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CAR.OQ - Q2 2024 Avis Budget Group Inc Earnings Call

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OVERVIEW:

Company Summary

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CORPORATE PARTICIPANTS

David Calabria *Avis Budget Group Inc - Treasurer and Senior Vice President of Corporate Finance*

Joseph Ferraro *Avis Budget Group Inc - President, Chief Executive Officer*

Izilda Martins *Avis Budget Group Inc - Chief Financial Officer, Executive Vice President*

CONFERENCE CALL PARTICIPANTS

Chris Woronka *Deutsche Bank AG - Analyst*

Ryan Brinkman *JPMorgan Chase & Co - Analyst*

John Babcock *BofA Securities - Analyst*

Lizzie Dove *Goldman Sachs Group Inc - Analyst*

Stephanie Moore *Jefferies LLC - Analyst*

PRESENTATION

Operator

Greetings. Welcome to the Avis Budget Group second quarter 2024 earnings conference call. (Operator Instructions) Please note this conference is being recorded. I will now turn the conference over to David Calabria, Treasurer and Senior Vice President of Corporate Finance. Thank you, you may begin.

David Calabria - *Avis Budget Group Inc - Treasurer and Senior Vice President of Corporate Finance*

Good morning, everyone, and thank you for joining us. On the call with me are Joe Ferraro, our Chief Executive Officer; and Izzy Martins, our Chief Financial Officer. Before we begin, I would like to remind everyone that we will be discussing forward-looking information, including potential future financial performance, which is subject to risks, uncertainties and assumptions that could cause actual results to differ materially from such forward-looking statements and information. Such risks and assumptions, uncertainties and other factors are identified in our earnings release and other periodic filings with the SEC as well as the Investor Relations section of our website.

Accordingly, forward-looking statements should not be relied upon as a prediction of actual results and any earned or all of our forward-looking statements may prove to be inaccurate and we can make no guarantees about our future performance. We undertake no obligation to update or revise our forward-looking statements.

On this call, we will discuss certain non-GAAP financial measures. Please refer to our earnings press release, which is available on our website for how we define these measures and reconciliations to the closest comparable GAAP measure, we are unable to reconcile forward-looking adjusted EBITDA to net income without unreasonable efforts, given uncertainty in calculating necessary adjustments, including the after-tax effect of such adjustments, which would could be significant.

With that, I'd like to turn the call over to Joe.

Joseph Ferraro - *Avis Budget Group Inc - President, Chief Executive Officer*

Thank you, David. Good morning, everyone, and thank you for joining us today. Yesterday we reported our second quarter results, which delivered quarterly revenue of more than $3 billion and adjusted EBITDA of $214 million. As we discussed on our last call to accurately portray the business in this quarter and beyond, we need to bifurcate the impacts of nonrecurring fleet gains, higher vehicle interest and decisions made to rightsize our fleet.

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In fact, we have taken the necessary steps to adjust our fleet in the first half of the year by selling a record amount of vehicles which allowed us to achieve utilization in the month of June in the Americas, more than a point above prior year, setting us up to be in a strong position to drive additional utilization and pricing benefits through our transition into the summer peak.

With the improved utilization, we focus on what we can control to strengthen pricing and reduce our overall holding cost. Our goal has been and always will be to ensure that our fleet is kept inside of our demand. And while the quarter shows our fleet size to be up 2% we started July with fleet down over prior year. The environment for our business remains robust with record-setting second quarter volume in the Americas, pricing improved sequentially in May and June from April with June exiting down 2% year over year, but still up significantly compared to 2019 with the Americas showing positive signs for some pricing.

[Before] I dive into the results in greater detail, I'd like to thank our employees for all their efforts, what we have accomplished over the last six months, especially as it pertains to fleet logistics has set us up to take advantage of the strong summer and beyond. More importantly, through their hard work and efforts, we continue to generate record Net Promoter Scores and pertains to customer acceptance of our products and services.

With that, let's begin, as we normally do with detail surrounding our Americas segment. The Americas generated nearly $2.4 billion of revenue in the second quarter with $186 million of adjusted EBITDA. Rental days in the Americas were up 1% compared to the second quarter of 2023 a second quarter record. As we continue to grow our company there's a balance between pricing and demand.

As we typically do, we took the measured approach to volume and focus on pricing, we are well aware that improvement to our pricing has a greater margin benefit than improvement to our rental days. Keeping this in mind, we will continue to monitor our industry and make calculated decisions prioritize price over volume when it makes sense, utilizing our proprietary demand fleet pricing system.

As we mentioned on our last call, we saw pricing strength and throughout the first quarter, that momentum continued into the second. Pricing was down 3% compared to the second quarter of 2023 and still up significantly compared to the second quarter of 2019. However, when you look at the year-over-year change in pricing for each month within the second quarter, the strengthening clearly showed in June with the Americas down 2% and US rental car exiting June inside of that.

Sequentially, pricing improved 7% quarter over quarter this year compared to only 4% over the same period last year, denoting an accelerated improvement in price. With these trends and the benefit of a strong July 4, holiday, which showed positive pricing for US rental car, we believe pricing to remain up in the summer and around flat for the quarter.

As we have said in the past, we'll continue to prioritize price over volume and we'll do our part to keep our fleets tight to strengthen our pricing opportunities. As I mentioned on our last call, we made the conscious decision to accelerate our fleet dispositions so that we could begin to generate utilization better than historic norms.

As a matter of fact, we have exited approximately 70% of our anticipated full year fleet sales by May. This culminated in our utilization of 70.2%, which was mostly in line when compared to the second quarter of 2023. However, it doesn't tell the full story. Due to the aggressive de-fleeting we executed in the first half of the quarter. Our utilization significantly improved each month with June finishing more than a point better than June of 2023. We anticipate our third and fourth quarter utilization's to well surpass the third and fourth quarters of 2023. With this prudent approach, we can expect to start 2025 with significantly fewer cars than we started in 2024.

I wanted to take a moment to talk about our ongoing model year 2025 fleet negotiations. While there is still more to do, as we are just about halfway through. I can say there are currently at prices well below what we have achieved in recent years, and I'm quite pleased with our progress to date. The OEMs continue to make more cost effective vehicles for consumers, and as one of the largest purchasers of their fleet, we are beginning to benefit from that as well.

The OEMs have been strong partners to our company for many years, and this year has been no different. Our collaborative approach and similar goals allow for both parties to achieve successful results. We appreciate them and the support they provide us.

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Before I summarize the Americas, I want to thank our marketing team for extending our multiyear partnership with the PGA Tour through 2028, keeping Avis as the official car rental car company of the PGA Tour. Through this partnership, we'll be highlighting our plan on us campaign with PGA Tour fans throughout the world. For more than 75 years, our only plan is to make sure you keep yours.

I'm also thrilled that having nine time PGA Tour winner Xander Schauffele as our Avis ambassador. We congratulate him on his most recent win at the Open Championship and thank him for representing our country at the Olympics.

So to recap, the Americas had revenue of nearly $2.4 billion and adjusted EBITDA of $186 million. We have taken the necessary actions and sold more cars in the first six months in the history of our company to ensure our fleet continues to drive higher utilizations and positions us for improved revenue per day performance this summer.

We saw sequential improvement in price in the second quarter, and we believe pricing to remain positive in the summer remain about flat for the third quarter. The demand in Americas was up 1% in the second quarter, and we expect this to continue into the third.

Let's shift gears to international. International generated nearly $700 million of revenue and $48 million of adjusted EBITDA in the second quarter. Revenue was down 1% compared to prior year. On a constant currency basis is flat year over year, driven by rental days of up 5%.

On our last call, we talked about returning travel from country to country. Once again, we are seeing improvements with inter-European cross-border travel, which is up in mid double digits compared to last year. Additionally, our international inbound volume showed significant strength compared to last year. We continue to focus on leveraging our global brands and strategic partnerships with a particular focus on inbound volume from North America and targeted growth in inter-European cross border leisure business.

We expect this strategy will generate higher margin volume as these types of customers tend to keep their cars longer, and they have a tendency to take additional ancillary products. As we transition to our peak quarter, summer reservations are strong and trending positively with demand stemming from into European cross-border and international inbound travelers, as I just mentioned.

Pricing for the quarter was down 5% excluding currency impacts compared to last year and still up significantly compared to the second quarter of 2019. As it did in the Americas, pricing throughout the quarter sequentially improved month to month. The pricing trends in international are expected to improve throughout the third quarter as well.

And as mentioned on our previous call, we took the proprietary demand fleet pricing system, which has been successfully implemented in the Americas for many years now into our international region and is now fully deployed. This machine learning system forecast demand by segment and prices of vehicles down to location level while optimizing utilization and overall contribution margin. We are seeing early signs of improved utilization, rental day growth and price optimization as the system prioritizes higher margin of low margin businesses.

Fleet utilization continues to be a strong point as the last three quarters have been higher year over year. This quarter's utilization of 70.2% was up 1.2 points compared to the second quarter of 2023. We continue to believe that our fleet is adequately positioned and ready to meet the increasing summer demand. And what we believe will be a strong fall. Europe continues to be a popular destination for cross-border travel and our reservations show this stream.

Turning to technology, where we believe where industry leaders are constantly looking for and executing ways to enhance our productivity and efficiency. I want to take the time to give an update on our progress on improvements to our operating expenses. We continue to enhance our process through the continued leverage of our data analytics and on the ground systems through increased throughput and enhanced productivity.

As a refresher, these systems and processes allow for better forecasting and scheduling needs down to the location and by day to optimize labor mix such as full-time, part-time and outsourced opportunities for jobs like shuttling our vehicles to and from our locations. We continue to face wage inflation and our focus on labor initiatives, more than offset these pressures, and we expect these savings to flow through the remainder of the year.

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Our analytics around in light vehicle cost decreased these related expenses by over 10% this quarter. We're using analytics to identify operational efficiencies and procurement opportunities when looking at vehicle costs such as tires, glass and other vehicle parts. We have more visibility to leverage purchase power with our vendors, enabling us to use the most cost effective part for each service.

This better insight on purchasing of parts enables us to better manage these variable cost lines. We expect these savings to continue in the back half of the year as well. And while in the early stages, we have set ambitious goals targeting sustainable utilization performance through better understanding of the state of each and every vehicle within our control.

Past based analytics delivered to our operations and maintenance teams will allow for the enhanced vehicle movements and more timely repairs. We're excited to pilot these digital tools in key cities throughout the country. These and other operational efficiency strategies enabled us to generate improvement in operating and SG&A expenses by 1% on a rental day basis compared to the second quarter of last year, a sizable achievement given inflationary pressures.

On our last call, I discussed how our international team has rolled out to more than 60 European locations self-service kiosks, allowing a customer to bypass the counter in an unsecured lot environment and obtain their keys by using biometrics to identify who they are. The deployment of this system has improved productivity throughout Europe and is very well positioned to assist with the summer peak. The Net Promoter Scores of customers who use this feature are much higher. We look to continue to drive even more customer satisfaction through further distribution and enhancements of these self-service kiosks.

So to conclude, we generated $214 million of adjusted EBITDA for the second quarter with record-setting volume. We have completed approximately 70% of our expected full year dispositions to date in the Americas, and as a result expect to be at higher utilizations in the third quarter. Pricing improved sequentially in the second quarter in the Americas, with the US rental business being close to flat in June.

The July fourth holiday showed price improvement over prior year, and we expect to see this continue throughout the summer, and about flat for the quarter. Overall, our cost efficiencies improved our operating and SG&A expenses on a per rental day basis over prior year. The Americas and international teams are well positioned to prepare to deliver another strong summer season.

With that, I'll turn it over to Izzy, to discuss our earnings, liquidity and outlook.

Izilda Martins - *Avis Budget Group Inc - Chief Financial Officer, Executive Vice President*

Thank you, Joe, and good morning, everyone. My comments today will focus on our adjusted results, which are reconciled from our GAAP numbers in our press release. Let me start off by discussing our second quarter earnings. We earned $214 million of adjusted EBITDA in the quarter. Similar to last quarter, and as Joe just mentioned, we need to bifurcate the impacts of nonrecurring fleet gains and greater vehicle interest.

Last year, we had more than $650 million of fleet gains with more than $200 million in the second quarter alone. These oversized fleet gains were a holdover coming out of the pandemic, and the gains will not be replicated given that these were a byproduct of the post pandemic supply chain imbalance. Our priority in the first half of the year was to rightsize our fleet. Through the quarter these sales generated a loss of approximately $40 million as compared to more than $200 million of gains last year.

In total, $245 million of our year-over-year quarterly variance was solely from the disposition of vehicles. Our straight-line depreciation increased from approximately $280 per unit per month to nearly $330, with US rental car being within our previous call guidance. The increase in holding costs resulted in a year over year $115 million incremental expense. We will continue to monitor the market and make any adjustments as needed. But right now, we believe our total company net depreciation per unit per month will approximate $350 for the remainder of the year.

Irrespective of the impact of the overall net depreciation expense, our goal will always be to manage our fleet inside of demand to give ultimate flexibility to our business. As Joe mentioned earlier, our 2025 fleet purchases are more affordable. While there is still more to do model year 2025, purchases are expected to have materially lower holding costs as compared to recent years.

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As it is still too early to determine the impact on our 2025 straight-line depreciation. We believe over time our depreciation rate will begin to normalize as we sell the higher priced vehicles and replenish them with the new lower priced vehicles. We will have more to say about this as our model year 2025 buy is completed.

Now shifting gears to vehicle interest. The full year impact of all of last year's vehicle financing and the issuances and renewals completed in the first quarter are reflected in the second quarter. These financing activities and higher base rates drove a $72 million interest increase in the second quarter compared to the same period in 2023. However, our monthly per unit interest cost decreased from the first quarter and we expect a similar decrease in the third quarter.

In total, our fleet holding costs, inclusive of interest expense accounts for $430 million of our year-over-year decrease in adjusted EBITDA. Our operating and SG&A expenses as a percentage of revenue grew by less than two points in the quarter compared to prior year. But with pricing still down year-over-year, we need to look at this in a different way to see how our operational efficiencies are performing.

As we know, our cost structure is primarily variable and changes based on our value. When looking at operating and SG&A expenses per rental day, our per rental day expense improved by 1% compared to the second quarter of 2023. We continue to invest in our technological improvements to continuously enhance our customer experience, while implementing cost efficiencies to drive margin contribution.

We reinvested nearly $110 million into our core business in the first half of the year. The majority of our capital allocation strategy has been reinvesting in our business and you can see those returns in the operating and SG&A lines as we continue to mitigate inflationary pressures through improvements on a per rental day basis.

The initiatives Joe mentioned previously are starting to help reduce expenses within our control. And when you compare that to a 2% rental day growth that normally comes with additional associated costs, we were able to limit that to a $15 million increase year over year. We saw sequential improvement in pricing throughout the quarter. The end result was a revenue per day, down 4% in the quarter. The driver of a $75 million reduction year over year. The takeaway around pricing is that exit trend, especially in the Americas, where pricing was down 2% in June and US rental car inside that.

As a result of all these factors, our adjusted EBITDA was $214 million for the quarter. The actions we have taken in the first half of the year, including fleet reductions and cost mitigation strategies have positioned us for a successful back half of the year. As of June 30, we had available liquidity of over $800 million, including committed and uncommitted facilities with additional borrowing capacity of approximately $2.9 billion in our ABS facilities.

Our net corporate leverage ratio was 3.3 times and continues to be well laddered with our corporate debt having no maturities until 2027. Additionally, we are in compliance with all of our secured financing facilities. As you can see in the first six months and in prior quarters, our priority remains in driving operational efficiencies through the appropriate capital investments plus investing in our fleet.

The fleet investments are in the form of reducing the amount of debt we issue against our fleet size. In total, we have the ability to issue more than $1 billion of debt out of our AESOP financing structure, which represents further liquidity cushion for our company. This provides us strong ongoing flexibility, and we will continue to evaluate the best use of this capital going forward.

Let's move on to our outlook. Although we do not give formal full year guidance, I wanted to give you insights into what we are seeing for the third quarter. As Joe mentioned, the summer started off strong with positive pricing for the July [fourth] holiday in US rental car. Setting us up well for the third quarter where we expect pricing for the company to be about flat for the quarter. Although we continue to prioritize pricing by balancing increased demand with higher margin opportunities, we still expect the summer peak of rental demand to be strong and remained similar to the second quarter increase.

As we have said in the past, when we keep fleet inside of demand, pricing should improve. We will continue to prioritize price over volume, and we'll do our part to keep our fleets tight to strengthen our pricing opportunities. We plan on utilization being above prior year throughout the third quarter, and our initiatives for cost control are well underway and continuing to favorably impact our results on a rental day basis.

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We expect vehicle interest will continue to be similar per unit in the second half of the year. We continue to monitor the markets to assess our depreciation rate with the insight that new car acquisition costs are more affordable as compared to prior year models. In closing, we are well positioned to take advantage of the summer peak and believe our third quarter adjusted EBITDA will be in the range of $500 million to $600 million.

With that, let's open it up for any questions.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions)

Chris Woronka, Deutsche Bank.

Chris Woronka - *Deutsche Bank AG - Analyst*

Hey, good morning, everyone. Thanks for taking my question. So Joe, trying to square your commentary. Do you think there's any kind of size of shift in the industry landscape in terms of where some of the lower price volume is going? And maybe that's a competitor fleet action because you've talked about fleet being down year over year in July. Your public competitors said same thing, yet there is the industry volume is clearly growing a lot a lot faster than that. So is there -- has there been some seismic shifts in other competitors, what they're doing with fleet and who is willing to take lower price demand in your opinion?

Joseph Ferraro - *Avis Budget Group Inc - President, Chief Executive Officer*

Yeah. Let me just try to tackle this some pricing demand commentary. We clearly preference price in the quarter. We thought that was a prudent thing to do for us largely because of the inflationary effects on products and services, the interest costs that we've been talking about and the inflated vehicle costs. So, it made sense for us to do that. And our systems allow us to take one type of margin business over the other.

I think if you look at in totality of demand. We still had a record demand quarter, Chris, in the second quarter for us. And if you look at volumes and TSA volumes, just in general, we're double digit over 2019 and TSA volumes are not at that level yet. So maybe we took -- we have taken action to grow our company maybe in different ways, but pretty comfortable with the demand aspect.

And then lastly, in the quarter, the calendar had I think, a pretty significant effect. So if you think about what happened, we were up 5% rental days in the first quarter in the Americas, and some of that 5% could have been second quarter activity as Easter fell in March this year and not April. And then if you think about how the quarter exited the July fourth holiday, we had the most likely most cars on rent last year in June. So there was some of that that took place largely because of that.

As far as like competitors' fleets and things of that nature. I haven't seen anything that would suggest that they're out of line and things of that nature for us. We wanted to get our fleet size down. We came into the quarter with that as a significant objective. And I believe that we can do demand in days with better utilization than we had in the past.

Chris Woronka - *Deutsche Bank AG - Analyst*

Great. Thanks, Joe. Super helpful. And then as a follow up, thinking about your model '25 buys, can you maybe tell us roughly what percentage you've already done? And then also, does the timing shift at all I mean, do you view kind of -- can you maybe give us a little bit of education on how far in advance are buying? And is there an opportunity to maybe lock in these lower prices more advanced than you would or do you want to wait and kind of see where that where the market takes you?

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Joseph Ferraro - *Avis Budget Group Inc - President, Chief Executive Officer*

Yeah, that's a great question, Chris. I know, I think we're kind of fluid in our decision-making process. I said in my prepared remarks, we're about halfway done with our buy. And we've seen significant improvement in our holding costs on vehicle like for like basis and in general, frankly. I think you're going to see more of that as time goes on. And we did take out a good number of cars early and were -- I have flexibility. Should we see increase in the buying opportunities at prices that we feel get us to a margin that we want that we can certainly sell more cars and rotate out of some older cars.

But we took a pretty significant approach early on in the quantity to rotate some of the fleets out. But I am at say we put we the vehicle buy under Brian Choi, you remember in the past CFO, on the transformation team, and we've done a whole lot with data analytics and supporting what we believe all through our own data and external data, what holding costs will be as we go out. And so I'm pretty pleased with that, and we're about halfway there.

Chris Woronka - *Deutsche Bank AG - Analyst*

Great. Thanks, Joe.

Operator

Ryan Brinkman, JPMorgan.

Ryan Brinkman - *JPMorgan Chase & Co - Analyst*

Hi, thanks for taking my question. I wanted to ask on liquidity, including as it relates to the equity that you might have in aesop or some of the other fleet securitization facilities around the world, above and beyond that which you are required to maintain by your lenders. I recall you contributing -- I assume it was a $1 billion or so last year or beyond which you are required.

I'm curious if based on how the vehicle values have trended since then, how much cash you could theoretically extract if you wanted to? And alternatively maybe how much cushion that means there could be if vehicle prices did track worse than expected for any reason relative to your expectations before you would then be required to put cash into the facilities?

Izilda Martins - *Avis Budget Group Inc - Chief Financial Officer, Executive Vice President*

Hi there. Good morning. Thank you for the question. I think I'll start with , when you look at the balance sheet on table one, really what you see the advance rate there, you see it as at about 87%. The real way to calculate it is that we're at about an 83% given the way our structure works. But the point is we can go as high as 87%. So although we have equity in our fleet of about nearly $3.8 billion. I think the main takeaway is that in total, we have the ability to issue more than $1 billion of debt out of our financing structures, which obviously represent further liquidity cushion for our company.

And in addition to that, we have been paying in our minimum depreciation, which also continues to further enhance our cushion. So in short, we have more than $1 billion in cushion.

Ryan Brinkman - *JPMorgan Chase & Co - Analyst*

Okay, great. And then just as a follow-up, I wanted to ask what you thought were like the key benefits that this cushion converts here? I mean, obviously, it means that your free cash flow could be stronger if you wanted to be taking cash out or is it that -- it could be more protected in a

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downside scenario? Or do think that this gives additional flexibility to maybe return some of that capital to shareholders? Is it not really prudent to do that now given sort of the uncertainty of where prices could go.

But what are the conditions under which you would think about maybe doing that or is it better to allow you to run with a structurally higher level of EBITDA because you've got less interest expense in there? Or does it allow you to maybe gain more market share in the future, if you have the flexibility around fleet sizing that others don't? Or just how are you thinking about maximizing the benefit of this cushion that you do have.

Izilda Martins - *Avis Budget Group Inc - Chief Financial Officer, Executive Vice President*

Well, I think you just hit on two things that are clear. One is protection is obviously -- or absolutely correct. And the second thing is obviously having ultimate flexibility. So the key thing for us right now is the flexibility as to how we're going to in-fleet our model year '25. And then obviously tried to maintain the appropriate mix of that fleet. So in essence of a go back to the protections that you mentioned is correct. But really what we're trying to achieve is that flexibility and I think our financing structures give us that ultimate flexibility.

Ryan Brinkman - *JPMorgan Chase & Co - Analyst*

Great. Thank you.

Operator

John Babcock, Bank of America.

John Babcock - *BofA Securities - Analyst*

Great. Good morning and thanks for taking my questions. I guess just quick question. Are you done rightsizing the fleet? And then also as you go about refreshing the fleet, I was just wondering if you could talk about whether there's going to be any sort of shift in mix? And I'll kind of start from there.

Joseph Ferraro - *Avis Budget Group Inc - President, Chief Executive Officer*

Yeah. Hi, this is Joe. As far as shifting mix, we go -- we tend to buy cars that people want to drive. So we have reservation data that will determine what type of vehicles people are interested in driving. And we also have data that on vehicles and what people are interested in buying based on trim levels and things of that nature.

So there hasn't been any real seismic shift in the mix or how we plan on going about it. We have both real core and what we call core and non-core cars and our vehicles, non-core cars are more of the people movers, they seem to be popular these days. We have plenty of those to support that demand. And as you know, they come with a higher price, maybe a tad bit less utilization but the margin benefit on those is pretty impressive.

As far as a rotating the fleet, we went into the year with a fleet size that we thought was a little bit higher than I would have liked. So we did a whole lot to kind of get some of those cars out. When I talk about 70% of our of our vehicles have been disposed of, deleted, whatever you want to call, we're talking about hundreds of thousands of cars here. It's not such a small amount. As a matter of fact, it's probably closer to 200 than it is 100, giving you an idea of how we rotated some of these cars out.

And we've been pretty good at making sure that we rotate our cars out based on certain criteria. And we took advantage, quite frankly, of a rising wholesale market earlier on in the year, to disposal of a good deal of our vehicles. If you look at it from kind of like March period to April, it was a time that the market improved and we took advantage of that by selling cars, we thought was right.

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Are there more to do? Of course, I would never say that's not an opportunity for us as we go forward. But I think that's going to depend on what vehicle buy when deliveries are coming in, things of that nature. And that will determine our strategy.

As I said in my prepared remarks, we're going to have better utilization in the third quarter. We believe that that will continue and I want to go into next year with a fleet size that I feel is right-sized as compared to what we believe our demand is. And I think I'll end it on this. Our overriding principle has been and always will be to have our fleet size inside of demand that gives us the best opportunity for a margin drop through and efficiency in our company.

John Babcock - *BofA Securities - Analyst*

Okay. That's helpful. And then also, could you just talk about what your view is on ideal level for utilization? And then also, if you could follow up on that with just a little bit of kind of discussion on supply demand. Just want to understand where the market is right now.

Joseph Ferraro - *Avis Budget Group Inc - President, Chief Executive Officer*

Yeah. Look there's a lot of elements to utilization. And we have systems and technology and also on the ground experience for many, many years now. That allow us to put cars in the spots that we believe are the most attractive from both the supply -- I'm sorry, from a demand standpoint and a pricing standpoint. So we know in advance, we have systems that tell us what close-in demand is like, what longer term demand is like by city throughout the country and by country now that we deployed it in Europe.

As far as utilization, our utilization has been pretty stable. If you go back decades, quite frankly. And we believe, though, that there's an opportunity to do more, especially what we've learned in this higher price car cost environment. We have pilots going on right now, we're flight that we believe we can generate a better utilization outcome within our cities by developing our machine learning and task analytics to give us the disposition of every car in our fleet.

We know what the issue is. And if we know what the issue, then test based analytics going to our teams that will determine what car to fix and when. I think we can make tremendous inroads into utilization as we go forward based on that. And quite frankly, what we've seen in the past couple of years with the price of vehicles, it's a necessary step in the evolution of our company.

John Babcock - *BofA Securities - Analyst*

Great. Thanks for the detail.

Operator

Lizzie Dove, Goldman Sachs.

Lizzie Dove - *Goldman Sachs Group Inc - Analyst*

Hi, thanks for taking the question. You mentioned the kind of losses have been a little bit better in the quarter than you'd expected, which is despite kind of Mannheim declining 6% sequentially in June. And I think the DPU guide also changed a little bit in terms of the cadence for the year with 4Q kind of remaining elevated? Just want to understand kind of the moving pieces there and kind of what's changed since you last kind of gave an update?

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Izilda Martins - *Avis Budget Group Inc - Chief Financial Officer, Executive Vice President*

Good morning, Lizzie. I'll take that one. As Joe just mentioned, obviously, one of our top priorities was to have our fleet size inside demand. So that resulted us in disposing quite a bit of vehicles. Actually, it ended up that we disposed 70% of our full year estimated dispositions in the first half. So of course, as you just said, we actually did perform better than what we expected. Even though we do have losses. I would say those losses are really on a per unit basis pretty nominal.

So at this time, given the results of the first six months, although I did say gross debt at [$350], we are now changing that our net debt for the remaining two quarters. So for the remainder of the year will be on or close to the $350. I hope that helps.

Lizzie Dove - *Goldman Sachs Group Inc - Analyst*

Yeah, that's helpful. Thank you. And then just wanted to touch on capital allocation briefly. As we maybe kind of get towards over this hump with, DPU and losses and things like that, like and with the kind of share price where it is? As does that change how you evaluate kind of -- whether to kind of meaningfully step up buybacks again, I guess what would it take for you to kind of feel comfortable to do that?

Izilda Martins - *Avis Budget Group Inc - Chief Financial Officer, Executive Vice President*

I think given what you've seen us do in the past, I would say the overarching theme is that our strategy for capital allocation is not changing. As I mentioned in my prepared remarks, though, in the first half of the year and similar to what we've done in the first half and in recent years, we obviously invested in our core business. Already $110 million -- I think $110 million through June.

Now historically, we've timed our share buybacks with cash generation. And as you know, that comes more in the second half of the year. And given where our shares are currently, you can see what's happening recently and where they're currently trading. We firmly believe our stock is undervalued and that buybacks represent a compelling opportunity, as you can imagine to create permanent value for our shareholders.

However, with the general volatility that you see in the marketplace and the potential implications of used car market, et cetera, I think we -- as we've always said, it's prudent to be patient allocators of our capital, especially in these uncertain times. So as always, we will deploy our cash flow where we believe it will make the most impact for the company and our stakeholders.

Lizzie Dove - *Goldman Sachs Group Inc - Analyst*

Thanks so much. It's helpful.

Operator

Stephanie Moore, Jefferies.

Stephanie Moore - *Jefferies LLC - Analyst*

Hi, good morning. Thank you. I wanted -- I think the narrative around potential recessionary fears has clearly changed in the last week or so. So I wanted to maybe touch on that topic. So kind of first part of the question, if you can give maybe any color that you've seen in terms of forward bookings, you gave nice color in terms of what you saw during the July fourth holiday, but any visibility that you have into outer months and our forward bookings would be helpful just to gauge the kind of demand environment, how that compares to prior years.

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And then the second aspect, again, in light of maybe potential recessionary environment, how are you thinking about that potential impact to used vehicle values? If we were to see a material decline in these values, whether we're measuring it by Mannheim or the likes, how can you manage DPUs and kind of protect yourself like you've done so far this year? Thank you.

Joseph Ferraro - *Avis Budget Group Inc - President, Chief Executive Officer*

I'll start with that. Yeah, we are usually on the front end of any type of economic slowdown because we're in the travel business. I would say that what we've seen more so than not, especially as we came out of the pandemic. And it's true then and it's true today, is that everything now is based on a more seasonality approach what we've seen in the past. With the first quarter being somewhat leisure based in the fact that people travel to warmer climates is second quarter improving on that. The third quarter being the peak, and the fourth quarter being about a fall getaways and holidays and the winter.

I don't see that changing. As a matter of fact, I mentioned earlier about your just general European book of business, we've seen reservation growth above prior year. I think maybe largely due to the fact that it's a little less expensive to travel there. The airlines are reporting that inbound travel is pretty good, we still see that. We see commercial business actually was pretty strong for us, has been post pandemic. And part of that commercial demand is usually involves some leisure activity as people travel to conduct business meetings and then go away on the weekends.

So I haven't seen anything really that would indicate a general downturn. We already have of what inflationary or recessionary pressures are, of course, the national election coming up. We're going to pay particular attention to that, what that looks like as far as travel schemes and plans. But then so far, we haven't. Now like it or not, I've dealt with during my 10 year inflationary economic challenges during the recessions we had in our ['08 or '09], and I was certainly in the CEO spot during the pandemic.

And I think we have a good playbook on what to do as far as how we react to that. I think we came out of both those areas a stronger company than we were pre when we entered. I think our costs are in line. I think our fleet sizes in line. We made the prudent decision to take cars out early. We're buying cars now that at a much reduced price so. While no one likes that level of uncertainty and no one competition where it is, I do believe that we are ready and so as our team should anything happen like that. But as it stands right now, I would have to say, I don't see it.

Stephanie Moore - *Jefferies LLC - Analyst*

Thank you. So I guess just a follow-up on that, you believe that even in the light of recessionary environment that you could -- you have enough flexibility to kind of protect DPU in a few vehicle values? I guess what would be the general level of deterioration we would see new values for you so you can react accordingly.

Izilda Martins - *Avis Budget Group Inc - Chief Financial Officer, Executive Vice President*

I think there's a couple of things to take into account. Everything that Joe said before, given our experience, but typically in a recessionary environment, you do end up seeing lower interest rates, which in turn end up being an uptick for and become a used car price benefit. So that's what we've seen in the past. And so that's what we would expect on the used car side, if we had that recessionary environment.

But I think it's as I mentioned earlier, there's still a substantial cushion within our vehicle programs. There's more than that $1 billion to ride out any short-term shocks to the used car market. So I hope that's helpful.

Stephanie Moore - *Jefferies LLC - Analyst*

Yes, it is. And then Izzy, I'm sorry, I think either my phone cut out or you did when you provided the 3Q EBITDA outlook, did you say $550 million to $600 million? I'm sorry, I just misheard you.

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Izilda Martins - *Avis Budget Group Inc - Chief Financial Officer, Executive Vice President*

I said $500 million to $600 million.

Stephanie Moore - *Jefferies LLC - Analyst*

Okay. Yeah, thank you. Appreciate it.

Operator

We have reached the end of our question-and-answer session. I would now like to turn the call over to Joe Ferraro, for closing remarks.

Joseph Ferraro - *Avis Budget Group Inc - President, Chief Executive Officer*

Okay. To recap, we reported a strong second quarter with record volume in the Americas. We saw pricing improve sequentially in the quarter in the Americas with the third quarter starting off with a strong fourth of July holiday. We took the necessary steps to adjust our fleet to be in a strong position to drive additional utilization and pricing benefits, as we transition into the summer.

Our teams around the world are well-positioned and prepared to deliver what we believe is another strong summer. And I want to thank all of our employees for their efforts in helping us achieve the results, and I'm excited to see what we can accomplish in the back half of 2024. As always, thank you for your time and interest in our company.

Operator

Thank you. This will conclude today's conference. You may disconnect your lines at this time, and thank you for your participation.

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