronouncement is not expected to have a material impact on the Company's Consolidated Condensed Financial Statements.

2. Leases

The following table presents the Company's lease revenues disaggregated by geography.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Americas	\$ 1,099	\$ 1,856	\$ 2,896	\$ 4,792
Europe, Middle East and Africa	350	717	843	1,684
Asia and Australasia	55	140	224	431
Total lease revenues	\$ 1,504	\$ 2,713	\$ 3,963	\$ 6,907

The following table presents the Company's lease revenues disaggregated by brand.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Avis	\$ 824	\$ 1,559	\$ 2,181	\$ 3,953
Budget	532	935	1,401	2,379
Other	148	219	381	575
Total lease revenues	\$ 1,504	\$ 2,713	\$ 3,963	\$ 6,907

Other includes Zipcar and other operating brands.

Lessee

The Company has operating and finance leases for rental locations, corporate offices, vehicle rental fleet and equipment. Many of the Company's operating leases for rental locations contain concession agreements with various airport authorities that allow the Company to conduct its vehicle rental operations on site. In general, concession fees for airport locations are based on a percentage of total commissionable revenue as defined by each airport authority, some of which are subject to minimum annual guaranteed amounts. Concession fees other than minimum annual guaranteed amounts are not included in the measurement of operating lease Right of Use ("ROU") assets and operating lease liabilities, and are recorded as variable lease expense as incurred. The Company's operating leases for rental locations often also require the Company to pay or reimburse operating expenses.

The components of lease expense are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Property leases ^(a)				
Operating lease expense	\$ 130	\$ 184	\$ 443	\$ 540
Variable lease expense	51	93	107	219
Total property lease expense	\$ 181	\$ 277	\$ 550	\$ 759

^(a) Primarily included in operating expense and includes \$11 million and \$41 million of minimum annual guaranteed rent in excess of concession fees as defined in our rental concession agreement for the three and nine months ended September 30, 2020, respectively.

Supplemental balance sheet information related to leases is as follows:

	<u>As of September 30, 2020</u>	<u>As of December 31, 2019</u>
Property leases		
Operating lease ROU assets	\$ 2,642	\$ 2,596
Short-term operating lease liabilities ^(a)	\$ 501	\$ 479
Long-term operating lease liabilities	2,166	2,140
Operating lease liabilities	<u>\$ 2,667</u>	<u>\$ 2,619</u>
Weighted average remaining lease term	8.7 years	8.9 years
Weighted average discount rate	4.01 %	4.31 %

^(a) Included in Accounts payable and other current liabilities.

Supplemental cash flow information related to leases is as follows:

	<u>Nine Months Ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Cash payments for lease liabilities within operating activities:		
Property operating leases	\$ 554	\$ 564
Non-cash activities - increase (decrease) in ROU assets in exchange for lease liabilities:		
Property operating leases ^(a)	588	149

^(a) For the nine months ended September 2019, ROU assets obtained in exchange for lease liabilities from initial recognition.

3. Restructuring and Other Related Charges

Restructuring

During first quarter 2020, the Company initiated a global restructuring plan to reduce operating costs, such as headcount and facilities, due to declining reservations and revenue resulting from the COVID-19 outbreak ("2020 Optimization Plan"). During the nine months ended September 30, 2020, as part of this process, the Company formally communicated the termination of employment to approximately 3,600 employees, and as of September 30, 2020, the Company terminated approximately 3,500 of these employees. The Company expects further restructuring expense of approximately \$7 million related to this initiative to be incurred in 2020.

During third quarter 2019, the Company initiated a restructuring plan to exit its operations in Brazil by closing rental facilities, disposing of assets and terminating personnel ("Brazil"). During the nine months ended September 30, 2020, as part of this initiative, the Company formally communicated the termination of employment to approximately 20 employees. The Company expects further restructuring expense of approximately \$5 million to be incurred.

During first quarter 2019, the Company initiated a restructuring plan to drive global efficiency by improving processes and consolidating functions, and to create new objectives and strategies for its U.S. truck rental operations by reducing headcount, large vehicles and rental locations ("T19"). This initiative is substantially complete.

The following tables summarize the changes to our restructuring-related liabilities and identifies the amounts recorded within the Company's reporting segments for restructuring charges and corresponding payments and utilizations:

	Americas	International	Total
Balance as of January 1, 2020	\$ 2	\$ 4	\$ 6
Restructuring expense:			
2020 Optimization Plan	26	33	59
Brazil	2	—	2
T19	4	—	4
Restructuring payment/utilization:			
2020 Optimization Plan	(24)	(26)	(50)
Brazil	(2)	—	(2)
T19	(6)	(3)	(9)
Balance as of September 30, 2020	<u>\$ 2</u>	<u>\$ 8</u>	<u>\$ 10</u>

	Personnel	Facility Related	Other ^(a)	Total
Balance as of January 1, 2020	\$ 3	\$ 1	\$ 2	\$ 6
Restructuring expense:				
2020 Optimization Plan	56	1	2	59
Brazil	1	1	—	2
T19	—	—	4	4
Restructuring payment/utilization:				
2020 Optimization Plan	(49)	—	(1)	(50)
Brazil	(1)	(1)	—	(2)
T19	(4)	—	(5)	(9)
Balance as of September 30, 2020	<u>\$ 6</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 10</u>

^(a) Includes expenses primarily related to the disposition of vehicles.

Other Related Charges

Limited Voluntary Opportunity Plan ("LVOP")

During 2020, the Company offered a voluntary termination program to certain employees in field operations, shared services, and general and administrative functions for a limited time. These employees, if qualified, elected resignation from employment in return for enhanced severance benefits to be settled in cash. During the nine months ended September 30, 2020, the Company recorded other related charges of approximately \$18 million in connection with the LVOP. As of September 30, 2020, approximately 400 qualified employees elected to participate in the plan and the employment of all participants had been terminated.

Officer Separation Costs

In August 2020, the Company announced the resignation of John F. North, III as the Company's Chief Financial Officer. Following his post-resignation transition to an advisory position, Mr. North will continue to serve as a consultant through January 1, 2021. In connection with Mr. North's departure, the Company recorded other related charges of approximately \$3 million, inclusive of accelerated stock-based compensation expense for the three months ended September 30, 2020, and expects another \$2 million to be incurred during the remainder of 2020 for the remaining portion of accelerated stock-based compensation expense.

In March 2020, the Company announced the departure of Michael K. Tucker as Executive Vice President, General Counsel effective March 27, 2020. In connection with Mr. Tucker's separation, the Company recorded other related charges of approximately \$2 million for the nine months ended September 30, 2020.

In March 2019, the Company announced the resignation of Mark J. Servodidio as the Company's President, International effective June 14, 2019. In connection with Mr. Servodidio's departure, the Company recorded other related charges of approximately \$3 million, inclusive of accelerated stock-based compensation expense for the nine months ended September 30, 2019.

In May 2019, the Company announced the resignation of Larry D. De Shon as the Company's President and Chief Executive Officer. Mr. De Shon continued to serve in his role until December 31, 2019. In connection with Mr. De Shon's departure, the Company recorded other related charges of approximately \$1 million for consulting fees and \$12 million for severance, inclusive of accelerated stock-based compensation expense, for the nine months ended September 30, 2020 and 2019, respectively.

4. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share ("EPS") (shares in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income (loss) for basic and diluted EPS	\$ 45	\$ 189	\$ (594)	\$ 160
Basic weighted average shares outstanding	69.7	75.2	70.8	75.6
Options and non-vested stock ^(a)	0.5	0.5	—	0.6
Diluted weighted average shares outstanding	<u>70.2</u>	<u>75.7</u>	<u>70.8</u>	<u>76.2</u>
<i>Earnings (Loss) per share:</i>				
Basic	\$ 0.64	\$ 2.52	\$ (8.40)	\$ 2.12
Diluted	\$ 0.63	\$ 2.50	\$ (8.40)	\$ 2.10

^(a) For the three months ended September 30, 2020 and 2019, 0.2 million and 0.4 million non-vested stock awards, respectively, have an anti-dilutive effect and therefore are excluded from the computation of diluted weighted average shares outstanding. For the nine months ended September 30, 2020 and 2019, 1.4 million and 0.5 million non-vested stock awards, respectively, have an anti-dilutive effect and therefore are excluded from the computation of diluted weighted average shares outstanding.

5. Acquisitions

Avis and Budget Licensees

During the nine months ended September 30, 2020, the Company completed the acquisitions of various licensees in North America and Europe, for approximately \$28 million, plus \$21 million for acquired fleet. These investments were in-line with the Company's strategy to re-acquire licensees when advantageous to expand its footprint of Company-operated locations. The acquired fleet was financed under the Company's existing financing arrangements. In connection with these acquisitions, approximately \$26 million was recorded in other intangibles related to license agreements. The license agreements are being amortized over a weighted average useful life of approximately two years. The fair value of the assets acquired and liabilities assumed has not yet been finalized and is therefore subject to change.

6. Other Current Assets

Other current assets consisted of:

	As of September 30, 2020	As of December 31, 2019
Prepaid expenses	\$ 177	\$ 234
Sales and use taxes	147	173
Other	146	141
Other current assets	<u>\$ 470</u>	<u>\$ 548</u>

7. Intangible Assets

Intangible assets consisted of:

	As of September 30, 2020			As of December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<i>Amortized Intangible Assets</i>						
License agreements	\$ 271	\$ 136	\$ 135	\$ 241	\$ 108	\$ 133
Customer relationships	261	186	75	255	165	90
Other	52	30	22	50	25	25
Total	<u>\$ 584</u>	<u>\$ 352</u>	<u>\$ 232</u>	<u>\$ 546</u>	<u>\$ 298</u>	<u>\$ 248</u>
<i>Unamortized Intangible Assets</i>						
Goodwill	\$ 1,112			\$ 1,101		
Trademarks	<u>\$ 548</u>			<u>\$ 550</u>		

For the three months ended September 30, 2020 and 2019, amortization expense related to amortizable intangible assets was approximately \$17 million and \$13 million, respectively. For the nine months ended September 30, 2020 and 2019, amortization expense related to amortizable intangible assets was approximately \$46 million and \$44 million, respectively. Based on the Company's amortizable intangible assets at September 30, 2020, the Company expects amortization expense of approximately \$18 million for the remainder of 2020, \$64 million for 2021, \$33 million for 2022, \$25 million for 2023, \$22 million for 2024 and \$16 million for 2025, excluding effects of currency exchange rates.

8. Vehicle Rental Activities

The components of vehicles, net within assets under vehicle programs were as follows:

	As of September 30, 2020	As of December 31, 2019
Rental vehicles	\$ 9,826	\$ 13,461
Less: Accumulated depreciation	(1,331)	(1,621)
	<u>8,495</u>	<u>11,840</u>
Vehicles held for sale	285	337
Vehicles, net	<u>\$ 8,780</u>	<u>\$ 12,177</u>

The components of vehicle depreciation and lease charges, net are summarized below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Depreciation expense	\$ 315	\$ 516	\$ 1,063	\$ 1,457
Lease charges	50	72	149	191
(Gain) loss on sale of vehicles, net	(109)	(37)	(123)	(69)
Vehicle depreciation and lease charges, net	<u>\$ 256</u>	<u>\$ 551</u>	<u>\$ 1,089</u>	<u>\$ 1,579</u>

At September 30, 2020 and 2019, the Company had payables related to vehicle purchases included in liabilities under vehicle programs - other of \$213 million and \$297 million, respectively, and receivables related to vehicle sales included in assets under vehicle programs - receivables from vehicle manufacturers and other of \$357 million and \$693 million, respectively.

9. Income Taxes

The Company's effective tax rate for the nine months ended September 30, 2020 was a benefit of 27.6%. Such rate differed from the Federal Statutory rate of 21.0% primarily due to foreign taxes on our

International operations and state taxes.

The Company's effective tax rate for the nine months ended September 30, 2019 was a provision of 41.4%. Such rate differed from the Federal Statutory rate of 21.0% primarily due to foreign taxes on our International operations, state taxes and a one-time net tax benefit from the sale of an equity investment in China during the second quarter of 2019.

10. Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities consisted of:

	As of September 30, 2020	As of December 31, 2019
Short-term operating lease liabilities	\$ 501	\$ 479
Accounts payable	404	378
Accrued sales and use taxes	249	223
Public liability and property damage insurance liabilities – current	179	178
Accrued advertising and marketing	145	191
Accrued payroll and related	131	195
Other	538	562
Accounts payable and other current liabilities	<u>\$ 2,147</u>	<u>\$ 2,206</u>

11. Long-term Corporate Debt and Borrowing Arrangements

Long-term corporate debt and borrowing arrangements consisted of:

	Maturity Date	As of September 30, 2020	As of December 31, 2019
5½% Senior Notes	April 2023	\$ —	\$ 200
6¾% Senior Notes	April 2024	350	350
4⅞% euro-denominated Senior Notes	November 2024	352	336
5¼% Senior Notes	March 2025	375	375
4½% euro-denominated Senior Notes	May 2025	293	280
10½% Senior Secured Notes	May 2025	486	—
4¾% euro-denominated Senior Notes	January 2026	410	393
5¾% Senior Notes	July 2027	723	400
Floating Rate Term Loan ^(a)	August 2027	1,201	1,112
Other ^(b)		24	28
Deferred financing fees		(50)	(39)
Total		<u>4,164</u>	<u>3,435</u>
Less: Short-term debt and current portion of long-term debt		19	19
Long-term debt		<u>\$ 4,145</u>	<u>\$ 3,416</u>

^(a) The floating rate term loan is part of the Company's senior revolving credit facility, which is secured by pledges of capital stock of certain subsidiaries of the Company, and liens on substantially all of the Company's intellectual property and certain other real and personal property. As of September 30, 2020, the floating rate term loan due 2027 bears interest at one-month LIBOR plus 225 basis points, for an aggregate rate of 2.40%. The Company has entered into a swap to hedge \$700 million of its interest rate exposure related to the floating rate term loan at an aggregate rate of 4.58%.

^(b) Primarily includes finance leases which are secured by liens on the related assets.

In February 2020, the Company amended its Floating Rate Term Loan due 2025 to extend its maturity term to 2027 and reduce its interest to one-month LIBOR plus 1.75%. The Company increased the outstanding borrowing principal amount of the Floating Rate Term Loan to \$1.2 billion and on April 1, 2020 used the additional loan amount to redeem \$100 million of its outstanding 5½% Senior Notes due 2023.

In May 2020, the Company issued \$500 million of 10½% Senior Secured Notes due May 2025, at 97% of face value. The notes are guaranteed on a senior unsecured basis by the Company and on a senior secured basis by certain of the Company's subsidiaries. The Company used the proceeds from this offering for general corporate purposes.

In August 2020, the Company issued \$350 million of additional 5¾% Senior Notes due July 2027, at 92% of face value, under the indenture governing our existing 5¾% Senior Notes. The notes are guaranteed on a senior unsecured basis by the Company and certain of its subsidiaries. The Company used the proceeds from this offering to redeem the outstanding \$100 million in aggregate principal amount of its 5½% Senior Notes due 2023, with the remainder being used for general corporate purposes.

Committed Credit Facilities and Available Funding Arrangements

At September 30, 2020, the committed corporate credit facilities available to the Company and/or its subsidiaries were as follows:

	Total Capacity	Outstanding Borrowings	Letters of Credit Issued	Available Capacity
Senior revolving credit facility maturing 2023 ^(a)	\$ 1,800	\$ —	\$ 982	\$ 818

^(a) The senior revolving credit facility bears interest at one-month LIBOR plus 250 basis points and is part of the Company's senior credit facilities, which include the floating rate term loan and the senior revolving credit facility, and which are secured by pledges of capital stock of certain subsidiaries of the Company, liens on substantially all of the Company's intellectual property and certain other real and personal property.

Debt Covenants

The agreements governing the Company's indebtedness contain restrictive covenants, including restrictions on dividends paid to the Company by certain of its subsidiaries, the incurrence of additional indebtedness by the Company and certain of its subsidiaries, acquisitions, mergers, liquidations, and sale and leaseback transactions. The Company's senior credit facilities also contain a consolidated first lien leverage ratio requirement which has been amended to provide a holiday from such leverage covenant through June 30, 2021 (See Note 1 – Basis of Presentation). As of September 30, 2020, the Company was in compliance with the financial covenants governing its indebtedness.

12. Debt Under Vehicle Programs and Borrowing Arrangements

Debt under vehicle programs, including related party debt due to Avis Budget Rental Car Funding (AESOP) LLC ("Avis Budget Rental Car Funding"), consisted of:

	As of September 30, 2020	As of December 31, 2019
Americas - Debt due to Avis Budget Rental Car Funding	\$ 6,144	\$ 7,975
Americas - Debt borrowings	634	827
International - Debt borrowings	1,449	2,100
International - Finance leases	157	215
Deferred financing fees ^(a)	(45)	(49)
Total	\$ 8,339	\$ 11,068

^(a) Deferred financing fees related to Debt due to Avis Budget Rental Car Funding as of September 30, 2020 and December 31, 2019 were \$39 million and \$40 million, respectively

In January 2020, the Company's Avis Budget Rental Car Funding subsidiary issued approximately \$700 million in asset-backed notes with an expected final payment date of August 2025, incurring interest at a weighted average rate of 2.42%.

In August 2020, the Company's Avis Budget Rental Car Funding subsidiary issued approximately \$650 million in asset-backed notes with an expected final payment date of February 2026, incurring interest at a

weighted average rate of 2.28%.

Debt Maturities

The following table provides the contractual maturities of the Company's debt under vehicle programs, including related party debt due to Avis Budget Rental Car Funding, at September 30, 2020.

	Debt under Vehicle Programs
Within 1 year ^(b)	\$ 2,588
Between 1 and 2 years ^(c)	2,038
Between 2 and 3 years	1,186
Between 3 and 4 years	1,430
Between 4 and 5 years	1,049
Thereafter	93
Total	\$ 8,384

^(a) Vehicle-backed debt primarily represents asset-backed securities.

^(b) Includes \$1.5 billion of bank and bank-sponsored facilities.

^(c) Includes \$0.5 billion of bank and bank-sponsored facilities.

Committed Credit Facilities and Available Funding Arrangements

As of September 30, 2020, available funding under the Company's vehicle programs, including related party debt due to Avis Budget Rental Car Funding, consisted of:

	Total Capacity ^(a)	Outstanding Borrowings ^(b)	Available Capacity
Americas - Debt due to Avis Budget Rental Car Funding	\$ 8,894	\$ 6,144	\$ 2,750
Americas - Debt borrowings	719	634	85
International - Debt borrowings	2,859	1,449	1,410
International - Finance leases	219	157	62
Total	\$ 12,691	\$ 8,384	\$ 4,307

^(a) Capacity is subject to maintaining sufficient assets to collateralize debt.

^(b) The outstanding debt is collateralized by vehicles and related assets of \$6.9 billion for Americas - Debt due to Avis Budget Rental Car Funding; \$0.9 billion for Americas - Debt borrowings; \$1.7 billion for International - Debt borrowings; and \$0.2 billion for International - Finance leases.

Debt Covenants

The agreements under the Company's vehicle-backed funding programs contain restrictive covenants, including restrictions on dividends paid to the Company by certain of its subsidiaries and restrictions on indebtedness, mergers, liens, liquidations, and sale and leaseback transactions and in some cases also require compliance with certain financial requirements. As of September 30, 2020, the Company is not aware of any instances of non-compliance with any of the financial covenants contained in the debt agreements under its vehicle-backed funding programs.

13. Commitments and Contingencies

Contingencies

In 2006, the Company completed the spin-offs of its Realogy and Wyndham subsidiaries. The Company does not believe that the impact of any resolution of pre-existing contingent liabilities in connection with the spin-offs should result in a material liability to the Company in relation to its consolidated financial position or liquidity, as Realogy and Wyndham each have agreed to assume responsibility for these liabilities. The Company is also named in litigation that is primarily related to the businesses of its former subsidiaries, including Realogy and Wyndham. The Company is entitled to indemnification from such entities for any

liability resulting from such litigation.

In February 2017, following a state court trial in Georgia, a jury found the Company liable for damages in a case brought by a plaintiff who was injured in a vehicle accident allegedly caused by an employee of an independent contractor of the Company who was acting outside of the scope of employment. In fourth quarter 2019, the Company appealed both verdicts resulting in a reversal of the opinions rendered. The plaintiffs filed a petition to have the Georgia Supreme Court review the state appellate court's reversal of the opinion, which petition has been granted. The Company has recognized a liability related to these cases, net of recoverable insurance proceeds, of approximately \$12 million.

The Company is currently involved, and in the future may be involved, in claims, legal proceedings and governmental inquiries that are incidental to its vehicle rental and car sharing operations, including, among others, contract and licensee disputes, competition matters, employment and wage-and-hour claims, insurance and liability claims, intellectual property claims, business practice disputes and other regulatory, environmental, commercial and tax matters. Litigation is inherently unpredictable and, although the Company believes that its accruals are adequate and/or that it has valid defenses in these matters, unfavorable resolutions could occur. The Company estimates that the potential exposure resulting from adverse outcomes of current legal proceedings in which it is reasonably possible that a loss may be incurred could, in the aggregate, be up to approximately \$40 million in excess of amounts accrued as of September 30, 2020. The Company does not believe that the impact should result in a material liability to the Company in relation to its consolidated financial condition or results of operations.

Commitments to Purchase Vehicles

The Company maintains agreements with vehicle manufacturers under which the Company has agreed to purchase approximately \$3.4 billion of vehicles from manufacturers over the next 12 months, a \$4.3 billion decrease compared to December 31, 2019, financed primarily through the issuance of vehicle-backed debt and cash received upon the disposition of vehicles. Certain of these commitments are subject to the vehicle manufacturers satisfying their obligations under their respective repurchase and guaranteed depreciation agreements.

Concentrations

Concentrations of credit risk at September 30, 2020 include (i) risks related to the Company's repurchase and guaranteed depreciation agreements with domestic and foreign car manufacturers, primarily with respect to receivables for program cars that have been disposed but for which the Company has not yet received payment from the manufacturers and (ii) risks related to Realogy and Wyndham, including receivables of \$25 million and \$15 million, respectively, related to certain contingent, income tax and other corporate liabilities assumed by Realogy and Wyndham in connection with their disposition.

14. Stockholders' Equity

Share Repurchases

The Company's Board of Directors has authorized the repurchase of up to \$1.8 billion of its common stock under a plan originally approved in 2013 and subsequently expanded, most recently in August 2019. During the first quarter of 2020, the Company repurchased approximately 5.0 million shares of common stock at a cost of approximately \$113 million at an average price of \$22.49 under the program. As of September 30, 2020, approximately \$76 million of authorization remains available to repurchase common stock under this plan.

In June 2019 as part of its share repurchase program, the Company entered into a structured repurchase agreement involving the use of capped call options for the purchase of the Company's common stock. The Company paid a fixed sum upon the execution of the agreement in exchange for the right to receive either a pre-determined amount of cash or stock. The Company paid net premiums of \$16 million to enter into this agreement, which is recorded as a reduction of additional paid in capital. In September 2019, the capped call options expired and all outstanding options settled for 0.6 million shares.

Share Issuances

On February 10, 2020, the Company announced it had appointed a new Chairman of the Board of Directors and in connection with this appointment, the new Chairman purchased an aggregate \$15 million of unregistered shares of the Company's common stock at a price per share equal to the closing price of the Company's common stock on February 7, 2020.

Total Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other gains and losses affecting stockholders' equity that, under GAAP, are excluded from net income (loss).

The components of other comprehensive income (loss) were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income (loss)	\$ 45	\$ 189	\$ (594)	\$ 160
Other comprehensive income (loss):				
Currency translation adjustments (net of tax of \$12, \$(12), \$12, and \$(14), respectively)	35	(31)	(9)	(21)
Net unrealized gain (loss) on cash flow hedges (net of tax of \$3, \$2, \$12, and \$9, respectively)	(7)	(4)	(33)	(25)
Minimum pension liability adjustment (net of tax of \$(1), \$(1), \$(1), and \$(1), respectively)	1	1	5	5
	<u>29</u>	<u>(34)</u>	<u>(37)</u>	<u>(41)</u>
Comprehensive income (loss)	<u>\$ 74</u>	<u>\$ 155</u>	<u>\$ (631)</u>	<u>\$ 119</u>

Currency translation adjustments exclude income taxes related to indefinite investments in foreign subsidiaries.

Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) were as follows:

	Currency Translation Adjustments	Net Unrealized Gains (Losses) on Cash Flow Hedges ^(a)	Minimum Pension Liability Adjustment ^(b)	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2020	\$ 9	\$ (20)	\$ (146)	\$ (157)
Other comprehensive income (loss) before reclassifications	(9)	(38)	1	(46)
Amounts reclassified from accumulated other comprehensive income (loss)	—	5	4	9
Net current-period other comprehensive income (loss)	<u>(9)</u>	<u>(33)</u>	<u>5</u>	<u>(37)</u>
Balance, September 30, 2020	<u>\$ —</u>	<u>\$ (53)</u>	<u>\$ (141)</u>	<u>\$ (194)</u>
Balance, December 31, 2018	\$ (3)	\$ 2	\$ (132)	\$ (133)
Cumulative effect of accounting change	—	1	—	1
Balance, January 1, 2019	<u>\$ (3)</u>	<u>\$ 3</u>	<u>\$ (132)</u>	<u>\$ (132)</u>
Other comprehensive income (loss) before reclassifications	(21)	(23)	1	(43)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(2)	4	2
Net current-period other comprehensive income (loss)	<u>(21)</u>	<u>(25)</u>	<u>5</u>	<u>(41)</u>
Balance, September 30, 2019	<u>\$ (24)</u>	<u>\$ (22)</u>	<u>\$ (127)</u>	<u>\$ (173)</u>

All components of accumulated other comprehensive income (loss) are net of tax, except currency translation adjustments, which exclude income taxes related to indefinite investments in foreign subsidiaries and include a \$47 million gain, net of tax, as of September 30, 2020 related to the Company's hedge of its net investment in euro-denominated foreign operations (see Note 16—Financial Instruments).

- (a) For the three and nine months ended September 30, 2020, the amount reclassified from accumulated other comprehensive income (loss) into corporate interest expense was \$3 million (\$3 million, net of tax) and \$5 million (\$4 million, net of tax), respectively. For the three and nine months ended September 30, 2020, the amount reclassified from accumulated other comprehensive income (loss) into vehicle interest expense was \$1 million (\$0 million, net of tax) and \$2 million (\$1 million, net of tax), respectively. For the three and nine months ended September 30, 2019, the amount reclassified from accumulated other comprehensive income (loss) into corporate interest expense was \$1 million (\$0 million, net of tax) and \$4 million (\$2 million, net of tax), respectively.
- (b) For the three and nine months ended September 30, 2020, amounts reclassified from accumulated other comprehensive income (loss) into selling, general and administrative expenses were \$2 million (\$1 million, net of tax) and \$6 million (\$4 million, net of tax), respectively. For the three and nine months ended September 30, 2019, amounts reclassified from accumulated other comprehensive income (loss) into selling, general and administrative expenses were \$2 million (\$1 million, net of tax) and \$6 million (\$4 million, net of tax), respectively.

15. Stock-Based Compensation

The Company recorded stock-based compensation expense of \$4 million and \$6 million (\$3 million and \$5 million, net of tax) during the three months ended September 30, 2020 and 2019, respectively. For the nine months ended September 30, 2020 and 2019, the company recorded stock-based compensation expenses of \$6 million and \$18 million (\$4 million and \$14 million, net of tax), respectively.

In June 2020, the Company granted market-based restricted stock units ("RSUs") that vest based on absolute stock price attainment. The grant date fair value of this award is estimated using a Monte Carlo simulation model. The weighted average assumptions used in the model are as follows:

	<u>Nine Months Ended September 30, 2020</u>
Expected volatility of stock price	91%
Risk-free interest rate	0.18%
Valuation period	3 years
Dividend yield	—%

The activity related to RSUs consisted of (in thousands of shares):

	<u>Number of Shares</u>	<u>Weighted Average Grant Date Fair Value</u>	<u>Weighted Average Remaining Contractual Term (years)</u>	<u>Aggregate Intrinsic Value (in millions)</u>
Time-based RSUs				
Outstanding at January 1, 2020	847	\$ 36.99		
Granted ^(a)	798	23.14		
Vested ^(b)	(420)	37.82		
Forfeited	(81)	32.90		
Outstanding and expected to vest at September 30, 2020 ^(c)	<u>1,144</u>	\$ 27.31	1.2	\$ 30
Performance-based and market-based RSUs				
Outstanding at January 1, 2020	1,061	\$ 38.89		
Granted ^(a)	553	21.06		
Vested ^(b)	(73)	36.64		
Forfeited	(424)	35.15		
Outstanding at September 30, 2020	<u>1,117</u>	\$ 31.64	1.7	\$ 29
Outstanding and expected to vest at September 30, 2020 ^(c)	38	\$ 20.70	2.7	\$ 1

- (a) Reflects the maximum number of stock units assuming achievement of all performance-, market- and time-vesting criteria and does not include those for non-employee directors. The weighted-average fair value of time-based RSUs and performance-based and market-based RSUs granted during the nine months ended September 30, 2019 was \$34.17 and \$34.56, respectively.

- (b) The total fair value of RSUs vested during September 30, 2020 and 2019 was \$19 million and \$18 million, respectively.
- (c) Aggregate unrecognized compensation expense related to time-based RSUs and performance-based and market-based RSUs amounted to \$23 million and will be recognized over a weighted average vesting period of 1.3 years.

16. Financial Instruments

Derivative Instruments and Hedging Activities

Currency Risk. The Company uses currency exchange contracts to manage its exposure to changes in currency exchange rates associated with certain of its non-U.S.-dollar denominated receivables and forecasted royalties, forecasted earnings of non-U.S. subsidiaries and forecasted non-U.S.-dollar denominated acquisitions. The Company primarily hedges a portion of its current-year currency exposure to the Australian, Canadian and New Zealand dollars, the euro and the British pound sterling. The majority of forward contracts do not qualify for hedge accounting treatment. The fluctuations in the value of these forward contracts do, however, largely offset the impact of changes in the value of the underlying risk they economically hedge. Forward contracts used to hedge forecasted third-party receipts and disbursements up to 12 months are designated and do qualify as cash flow hedges. The Company has designated its euro-denominated notes as a hedge of its investment in euro-denominated foreign operations.

The estimated net amount of existing gains or losses the Company expects to reclassify from accumulated other comprehensive income (loss) to earnings for cash flow and net investment hedges over the next 12 months is not material.

Interest Rate Risk. The Company uses various hedging strategies including interest rate swaps and interest rate caps to create what it deems an appropriate mix of fixed and floating rate assets and liabilities. The Company uses interest rate swaps and interest rate caps to manage the risk related to its floating rate corporate debt and its floating rate vehicle-backed debt. The Company records the changes in the fair value of its cash flow hedges to other comprehensive income (loss), net of tax, and subsequently reclassifies these amounts into earnings in the period during which the hedged transaction affects earnings and is presented in the same income statement line item as the earnings effect of the hedged item. The Company records the gains or losses related to freestanding derivatives, which are not designated as a hedge for accounting purposes, currently in earnings and are presented in the same line of the income statement expected for the hedged item. The Company estimates that approximately \$18 million of losses currently recorded in accumulated other comprehensive income (loss) will be recognized in earnings over the next 12 months.

Commodity Risk. The Company periodically enters into derivative commodity contracts to manage its exposure to changes in the price of gasoline. These instruments were designated as freestanding derivatives and the changes in fair value are recorded in earnings and are presented in the same line of the income statement expected for the hedged item.

The Company held derivative instruments with absolute notional values as follows:

	As of September 30, 2020
Foreign exchange contracts	\$ 1,309
Interest rate caps ^(a)	8,552
Interest rate swaps	1,950
Commodity contracts (millions of gallons of unleaded gasoline)	5

^(a) Represents \$5.8 billion of interest rate caps sold, partially offset by approximately \$2.8 billion of interest rate caps purchased. These amounts exclude \$3.0 billion of interest rate caps purchased by the Company's Avis Budget Rental Car Funding subsidiary as it is not consolidated by the Company.

Estimated fair values (Level 2) of derivative instruments were as follows:

	As of September 30, 2020		As of December 31, 2019	
	Fair Value, Derivative Assets	Fair Value, Derivative Liabilities	Fair Value, Derivative Assets	Fair Value, Derivative Liabilities
Derivatives designated as hedging instruments				
Interest rate swaps ^(a)	\$ —	\$ 72	\$ —	\$ 27
Derivatives not designated as hedging instruments				
Foreign exchange contracts ^(b)	2	4	5	10
Interest rate caps ^(c)	—	—	—	1
Commodity contracts ^(b)	—	1	—	—
Total	\$ 2	\$ 77	\$ 5	\$ 38

Amounts in this table exclude derivatives issued by Avis Budget Rental Car Funding, as it is not consolidated by the Company; however, certain amounts related to the derivatives held by Avis Budget Rental Car Funding are included within accumulated other comprehensive income (loss), as discussed in Note 14—Stockholders' Equity.

^(a) Included in other non-current assets or other non-current liabilities.

^(b) Included in other current assets or other current liabilities.

^(c) Included in assets under vehicle programs or liabilities under vehicle programs.

The effects of derivatives recognized in the Company's Consolidated Condensed Financial Statements were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Derivatives designated as hedging instruments ^(a)				
Interest rate swaps ^(b)	\$ (7)	\$ (4)	\$ (33)	\$ (25)
Euro-denominated notes ^(c)	(32)	32	(34)	37
Derivatives not designated as hedging instruments ^(d)				
Foreign exchange contracts ^(e)	(12)	10	14	21
Interest rate caps ^(f)	(1)	—	(2)	—
Commodity contracts ^(g)	1	(1)	(6)	3
Total	\$ (51)	\$ 37	\$ (61)	\$ 36

^(a) Recognized, net of tax, as a component of other comprehensive income (loss) within stockholders' equity.

^(b) Classified as a net unrealized gain (loss) on cash flow hedges in accumulated other comprehensive income (loss). Refer to Note 14—Stockholders' Equity for amounts reclassified from accumulated other comprehensive income into earnings.

^(c) Classified as a net investment hedge within currency translation adjustment in accumulated other comprehensive income (loss).

^(d) Gains (losses) related to derivative instruments are expected to be largely offset by (losses) gains on the underlying exposures being hedged.

^(e) For the three months ended September 30, 2020, included a \$10 million loss in interest expense and a \$2 million loss in operating expense and for the nine months ended September 30, 2020, included a \$18 million gain in interest expense and \$4 million loss in operating expense. For the three months ended September 30, 2019, included \$9 million gain in interest expense and a \$1 million gain in operating expense and for the nine months ended September 30, 2019, included a \$20 million gain in interest expense and a \$1 million gain in operating expense.

^(f) Included primarily in vehicle interest, net.

^(g) Included in operating expense.

Debt Instruments

The carrying amounts and estimated fair values (Level 2) of debt instruments were as follows:

	As of September 30, 2020		As of December 31, 2019	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Corporate debt				
Short-term debt and current portion of long-term debt	\$ 19	\$ 17	\$ 19	\$ 19
Long-term debt	4,145	3,920	3,416	3,572
Debt under vehicle programs				
Vehicle-backed debt due to Avis Budget Rental Car Funding	\$ 6,105	\$ 6,312	\$ 7,936	\$ 8,077
Vehicle-backed debt	2,231	2,240	3,129	3,142
Interest rate swaps and interest rate caps ^(a)	3	3	3	3

^(a) Derivatives in a liability position.

17. Segment Information

The Company's chief operating decision-maker assesses performance and allocates resources based upon the separate financial information from each of the Company's operating segments. In identifying its reportable segments, the Company considered the nature of services provided, the geographical areas in which the segments operated and other relevant factors. The Company aggregates certain of its operating segments into its reportable segments.

Management evaluates the operating results of each of its reportable segments based upon revenues and "Adjusted EBITDA," which the Company defines as income (loss) from continuing operations before non-vehicle related depreciation and amortization, any impairment charges, restructuring and other related charges, early extinguishment of debt costs, non-vehicle related interest, transaction-related costs, net, charges for unprecedented personal-injury legal matters, non-operational charges related to shareholder activist activity, gain on sale of equity method investment in China, COVID-19 charges and income taxes. Net charges for unprecedented personal-injury legal matters and gain on sale of equity method investment in China are recorded within operating expenses in the Company's Consolidated Condensed Statement of Comprehensive Income. Non-operational charges related to shareholder activist activity include third party advisory, legal and other professional service fees and are recorded within selling, general and administrative expenses in the Company's Consolidated Condensed Statement of Comprehensive Income. COVID-19 charges include unusual, direct and incremental costs due to the COVID-19 global pandemic such as minimum annual guaranteed rent in excess of concession fees for the period, overflow parking for idle vehicles and related shuttling costs, incremental cleaning supplies to sanitize vehicles and facilities, and losses associated with vehicles damaged in overflow parking lots, net of insurance proceeds, and are primarily recorded within operating expenses in the Company's Consolidated Condensed Statement of Comprehensive Income. The Company has revised its definition of Adjusted EBITDA to exclude COVID-19 charges. The Company has not revised prior years' Adjusted EBITDA amounts because there were no other charges similar in nature to these. The Company's presentation of Adjusted EBITDA may not be comparable to similarly-titled measures used by other companies.

	Three Months Ended September 30,			
	2020		2019	
	Revenues	Adjusted EBITDA	Revenues	Adjusted EBITDA
Americas	\$ 1,114	\$ 222	\$ 1,868	\$ 321
International	420	6	885	169
Corporate and Other ^(a)	—	(8)	—	(19)
Total Company	<u>\$ 1,534</u>	<u>\$ 220</u>	<u>\$ 2,753</u>	<u>\$ 471</u>

Reconciliation of Adjusted EBITDA to income (loss) before income taxes

	2020	2019
Adjusted EBITDA	\$ 220	\$ 471
Less: Non-vehicle related depreciation and amortization	74	62
Interest expense related to corporate debt, net:		
Interest expense	64	49
Early extinguishment of debt	2	10
Restructuring and other related charges	17	22
COVID-19 charges ^(b)	10	—
Income before income taxes	<u>\$ 53</u>	<u>\$ 328</u>

^(a) Includes unallocated corporate overhead which is not attributable to a particular segment.

^(b) For three months ended September 30, 2020 consists of \$8 million within operating expenses, \$1 million within selling, general and administrative expenses and \$1 million within vehicle depreciation and lease charges, net. Primarily consisting of \$18 million of incremental cleaning supplies to sanitize vehicles and facilities, and overflow parking for idle vehicles and related shuttling costs, \$11 million of minimum annual guaranteed rent in excess of concession fees and (\$19 million) associated with vehicles damaged in overflow parking lots, net of insurance proceeds.

	Nine Months Ended September 30,			
	2020		2019	
	Revenues	Adjusted EBITDA	Revenues	Adjusted EBITDA
Americas	\$ 2,936	\$ (41)	\$ 4,822	\$ 508
International	1,111	(174)	2,188	187
Corporate and Other ^(a)	—	(34)	—	(50)
Total Company	<u>\$ 4,047</u>	<u>\$ (249)</u>	<u>\$ 7,010</u>	<u>\$ 645</u>

Reconciliation of Adjusted EBITDA to income (loss) before income taxes

	2020	2019
Adjusted EBITDA	\$ (249)	\$ 645
Less: Non-vehicle related depreciation and amortization	214	195
Interest expense related to corporate debt, net:		
Interest expense	163	139
Early extinguishment of debt	9	10
COVID-19 charges ^(b)	90	—
Restructuring and other related charges	89	66
Non-operational charges related to shareholder activist activity ^(c)	4	—
Transaction-related costs, net	3	6
Gain on sale of equity method investment in China ^(d)	—	(44)
Income (loss) before income taxes	<u>\$ (821)</u>	<u>\$ 273</u>

^(a) Includes unallocated corporate overhead which is not attributable to a particular segment.

- (b) Nine months ended September 30, 2020 consists of \$87 million within operating expenses, \$2 million within selling, general and administrative expenses and \$1 million within vehicle depreciation and lease charges, net. Primarily consisting of \$41 million of minimum annual guaranteed rent in excess of concession fees, \$35 million of incremental cleaning supplies to sanitize vehicles and facilities, and overflow parking for idle vehicles and related shuttling costs and \$14 million of losses associated with vehicles damaged in overflow parking lots, net of insurance proceeds, .
- (c) Reported within selling, general and administrative expenses.
- (d) Reported within operating expenses.

Since December 31, 2019, there have been no significant changes in segment assets exclusive of assets under vehicle programs. As of September 30, 2020 and December 31, 2019, Americas' segment assets under vehicle programs were approximately \$7.8 billion and \$10.5 billion, respectively, and International segment assets under vehicle programs were approximately \$2.2 billion and \$3.3 billion, respectively. The changes in assets under vehicle programs is primarily due to the reduction of vehicles in response to the COVID-19 pandemic.

* * * *

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our Consolidated Condensed Financial Statements and accompanying Notes included in this Quarterly Report on Form 10-Q, and with our 2019 Form 10-K. Our actual results of operations may differ materially from those discussed in forward-looking statements as a result of various factors, including but not limited to those included in this Quarterly Report on Form 10-Q and those included in the "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Risk Factors" and other portions of our 2019 Form 10-K. Unless otherwise noted, all dollar amounts in tables are in millions.

OVERVIEW

Our Company

We operate three of the most globally recognized brands in mobility solutions, Avis, Budget and Zipcar, together with several other brands well recognized in their respective markets. We are a leading vehicle rental operator in North America, Europe, Australasia and certain other regions we serve, with an average rental fleet during 2019 of nearly 660,000 vehicles. We also license the use of our trademarks to licensees in the areas in which we do not operate directly. We and our licensees operate our brands in approximately 180 countries throughout the world.

Our Segments

We categorize our operations into two reportable business segments: *Americas*, consisting primarily of our vehicle rental operations in North America, South America, Central America and the Caribbean, car sharing operations in certain of these markets, and licensees in the areas in which we do not operate directly; and *International*, consisting primarily of our vehicle rental operations in Europe, the Middle East, Africa, Asia and Australasia, car sharing operations in certain of these markets, and licensees in the areas in which we do not operate directly.

Business and Trends

The spread of the novel coronavirus ("COVID-19") and the impact on travel demand and the global economy are having significant negative impacts on all aspects of our business.

Significant events affecting travel, have historically had an impact on vehicle rental volumes, with the full extent of the impact generally determined by the length of time the event influences travel decisions. COVID-19 and the resulting economic conditions have had, and we believe will continue to have, a significant negative impact on our operations and vehicle rental volumes and consequently our financial results, and such negative impact may continue well beyond the containment of this outbreak. In particular:

- Reservation volume thus far in 2020 is significantly behind prior year on a comparable basis as a result of the effects of COVID-19, which impacted our peak summer season. We are not able to predict the impact that the COVID-19 pandemic may have on the seasonality of our business and cannot predict the travel volume for the holidays, particularly if the pandemic's effects increase as the winter season approaches.
- The used vehicle market was significantly disrupted in the first half of the second quarter, impacting our ability to dispose of used vehicles as a result of COVID-19. Beginning in the second half of the second quarter and continuing throughout the third quarter, the used car market improved significantly. If there are further disruptions due to COVID-19, we may experience a reduction in residual values for risk vehicles in our fleet which could cause us to sustain a substantial loss on the ultimate sale of such vehicles or require us to depreciate those vehicles at a more accelerated rate than we have anticipated. If our ability to sell vehicles in the used vehicle market becomes severely limited again, we may have difficulty meeting collateral requirements due under our asset-backed financing facilities.
- In April 2020, Moody's and S&P Global (the "Rating Agencies") downgraded our long-term corporate debt rating. If we were to experience a further downgrade, this could negatively impact our ability to respond to adverse changes in general economic, industry and competitive conditions, as well as changes in government regulation and changes to our business.

- As a result of decreased rental volume, we have parked our vehicles in overflow parking lots. In April 2020, we experienced a fire at an overflow parking lot near Southwest Florida International Airport. As a result, we have lost vehicles with an estimated carrying value of approximately \$50 million. We realized a loss of approximately \$10 million related to this incident, which has been treated as COVID-19 charges and excluded from Adjusted EBITDA. We could experience similar casualty losses in other overflow parking lots.
- We have taken cost removal and mitigation actions by eliminating all non-essential capital and operating expenditures and we are continuing to negotiate with partners and suppliers for further reductions. Expenses for the first nine months of 2020 reflect the reduction or furlough of a large part of our global workforce, reduction of base compensation at the level of vice presidents and above, frozen merit increases, elimination of our 401(k) match for highly compensated employees, and cancellation of future hiring. We aggressively reduced the size of our global fleet beginning in March and ended September with 30% fewer units than the prior year. Our vehicle dispositions will occur through both traditional methods and by utilizing our alternative distribution strategy by selling directly to dealers and consumers. Finally, we have negotiated a significant number of new vehicle cancellations to improve utilization and shrink the fleet size.

The momentum from the second quarter carried into the third quarter, during which we generated revenues of \$1,534 million, net income of \$45 million and Adjusted EBITDA of \$220 million. These results were driven by ongoing cost removal and mitigation actions of another approximately \$1 billion in savings for the quarter and improved residual values, which resulted from a strong used car market. Our per-unit fleet costs per month, excluding exchange rate effects, decreased to \$163, or 35%, compared to third quarter 2019. Rental volumes improved by 60% compared to the previous quarter. Our utilization was 60.6% showing our ability to align our fleet with demand, which is a 25.5 point improvement compared to the previous quarter, and ended September 2020 at 63.1%. Although our revenues are significantly down compared to the prior year, we have taken positive actions to weather the crisis. We continue to look for ways to capitalize on the changes prompted by the pandemic and to expand our business in a post-COVID-19 environment. Although we have seen significant improvement, these trends could be hindered if a another wave of the virus were to impact the economy.

We have never previously experienced such a decrease in demand, and as a result, our ability to be predictive regarding the impact of such a decrease is uncertain. In addition, the duration of the global pandemic is uncertain. As a consequence, we cannot estimate the impact on our business, financial condition or forecast financial or operational results with reasonable certainty. Our results of operations, financial condition, and cash flows were impacted during the three and nine months ended September 30, 2020, by the ongoing COVID-19 pandemic. The trends and results for the three and nine months ended September 30, 2020 may not be indicative of results that may be expected in the future due to uncertainty regarding the extent and duration of the COVID-19 pandemic.

RESULTS OF OPERATIONS

We measure performance principally using the following key metrics: (i) rental days, which represent the total number of days (or portion thereof) a vehicle was rented, (ii) revenue per day, which represents revenues divided by rental days, (iii) vehicle utilization, which represents rental days divided by available rental days, with available rental days defined as average rental fleet times the number of days in the period, and (iv) per-unit fleet costs, which represent vehicle depreciation, lease charges and gain or loss on vehicle sales, divided by average rental fleet. Our rental days, revenue per day and vehicle utilization metrics are all calculated based on the actual rental of the vehicle during a 24-hour period. We believe that this methodology provides us with the most relevant metrics in order to manage the business. Our calculation may not be comparable to the calculation of similarly-titled metrics by other companies. We present currency exchange rate effects to provide a method of assessing how our business performed excluding the effects of foreign currency rate fluctuations. Currency exchange rate effects are calculated by translating the current-year results at the prior-period average exchange rate plus any related gains and losses on currency hedges.

We assess performance and allocate resources based upon the separate financial information of our operating segments. In identifying our reportable segments, we also consider the nature of services provided by our operating segments, the geographical areas in which our segments operate and other relevant factors. Management evaluates the operating results of each of our reportable segments based upon revenues and "Adjusted EBITDA," which we define as income from continuing operations before non-vehicle related

depreciation and amortization, any impairment charges, restructuring and other related charges, early extinguishment of debt costs, non-vehicle related interest, transaction-related costs, net, charges for unprecedented personal-injury legal matters, non-operational charges related to shareholder activist activity, gain on sale of equity method investment in China, COVID-19 charges and income taxes. Net charges for unprecedented personal-injury legal matters and gain on sale of equity method investment in China are recorded within operating expenses in our consolidated condensed results of operations. Non-operational charges related to shareholder activist activity include third party advisory, legal and other professional service fees and are recorded within selling, general and administrative expenses in our consolidated condensed results of operations. COVID-19 charges include unusual, direct and incremental costs due to the COVID-19 global pandemic such as minimum annual guaranteed rent in excess of concession fees for the period, overflow parking for idle vehicles and related shuttling costs, incremental cleaning supplies to sanitize vehicles and facilities, and losses associated with vehicles damaged in overflow parking lots, net of insurance proceeds, and are primarily recorded within operating expenses in our consolidated condensed results of operations. We have revised our definition of Adjusted EBITDA to exclude COVID-19 charges. We did not revise prior years' Adjusted EBITDA amounts because there were no other charges similar in nature to these. We believe Adjusted EBITDA is useful as a supplemental measure in evaluating the performance of our operating businesses and in comparing our results from period to period. We also believe that Adjusted EBITDA is useful to investors because it allows them to assess our results of operations and financial condition on the same basis that management uses internally. Adjusted EBITDA is a non-GAAP measure and should not be considered in isolation or as a substitute for net income or other income statement data prepared in accordance with U.S. GAAP. Our presentation of Adjusted EBITDA may not be comparable to similarly-titled measures used by other companies.

During the nine months ended September 30, 2020:

- Our revenues totaled \$4.0 billion and decreased 42% compared to the similar period in 2019, primarily due to reduced rental volume due to impacts directly related to COVID-19.
- Our net loss was \$594 million and our Adjusted EBITDA loss was \$249 million, representing losses of \$754 million and \$894 million year-over-year, respectively, primarily due to impacts directly related to COVID-19, partially offset by an 18% decrease in per-unit fleet costs.
- We repurchased \$113 million of our common stock at an average price of \$22.49, reducing our shares outstanding by approximately 5.0 million shares, or 7%.
- We acquired various licensees in the United States and Europe.

Three Months Ended September 30, 2020 vs. Three Months Ended September 30, 2019

Our consolidated condensed results of operations comprised the following:

	Three Months Ended September 30,		\$ Change	% Change
	2020	2019		
Revenues	\$ 1,534	\$ 2,753	\$ (1,219)	(44 %)
Expenses				
Operating	825	1,291	(466)	(36 %)
Vehicle depreciation and lease charges, net	256	551	(295)	(54 %)
Selling, general and administrative	166	350	(184)	(53 %)
Vehicle interest, net	77	90	(13)	(14 %)
Non-vehicle related depreciation and amortization	74	62	12	19 %
Interest expense related to corporate debt, net:				
Interest expense	64	49	15	31 %
Early extinguishment of debt	2	10	(8)	(80 %)
Restructuring and other related charges	17	22	(5)	(23 %)
Total expenses	<u>1,481</u>	<u>2,425</u>	<u>(944)</u>	<u>(39 %)</u>
Income before income taxes	53	328	(275)	(84 %)
Provision for income taxes	8	139	(131)	(94 %)
Net income	<u>\$ 45</u>	<u>\$ 189</u>	<u>\$ (144)</u>	<u>(76 %)</u>

n/m Not meaningful.

Revenues decreased during the three months ended September 30, 2020 compared to the similar period in 2019, primarily due to a 42% decrease in volume and a 5% decrease in revenue per day excluding exchange rate movements as a result of the impact of COVID-19, partially offset by a \$15 million positive impact from currency exchange rate movements. Total expenses decreased during the three months ended September 30, 2020, compared to the similar period in 2019, primarily due to strategic cost reduction initiatives and reduced operational activities as a result of the impact of COVID-19.

Operating expenses increased to 53.8% of revenue during the three months ended September 30, 2020 compared to 46.9% during the similar period in 2019, primarily due to impacts directly related to COVID-19. Vehicle depreciation and lease charges decreased to 16.7% of revenue during the three months ended September 30, 2020 compared to 20.0% during the similar period in 2019, primarily due to 35% lower per-unit fleet costs per month, excluding exchange rate effects. Selling, general and administrative costs decreased to 10.8% of revenue during the three months ended September 30, 2020 compared to 12.7% during the similar period in 2019, primarily due to strategic cost reduction initiatives to right size the business. Vehicle interest costs increased to 5.1% of revenue during the three months ended September 30, 2020 compared to 3.3% during the similar period in 2019, primarily due to impacts directly related to COVID-19.

Our effective tax rates were a provision of 15% and 42% for the three months ended September 30, 2020 and 2019, respectively. As a result of these items, our net income decreased by \$144 million compared to the similar period in 2019. For the three months ended September 30, 2020 and 2019, the Company reported income of \$0.63 and \$2.50 per diluted share, respectively.

Following is a more detailed discussion of the results of each of our reportable segments and reconciliation of net income to Adjusted EBITDA:

	Three Months Ended September 30,			
	2020		2019	
	Revenues	Adjusted EBITDA	Revenues	Adjusted EBITDA
Americas	\$ 1,114	\$ 222	\$ 1,868	\$ 321
International	420	6	885	169
Corporate and Other ^(a)	—	(8)	—	(19)
Total Company	<u>\$ 1,534</u>	<u>\$ 220</u>	<u>\$ 2,753</u>	<u>\$ 471</u>
	Reconciliation to Adjusted EBITDA			
		2020	2019	
Net income		\$ 45	\$ 189	
Provision for income taxes		8	139	
Income before income taxes		53	328	
Add:				
Non-vehicle related depreciation and amortization		74	62	
Interest expense related to corporate debt, net:				
Interest expense		64	49	
Early extinguishment of debt		2	10	
Restructuring and other related charges		17	22	
COVID-19 charges ^(b)		10	—	
Adjusted EBITDA		<u>\$ 220</u>	<u>\$ 471</u>	

^(a) Includes unallocated corporate overhead which is not attributable to a particular segment.

^(b) For three months ended September 30, 2020, consists of \$8 million within operating expenses, \$1 million within selling, general and administrative expenses and \$1 million within vehicle depreciation and lease charges, net in our consolidated condensed results of operations. Primarily consisting of \$18 million of incremental cleaning supplies to sanitize vehicles and facilities, and overflow parking for idle vehicles and related shuttling costs, \$11 million of minimum annual guaranteed rent in excess of concession fees and \$(19) million associated with vehicles damaged in overflow parking lots, net of insurance proceeds.

Americas

	Three Months Ended September 30,			% Change
	2020	2019		
Revenues	\$ 1,114	\$ 1,868	(40 %)	
Adjusted EBITDA	222	321	(31 %)	

Revenues decreased 40% during the three months ended September 30, 2020 compared to the similar period in 2019, primarily due to a 39% decrease in volume and 3% lower revenue per day as a result of the impacts of COVID-19.

Operating expenses increased to 51.0% of revenue during the three months ended September 30, 2020 compared to 46.9% during the similar period in 2019, primarily due to impacts directly related to COVID-19. Vehicle depreciation and lease charges decreased to 14.8% of revenue during the three months ended September 30, 2020 compared to 20.1% during the similar period in 2019, primarily due to 43% lower per-unit fleet costs. Selling, general and administrative costs decreased to 8.3% of revenue during the three months ended September 30, 2020 compared to 11.8% during the similar period in 2019, primarily due to strategic cost reduction initiatives to right size the business. Vehicle interest costs increased to 5.8% of revenue during the three months ended September 30, 2020 compared to 4.0% during the similar period in 2019, primarily due to impacts directly related to COVID-19.

Adjusted EBITDA was \$99 million lower during the three months ended September 30, 2020 compared to the similar period in 2019, primarily due to lower revenues directly related to COVID-19, partially offset by a decrease in per-unit fleet costs.

International

	Three Months Ended September 30,		% Change
	2020	2019	
Revenues	\$ 420	\$ 885	(53 %)
Adjusted EBITDA	6	169	(96 %)

Revenues decreased 53% during the three months ended September 30, 2020, compared to the similar period in 2019, primarily due to a 47% decrease in volume and a 14% decrease in revenue per day excluding exchange rate movements as a result of the impacts of COVID-19, partially offset by \$17 million positive impact from currency exchange rate movements.

Operating expenses increased to 61.5% of revenue during the three months ended September 30, 2020 compared to 46.8% during the similar period in 2019. Vehicle depreciation and lease charges increased to 21.6% of revenue during the three months ended September 30, 2020 compared to 19.8% during the similar period in 2019. Selling, general and administrative costs increased to 15.1% of revenue during the three months ended September 30, 2020 compared to 12.5% during the similar period in 2019. Vehicle interest costs increased to 3.0% of revenue during the three months ended September 30, 2020 compared to 1.8% during the similar period in 2019. During the three months ended September 30, 2020, all expenses increased as a percentage of revenue as a result of the impact of COVID-19, partially offset by strategic cost reduction initiatives to right size the business.

Adjusted EBITDA was \$163 million lower in third quarter 2020 compared to the similar period in 2019, primarily due to lower revenues directly related to COVID-19, partially offset by a 16% decrease in per-unit fleet costs excluding exchange rate effects.

Nine Months Ended September 30, 2020 vs. Nine Months Ended September 30, 2019

Our consolidated condensed results of operations comprised the following:

	Nine Months Ended September 30,		\$ Change	% Change
	2020	2019		
Revenues	\$ 4,047	\$ 7,010	\$ (2,963)	(42 %)
Expenses				
Operating	2,505	3,534	(1,029)	(29 %)
Vehicle depreciation and lease charges, net	1,089	1,579	(490)	(31 %)
Selling, general and administrative	549	947	(398)	(42 %)
Vehicle interest, net	247	261	(14)	(5 %)
Non-vehicle related depreciation and amortization	214	195	19	10 %
Interest expense related to corporate debt, net:				
Interest expense	163	139	24	17 %
Early extinguishment of debt	9	10	(1)	(10 %)
Restructuring and other related charges	89	66	23	35 %
Transaction-related costs, net	3	6	(3)	(50 %)
Total expenses	<u>4,868</u>	<u>6,737</u>	<u>(1,869)</u>	<u>(28 %)</u>
Income (loss) before income taxes	(821)	273	(1,094)	n/m
Provision for (benefit from) income taxes	<u>(227)</u>	<u>113</u>	<u>(340)</u>	<u>n/m</u>
Net income (loss)	<u>\$ (594)</u>	<u>\$ 160</u>	<u>\$ (754)</u>	<u>n/m</u>

n/m Not meaningful.

Revenues decreased during the nine months ended September 30, 2020 compared to the similar period in 2019, primarily as a result of a 38% decrease in volume and a 7% decrease in revenue per day excluding exchange rate movements as a result of the impact of COVID-19, and a \$13 million negative impact from currency exchange rate movements. Total expenses decreased during the nine months ended September 30, 2020 compared to the similar period in 2019, primarily due to strategic cost reduction initiatives and reduced operational activities as a result of the impact of COVID-19.

Operating expenses increased to 61.9% of revenue during the nine months ended September 30, 2020 compared to 50.4% during the similar period in 2019. Vehicle depreciation and lease charges increased to 26.9% of revenue during the nine months ended September 30, 2020 compared to 22.5% during the similar period in 2019. Selling, general and administrative costs increased to 13.6% of revenue during the nine months ended September 30, 2020 compared to 13.5% during the similar period in 2019. Vehicle interest costs increased to 6.1% of revenue during the nine months ended September 30, 2020 compared to 3.7% during the similar period in 2019. During the nine months ended September 30, 2020, all expenses increased as a percentage of revenue as a result of the impact of COVID-19, partially offset by strategic cost reduction initiatives to right size the business.

Our effective tax rates were a benefit of 28% and provision of 41% for the nine months ended September 30, 2020 and 2019, respectively. As a result of these items, our net loss increased by \$754 million. For the nine months ended September 30, 2020 and 2019, the Company reported a loss of \$8.40 and earnings of \$2.10 per diluted share, respectively.

Following is a more detailed discussion of the results of each of our reportable segments and reconciliation of net income (loss) to Adjusted EBITDA:

	Nine Months Ended September 30,			
	2020		2019	
	Revenues	Adjusted EBITDA	Revenues	Adjusted EBITDA
Americas	\$ 2,936	\$ (41)	\$ 4,822	\$ 508
International	1,111	(174)	2,188	187
Corporate and Other ^(a)	—	(34)	—	(50)
Total Company	<u>\$ 4,047</u>	<u>\$ (249)</u>	<u>\$ 7,010</u>	<u>\$ 645</u>
	Reconciliation to Adjusted EBITDA			
			2020	2019
Net income (loss)			\$ (594)	\$ 160
Provision for (benefit from) income taxes			(227)	113
Income (loss) before income taxes			<u>(821)</u>	<u>273</u>
Add:				
Non-vehicle related depreciation and amortization			214	195
Interest expense related to corporate debt, net:				
Interest expense			163	139
Early extinguishment of debt			9	10
COVID-19 charges ^(b)			90	—
Restructuring and other related charges			89	66
Non-operational charges related to shareholder activist activity ^(c)			4	—
Transaction-related costs, net ^(d)			3	6
Gain on sale of equity method investment in China ^(e)			—	(44)
Adjusted EBITDA			<u>\$ (249)</u>	<u>\$ 645</u>

^(a) Includes unallocated corporate overhead which is not attributable to a particular segment.

^(b) For the nine months ended September 30, 2020, consists of \$87 million within operating expenses, \$2 million within selling, general and administrative expenses and \$1 million within vehicle depreciation and lease charges, net in our consolidated condensed results of operations. Primarily consisting of \$41 million of minimum annual guaranteed rent in excess of concession fees, \$35 million of incremental cleaning supplies to sanitize vehicles and facilities, and overflow parking for idle vehicles and related shuttling costs and \$14 million of losses associated with vehicles damaged in overflow parking lots, net of insurance proceeds.

^(c) Reported within selling, general and administrative in our consolidated condensed results of operations.

^(d) Primarily comprised of acquisition- and integration-related expenses.

^(e) Reported within operating expenses in our consolidated condensed results of operations (see Note 1 to our Consolidated Condensed Financial Statements).

Americas

	Nine Months Ended September 30,		
	2020	2019	% Change
Revenues	\$ 2,936	\$ 4,822	(39 %)
Adjusted EBITDA	(41)	508	n/m

Revenues decreased 39% during the nine months ended September 30, 2020 compared to the similar period in 2019, primarily due to a 36% decrease in volume and 5% decrease in revenue per day as a result of the impact of COVID-19.

Operating expenses increased to 59.5% of revenue during the nine months ended September 30, 2020 compared to 49.6% during the similar period in 2019, primarily due to impacts directly related to COVID-19, partially offset by strategic cost reduction initiatives to right size the business. Vehicle depreciation and lease charges increased to 26.1% of revenue during the nine months ended September 30, 2020 compared to 23.3% during the similar period in 2019, primarily due to impacts directly related to COVID-19, partially offset by 23% lower per-unit fleet costs. Selling, general and administrative costs decreased to 11.1% of revenue during the nine months ended September 30, 2020 compared to 12.1% during the similar period in 2019, primarily due to strategic cost reduction initiatives to right size the business. Vehicle interest costs increased to 7.1% of revenue during the nine months ended September 30, 2020 compared to 4.5% during the similar period in 2019, primarily due to impacts directly related to COVID-19, partially offset by strategic cost reduction initiatives to right size the business.

Adjusted EBITDA was \$549 million lower during the nine months ended September 30, 2020 compared to the similar period in 2019, due to lower revenues directly related to COVID-19.

International

	Nine Months Ended September 30,		% Change
	2020	2019	
Revenues	\$ 1,111	\$ 2,188	(49 %)
Adjusted EBITDA	(174)	187	n/m

Revenues decreased 49% during the nine months ended September 30, 2020 compared to the similar period in 2019, primarily due to a 41% decrease in volume and a 13% decrease in revenue per day excluding exchange rate movements as a result of the impact of COVID-19, and an \$11 million negative impact from currency exchange rate movements.

Operating expenses increased to 68.2% of revenue during the nine months ended September 30, 2020 compared to 52.1% during the similar period in 2019. Vehicle depreciation and lease charges increased to 29.0% of revenue during the nine months ended September 30, 2020 compared to 20.9% during the similar period in 2019. Selling, general and administrative costs increased to 16.6% of revenue during the nine months ended September 30, 2020 compared to 14.5% during the similar period in 2019. Vehicle interest costs increased to 3.5% of revenue during the nine months ended September 30, 2020 compared to 2.1% during the similar period in 2019. During the nine months ended September 30, 2020, all expenses increased as a percentage of revenue as a result of the impact of COVID-19, partially offset by strategic cost reduction initiatives to right size the business.

Adjusted EBITDA was \$361 million lower during the nine months ended September 30, 2020 compared to the similar period in 2019, primarily due to lower revenues directly related to COVID-19.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

We present separately the financial data of our vehicle programs. These programs are distinct from our other activities as the assets under vehicle programs are generally funded through the issuance of debt that is collateralized by such assets. The income generated by these assets is used, in part, to repay the principal and interest associated with the debt. Cash inflows and outflows relating to the generation or acquisition of such assets and the principal debt repayment or financing of such assets are classified as activities of our vehicle programs. We believe it is appropriate to segregate the financial data of our vehicle programs because, ultimately, the source of repayment of such debt is the realization of such assets.

FINANCIAL CONDITION

	September 30, 2020	December 31, 2019	Change
Total assets exclusive of assets under vehicle programs	\$ 9,553	\$ 9,311	\$ 242
Total liabilities exclusive of liabilities under vehicle programs	9,241	8,538	703
Assets under vehicle programs	10,043	13,815	(3,772)
Liabilities under vehicle programs	10,431	13,932	(3,501)
Stockholders' equity	(76)	656	(732)

The decreases in assets under vehicle programs and liabilities under vehicle programs are principally related to the reduction of our vehicle rental fleet to right size our business in response to the COVID-19 pandemic. The decrease in stockholders' equity is primarily due to our comprehensive loss and share repurchases.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are cash on hand and our ability to generate cash through operations and financing activities, as well as available funding arrangements and committed credit facilities, each of which is discussed below.

In January 2020, our Avis Budget Rental Car Funding subsidiary issued approximately \$700 million in asset-backed notes with an expected final payment date of August 2025, and a weighted average interest rate of 2.42%. The proceeds from these borrowings were used to fund the repayment of maturing vehicle-backed debt and the acquisition of rental cars in the United States. In May 2020, we issued \$500 million of 10½% Senior Secured Notes due May 2025, at 97% of face value. We used the proceeds from this offering for general corporate purposes. In August 2020, we issued \$350 million of additional 5¼% Senior Notes due July 2027, at 92% of face value. We used the proceeds from this offering to redeem the outstanding \$100 million in aggregate principal amount of our 5½% Senior Notes due 2023, with the remainder being used for general corporate purposes. In August 2020, our Avis Budget Rental Car Funding subsidiary issued approximately \$650 million in asset-backed notes with an expected final payment date of February 2026, and a weighted average rate of 2.28%. We have no meaningful corporate debt maturities until 2023.

During the first quarter of 2020, we repurchased approximately 5.0 million shares of our outstanding common stock for approximately \$113 million at an average price of \$22.49.

CASH FLOWS

The following table summarizes our cash flows:

	Nine Months Ended September 30,		
	2020	2019	Change
Cash provided by (used in):			
Operating activities	\$ 632	\$ 1,931	\$ (1,299)
Investing activities	2,483	(3,038)	5,521
Financing activities	(2,383)	1,090	(3,473)
Effect of changes in exchange rates on cash and cash equivalents, program and restricted cash	28	(10)	38
Net increase (decrease) in cash and cash equivalents, program and restricted cash	760	(27)	787
Cash and cash equivalents, program and restricted cash, beginning of period	900	735	165
Cash and cash equivalents, program and restricted cash, end of period	<u>\$ 1,660</u>	<u>\$ 708</u>	<u>\$ 952</u>

The decrease in cash provided by operating activities during the nine months ended September 30, 2020 compared with the same period in 2019 is principally due to the increase in our net loss.

The increase in cash provided by investing activities during the nine months ended September 30, 2020 compared with the same period in 2019 is primarily due to reduced net investment in vehicles.

The increase in cash used in financing activities during the nine months ended September 30, 2020 compared with the same period in 2019 is primarily due to a decrease in net borrowings under vehicle programs partially offset by an increase in net corporate borrowings.

DEBT AND FINANCING ARRANGEMENTS

At September 30, 2020, we had approximately \$12.5 billion of indebtedness, including corporate indebtedness of approximately \$4.2 billion and debt under vehicle programs of approximately \$8.3 billion. For information

regarding our debt and borrowing arrangements, see Notes 1, 11 and 12 to our Consolidated Condensed Financial Statements.

LIQUIDITY RISK

Our primary liquidity needs include the procurement of rental vehicles to be used in our operations, servicing of corporate and vehicle-related debt and the payment of operating expenses. The present intention of management is to reinvest the undistributed earnings of our foreign subsidiaries indefinitely into our foreign operations. Our primary sources of funding are operating revenue, cash received upon the sale of vehicles, borrowings under our vehicle-backed borrowing arrangements and our senior revolving credit facility, and other financing activities.

Our liquidity position has been impacted by COVID-19 as a result of significant volume declines and we expect the impact of COVID-19 on the U.S. and worldwide economies to continue to affect our volumes even after the outbreak is contained. Our liquidity could be further negatively affected by any financial market disruptions or the absence of a recovery or worsening of the U.S. and worldwide economies, which may result in unfavorable conditions in the mobility industry, in the asset-backed financing market and in the credit markets generally. We believe these factors have affected and could further affect the debt ratings assigned to us by credit rating agencies and the cost of our borrowings. Additionally, a worsening or prolonged downturn in the worldwide economy or a disruption in the credit markets could further impact our liquidity due to (i) decreased demand and pricing for vehicles in the used-vehicle market, (ii) increased costs associated with, and/or reduced capacity or increased collateral needs under, our financings, (iii) the adverse impact of vehicle manufacturers being unable or unwilling to honor their obligations to repurchase or guarantee the depreciation on the related program vehicles and (iv) disruption in our ability to obtain financing due to negative credit events specific to us or affecting the overall debt market.

As of September 30, 2020, we had access to \$1.6 billion of available cash and cash equivalents and available borrowings under our revolving credit facility of approximately \$0.8 billion, providing us with access to an approximate \$2.4 billion of total liquidity. See Note 1 to our Consolidated Condensed Financial Statements for detailed information on liquidity and management's plans.

Our liquidity position could also be negatively impacted if we are unable to remain in compliance with the new liquidity covenant, the consolidated first lien leverage ratio requirement after the end of the waiver period on June 30, 2021 and other covenants associated with our senior credit facilities and other borrowings. As of September 30, 2020, we were in compliance with the financial covenants governing our indebtedness. For additional information regarding our liquidity risks, see Part I, Item 1A, "Risk Factors" of our 2019 Form 10-K as well as "Risk Factors" section in this quarterly report.

CONTRACTUAL OBLIGATIONS

Our future contractual obligations have not changed significantly from the amounts reported within our 2019 Form 10-K with the exception of our commitment to purchase vehicles, which decreased by approximately \$4.3 billion from December 31, 2019, to approximately \$3.4 billion at September 30, 2020 due to the COVID-19 impact on our business. Changes to our obligations related to corporate indebtedness and debt under vehicle programs are presented above within the section titled "Liquidity and Capital Resources—Debt and Financing Arrangements" and also within Notes 11 and 12 to our Consolidated Condensed Financial Statements.

ACCOUNTING POLICIES

The results of the majority of our recurring operations are recorded in our financial statements using accounting policies that are not particularly subjective, nor complex. However, in presenting our financial statements in conformity with generally accepted accounting principles, we are required to make estimates and assumptions that affect the amounts reported therein. Several of the estimates and assumptions that we are required to make pertain to matters that are inherently uncertain as they relate to future events. Presented within the section titled "Critical Accounting Policies" of our 2019 Form 10-K are the accounting policies (related to goodwill and other indefinite-lived intangible assets, vehicles, income taxes and public liability, property damage and other insurance liabilities) that we believe require subjective and/or complex judgments that could potentially affect 2020 reported results. There have been no significant changes to those accounting policies or our assessment of which accounting policies we would consider to be critical accounting policies.

Goodwill and Other Indefinite-lived Intangible Assets. We perform our annual goodwill and other indefinite-lived intangible assets impairment assessment in the fourth quarter of each year at the reporting unit level, or more frequently if events or circumstances indicate that the carrying amount of goodwill and other indefinite-lived intangible assets may be impaired.

As a result of the impacts of COVID-19 on our business, we reviewed the carrying value of our goodwill and other indefinite-lived intangibles assets for impairment during the quarter ended June 30, 2020. For our Europe, Middle East and Africa (“EMEA”) reporting unit, the percentage by which the estimated fair value exceeded the carrying value was approximately 24% and the amount of goodwill allocated to our reporting unit was \$464 million at the date of our review. When determining fair value, we utilize various assumptions, including the fair market trading price of our common stock and management’s projections of future cash flows. A change in these underlying assumptions will cause a change in the results of the tests and, as such could cause the fair value to be less than the respective carrying amount. Our goodwill and other indefinite-lived intangible assets are allocated among our reporting units.

During the quarter ended September 30, 2020, we continued to observe impacts of COVID-19 on our business. We evaluated qualitative factors and determined that an interim impairment test was not required this quarter as we believe it is more likely than not that the fair value of our goodwill and other indefinite-lived intangible assets exceeds the carrying value.

Further deterioration in the general economic conditions in the travel industry may result in an impairment charge to earnings in future quarters. We will continue to closely monitor actual results versus our expectations as well as any significant changes in events or conditions, including the impact of COVID-19 on our business and the travel industry, and the resulting impact to our assumptions about future estimated cash flows, the weighted average cost of capital and market multiples. If our expectations of the operating results, both in magnitude or timing, do not materialize, or if our weighed average cost of capital increases or if market multiples decline, we may be required to record goodwill and indefinite-lived intangible asset impairment charges, which may be material.

New Accounting Standards

For detailed information regarding new accounting standards and their impact on our business, see Note 1 to our Consolidated Condensed Financial Statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to a variety of market risks, including changes in currency exchange rates, interest rates and gasoline prices. We assess our market risks based on changes in interest and currency exchange rates utilizing a sensitivity analysis that measures the potential impact on earnings, fair values and cash flows based on a hypothetical 10% change (increase and decrease) in interest and foreign currency exchange rates. We used September 30, 2020 market rates to perform a sensitivity analysis separately for each of these market risk exposures. We have determined, through such analyses, that the impact of a 10% change in interest or currency exchange rates on our results of operations, balance sheet and cash flows would not be material. Additionally, we have commodity price exposure related to fluctuations in the price of unleaded gasoline. We anticipate that such commodity risk will remain a market risk exposure for the foreseeable future. We determined that a 10% change in the price of unleaded gasoline would not have a material impact on our earnings for the period ended September 30, 2020. For additional information regarding our long-term borrowings and financial instruments, see Notes 11, 12 and 16 to our Consolidated Condensed Financial Statements.

Item 4. Controls and Procedures

(a) *Disclosure Controls and Procedures.* Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 30, 2020.

(b) *Changes in Internal Control Over Financial Reporting.* During the fiscal quarter to which this report relates, there has been no change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

During the quarter ended September 30, 2020, the Company had no material developments to report with respect to its legal proceedings. For additional information regarding the Company's legal proceedings, see Note 13 to our Consolidated Condensed Financial Statements and refer to the Company's 2019 Form 10-K.

Item 1A. Risk Factors

The following risk factors are provided to update the risk factors of the Company previously disclosed in periodic reports filed with the SEC, including its 2019 Form 10-K.

COVID-19 has disrupted, and may continue to disrupt, our business and financial performance.

The outbreak of COVID-19 in multiple countries and regions across the globe, including in North America, Europe and Australasia, has adversely impacted the global economy and demand for our business. Governmental authorities have taken and continue to take measures to address the outbreak, including restrictions on travel and other orders, including partial shelter-in-place orders. The pandemic is a highly fluid and rapidly evolving situation and we cannot anticipate with any certainty the length, scope or severity of such restrictions in each of the jurisdictions that we operate.

The full impact that COVID-19 will have on our business cannot be predicted at this time due to numerous uncertainties, including the duration and severity of the outbreak, including another wave caused by additional periods of increases or spikes in the number of cases and travel restrictions, the effectiveness of actions taken to contain the disease, the length of time it takes for rental volume and pricing to return and normal economic and operating conditions to resume, and other factors. This impact could include, but is not limited to, those discussed below:

- *changes in our revenues and customer demand:* Our revenues and profitability have been materially impacted during the first three quarters of 2020 compared to the prior year periods, and we expect they will continue to be materially adversely affected. Although we believe that renting a vehicle will continue to be a safe, clean and attractive transport alternative, we cannot predict whether and when volumes will increase to historical levels and how long our revenues and customer demand will be affected by the COVID-19 pandemic. As we typically generate approximately 64% of our revenues from on-airport locations, our business is highly dependent on travel and both commercial demand and leisure demand. In addition, our truck rental business is significantly affected by the housing, light commercial and consumer sectors, all of which have been adversely impacted by the COVID-19 pandemic, and we cannot predict the pace of recovery in those sectors.
- *our expenses:* To date we have incurred, and expect to continue to incur, increased costs related to COVID-19, such as procurement of overflow parking for our idle vehicles and costs associated with sanitizing our vehicles and facilities. In addition, the industry may be subject to enhanced health and hygiene requirements in attempts to address future outbreaks, which may increase our costs and take a significant amount of time to implement across our global operations. These additional costs may be required by regulators or expected by consumers even after the immediate effects of COVID-19 subside.
- *our workforce:* The COVID-19 outbreak has also caused us to reduce and furlough employees in order to aim to right size our business for vehicle rental demand by reducing operating costs. These actions could create risks, including but not limited to, our ability to manage the size of our workforce given uncertain future demand. Further, we may incur additional costs as a result of negotiations with labor unions that represent our employees or severance payments in the event our workforce is further reduced, and we could experience labor disputes or disruptions as we continue to implement our mitigation plans.

- *our relationship with, and the financial and operational capacities of, vehicle manufacturers and other suppliers:* We could face disruptions in the supply of vehicles from vehicle manufacturers, whether due to outbreaks of COVID-19 at their manufacturing facilities, measures they take in response to COVID-19 or otherwise. We may also face delays in receiving delivery of vehicles or other supplies that may make it difficult to meet consumer demand.
- *the used car market:* We depend on the used car market to sell vehicles and enable us to refresh our fleet. The used car market has faced and may again experience lower demand due to the slowdown in overall global economic activity due to COVID-19, unemployment rates, depressed consumer demand and related factors.
- *risks associated with our indebtedness (including available borrowing capacity and ability to refinance indebtedness on favorable terms, as well as our ability to meet the quarterly-tested leverage covenant contained in the credit agreement governing our senior credit facilities at the end of the covenant relief period on June 30, 2021, among other things) and the adequacy of our cash flow and earnings and other conditions which may affect our liquidity:* We have taken a number of actions in anticipation of, and in response to, COVID-19 that have increased our long-term debt. As we manage through the effects of the pandemic, our level of indebtedness may further increase. A default under our senior secured credit facility would enable the lenders to terminate their commitments thereunder and could trigger a cross-default, acceleration or other consequences under our other indebtedness or financial instruments. There is no guarantee that debt financings will be available in the future to fund our obligations or will be available on terms consistent with our expectations.

Our business is generally subject to and impacted by, international, national and local economic conditions and travel demands. We do not expect economic and operating conditions for our business to improve until consumers are once again willing and able to travel without restrictions. This may not occur until well after the broader global economy begins to improve. Additionally, our business is also dependent on consumer sentiment and discretionary spending patterns. To date there have been significant increases in unemployment in the United States and other regions due to the adoption of social distancing and other policies to slow the spread of the virus, which are likely to continue to have a significant negative impact on consumer discretionary spending, including in the mobility industry. Even when economic and operating conditions for our business improve, we cannot predict the long-term effects of the pandemic on our business or the mobility industry as a whole. If the mobility industry is fundamentally changed by the COVID-19 outbreak in ways that are detrimental to our operating model, our business may continue to be adversely affected even as the broader global economy recovers.

We believe that business disruption relating to the COVID-19 pandemic will continue to negatively impact the global economy and may materially affect our businesses as outlined above, all of which would adversely impact our business and results of operations. To the extent that the COVID-19 outbreak continues to adversely affect our business and financial performance, including for the reasons outlined above, it may also have the effect of heightening many of the other risks identified below and in the “Risk Factors” section of our 2019 Form 10-K, such as those relating to our substantial amount of outstanding indebtedness.

We may not realize any or all of our estimated cost savings, which may have a negative effect on our results of operations.

We have identified several areas that present opportunities for cost savings and efficiencies to potentially improve our results of operations while our business is being impacted by the COVID-19 crisis, including initiatives related to reductions in fleet, staffing and compensation expense. The potential cost savings that have been estimated based on these opportunities are based on a number of assumptions and expectations which, if achieved, would improve our profitability and cash flows from operating activities. However, there can be no assurance that the expected results will be achieved. These and any future spend reductions, if any, may also negatively impact our other initiatives or our efforts to grow our business in a recovery, which may negatively impact our future results of operations and increase the burden on existing management, systems and resources. In addition, these cost savings may be negated or offset by unexpected or increased costs, including as a result of price declines in the used car market or the increased cost of insurance, among other things, which could impact the contribution of our fleet reduction initiatives.

We are dependent on a functioning used vehicle market and highly exposed to residual value risk in the event that vehicle prices decline, which may both be exacerbated by COVID-19.

We dispose of a significant number of vehicles in the used car market, including at wholesale automotive auctions, through sales to vehicle dealers, and directly to consumers. The COVID-19 crisis effectively closed temporarily many of the automotive auctions and vehicle dealerships across the globe, as well as retail locations that we operate directly. While such channels have reopened, they could be caused to shut down again in the future. Additionally, unprecedented increases in unemployment rates may severely impact vehicle demand from consumers and increase the number of loan and lease defaults, leading to repossessions which are typically sold by lenders in the wholesale market. Further, car manufacturers may increase incentives to stimulate new vehicle sales, which may depress used vehicle values. In the event our revenue declines do not significantly improve, we would attempt to further reduce the size of our global vehicle fleet. In such event, our competitors may likely also be attempting to sell vehicles. This confluence of events may lead to sharp and sustained declines in vehicle residual values, which may require increased compliance payments pursuant to our ABS securitization facility. In the event of extreme declines in residual values, the sale of vehicle inventory might result in no incremental recovery of our equity capital or even the requirement to fund additional capital to dispose of vehicles, or to choose to continue to keep idle vehicle fleet until demand or market values recover, which cannot be assured. The foregoing factors could have a material adverse impact on our business, financial position and results of operations.

Earnings for future periods may be impacted by impairment charges for goodwill and intangible assets.

We carry a significant amount of goodwill and identifiable intangible assets on our consolidated balance sheets. Goodwill is the excess of purchase price over the fair value of the net assets of acquired businesses. We assess goodwill and indefinite-lived intangible assets for impairment each year, or more frequently if circumstances suggest an impairment may have occurred. We have determined in the past and may again determine in the future that a significant impairment has occurred in the value of our goodwill. Additionally, we have a significant amount of identifiable intangible assets and fixed assets that could also be subject to impairment. If we determine that a significant impairment has occurred in the value of our unamortized intangible assets or fixed assets, we could be required to write off a portion of our assets, which could adversely affect our consolidated financial condition or our reported results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company's Board of Directors has authorized the repurchase of up to \$1.8 billion of its common stock under a plan originally approved in 2013 and subsequently expanded, most recently in August 2019. The Company's stock repurchases may occur through open market purchases or trading plans pursuant to Rule 10b5-1 of the Securities Exchange Act of 1934. The amount and timing of specific repurchases are subject to market conditions, applicable legal requirements and other factors. The repurchase program may be suspended, modified or discontinued at any time without prior notice. The repurchase program has no set expiration or termination date. During the three months ended September 30, 2020, no common stock repurchases were made under the plan and 10,718 shares were withheld by the Company to satisfy employees' income tax liabilities attributable to the vesting of restricted stock unit awards.

Item 6. Exhibits

See Exhibit Index.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AVIS BUDGET GROUP, INC.

Date: October 30, 2020

/s/ Cathleen DeGenova

Cathleen DeGenova
Vice President and
Chief Accounting Officer

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
3.1	Amended and Restated Certificate of Incorporation of Avis Budget Group, Inc. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated September 5, 2006).
3.2	Amended and Restated Bylaws of Avis Budget Group, Inc., dated as of August 10, 2020 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K dated August 13, 2020).
4.1	First Supplemental Indenture, dated as of August 6, 2020, by and among Avis Budget Car Rental, LLC and Avis Budget Finance, Inc., as issuers, the guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 7, 2020).
10.1	Amendment, dated August 12, 2020, to Third Amended and Restated Cooperation Agreement, dated as of February 23, 2020, by and among Avis Budget Group, Inc., SRS Investment Management, LLC and certain of its affiliates (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 13, 2020).
10.2	Offer Letter, dated August 12, 2020, between Brian Choi and Avis Budget Group, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated August 13, 2020).
10.3	Separation Agreement, dated August 12, 2020, between John North and Avis Budget Group, Inc. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated August 13, 2020).
10.4	Series 2020-2 Supplement, dated as of August 12, 2020, between Avis Budget Rental Car Funding (AESOP) LLC and The Bank of New York Mellon Trust Company, N.A., as trustee and as Series 2020-2 Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 14, 2020).
10.5	Amendment, dated September 28, 2020, to Separation Agreement, dated August 12, 2020, between John North and Avis Budget Group, Inc.
31.1	Certification of Chief Executive Officer pursuant to Rules 13(a)-14(a) and 15(d)-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer pursuant to Rules 13(a)-14(a) and 15(d)-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.
104	Cover Page Interactive Data File - (formatted as Inline XBRL and contained in Exhibit 101)

September 28, 2020

John F. North, III
Avis Budget Group, Inc.
6 Sylvan Way
Parsippany, NJ 07054

Dear John,

Reference is made to the Separation Agreement between Avis Budget Group, Inc. (the “Company”) and you dated August 12, 2020 (the “Separation Agreement”). Unless otherwise changed herein, all terms and provisions of the Separation Agreement, including the definitions used therein, shall remain in full force and effect. The parties agree to amend the Separation Agreement as follows:

1. The second WHEREAS clause shall be amended to delete the following phrase: “and will continue to be employed by the Company until January 1, 2021 (the “Separation Date”).
2. Section 1 of the Separation Agreement shall be amended in its entirety to read as follows:

“1. Transition; Consulting; Separation.

- (a) The Executive will continue to be employed as Executive Vice President and Chief Financial Officer from the date hereof through the Transition Date. Following the Transition Date, the Executive will (i) continue to be employed by the Company as an Adviser to the Chief Financial Officer through October 1, 2020, and (ii) from October 1, 2020 through January 1, 2021 (the “Separation Date,” and the period from October 1, 2020 through January 1, 2021, being the “Consulting Period”), the Executive will be retained by the Company to provide counsel and advice as may be reasonably requested from time to time (unless in either case earlier terminated by the Company for “Cause” as defined in the Severance Agreement or by the Executive). During the Consulting Period, the Company shall pay the Executive a monthly retainer of \$10,000 (the “Consulting Fees”).
- (b) Effective as of the Transition Date, the Executive will resign (and will be deemed to have resigned without any further actions by the Executive) from his position of Executive Vice president and Chief Financial Officer of the Company, and effective as of October 1, 2020, the Executive will resign (and will be deemed to have resigned without any further action by the Executive) from any and all of the Executive’s other positions with the Company and its affiliates (and as a fiduciary of any benefit plan of the Company and its affiliates). The Executive shall execute such additional documents as requested by the Company to evidence the foregoing.
- (c) The Executive acknowledges and agrees that during the Consulting Period the Executive’s status at all times shall be that of an independent contractor. The parties hereby acknowledge and agree that all Consulting Fees paid pursuant to clause (b) above shall represent fees for services as an independent contractor, and shall therefor be paid without any deductions

or withholdings taken therefrom for taxes or for any other purpose. The Executive further acknowledges that the Company makes no warranties as to any tax consequences regarding payment of such fees, and specifically agrees that the determination of any tax liability or other consequences of any payment made hereunder is the Executive's sole and complete responsibility and that the Executive will pay all taxes, if any, assessed on such payments under the applicable laws of any Federal, state, local or other jurisdiction and, to the extent not so paid, will indemnify the Company for any taxes so assessed against the Company. The Executive also agrees that during the Consulting Period, the Executive shall not be eligible to participate in any of the employee benefit plans or arrangements of the Company except as expressly provided herein."

3. Section 2(a) shall be amended by replacing the term "Separation Date" with "October 1, 2020" in each place it appears.

This letter may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Yours sincerely,

/s/ Edward P. Linnen _____
Edward P. Linnen
Chief Human Resources Officer
Avis Budget Group, Inc.

AGREED AND ACKNOWLEDGED:

/s/ John F. North, III _____
John F. North, III
Date: September 28, 2020

SECTION 302 CERTIFICATION

I, Brian Choi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avis Budget Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2020

/s/ Brian Choi

Executive Vice President and Chief Financial Officer

**CERTIFICATION OF CEO AND CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Avis Budget Group, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Joseph A. Ferraro, as Chief Executive Officer of the Company, and Brian Choi, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JOSEPH A. FERRARO

Joseph A. Ferraro
President and Chief Executive Officer
October 30, 2020

/s/ BRIAN CHOI

Brian Choi
Executive Vice President and Chief Financial Officer
October 30, 2020