THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

CAR - Avis Budget Group Investor Day

EVENT DATE/TIME: FEBRUARY 24, 2014 / 1:30PM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

Neal Goldner *Avis Budget Group - VP, IR*

Ron Nelson *Avis Budget Group - Chairman & CEO*

Larry De Shon *Avis Budget Group - President, EMEA*

Pat Siniscalchi *Avis Budget Group - President, Latin America/Asia Pacific*

Tom Gartland *Avis Budget Group - President, North America*

Kaye Ceille *Avis Budget Group - President, Zipcar*

David Wyshner *Avis Budget Group - Senior EVP & CFO*

PRESENTATION

Neal Goldner - *Avis Budget Group - VP, IR*

Good morning. My name is Neal Goldner; I'm Vice President, Investor Relations, at Avis Budget Group and it is my pleasure to welcome you to Avis Budget Group's 2014 investor day.

There is a lot of familiar faces out there, as well as some faces I've never seen before and I know you are all anxious to hear what our speakers have to say today. But before I begin I would like to remind you that the speakers will be making forward-looking statements, which are based on the current economic environment and are inherently subject to uncertainties beyond management's control.

So with that behind me, as you can see we have a very busy day planned with multiple speakers and a number of Q&A sessions. We anticipate wrapping up the formal portion of the day at about 1:00 and I hope that many of you will join us at 1:00 for lunch. With that, it is my sincere pleasure to introduce Avis Budget Group's Chairman and CEO, Ron Nelson.

Ron Nelson - *Avis Budget Group - Chairman & CEO*

Thank you, Neal. Good morning and let me extend a note of welcome to all of you and thank you for coming this morning.

For those of you who listened to our conference call last week you know it wasn't my finest delivery if you could make out the words in between the coughing and the hacking and sniffling. It will be a little better today, but, in light of the stock price increase, I think we have a new strategy for what we are going to do in our conference calls now. We are going to play for the sympathy vote because it clearly had something to do.

The negative 46% growth in EBITDA and the $100 million overdelivery on cash flow had a little bit to do with it, but I kind of like the sympathy thing. It sort of resonates well.

So, since all of you are into numbers, I thought I would just share a few of our numbers with you. Let's start with two, as in years since our last investor day. So what did we accomplish in those two years? What did we get done on behalf of our shareholders?

Well, we got three new brands acquired: Apex, Payless, and Zipcar. Each one of these markets got us into a different niche. Each one of these have their own business model and, in particular, Apex got us a whole new business model that I think the car rental business -- it would be nice if all the car rental business could migrate to their business model. But at least it has got us into two new markets and got us into one new business model.

They are getting bigger now, 256 million. Obviously rental days. What's important about that? Well, for those of you who are familiar with our process improvement initiatives, that is the multiplier for every penny, nickel, and dime we can save in the field on process improvement.

So, for example, for every dime we can take out of the $180 average transaction we have we can pick up about $25 million of EBITDA. So it's a pretty powerful message and it's why you continue to see us generating PEx benefits in North America to the tune of $50 million on an ongoing basis and in EMEA as we are ramping up we are reaching $10 million to $15 million.

$15.3 billion -- and now they are getting really big -- retail revenue. What's important about that? Well, it puts us squarely in the Fortune 500. It's great cocktail chatter. What's really important is that without that you don't get this: $1.6 billion in EBITDA over the last two years.

I will do the math for you; the margins there about 10.5%. That is over our current margin target of about 10%, but clearly it got some benefit from the used car values in 2012.

But what strikes me is it's a far cry from the margin target that we talked about pre-recession. I think we were hovering around the 6% or 7%. We said we would get to 8%. In 2008 we got really bold and said, well, maybe we will get to 10% and then the world changed pretty dramatically. So we are now at 10% and, as you will see later, we are looking to set our sights a little higher.

Now that's a big number, $1 billion free cash flow. $1 billion in free cash flow that is what we capped. What that means is our free cash flow margins over the last few years have averaged just about 7%. That is not a bad return after capital expenditures and after paying all your bills. That is, I believe, what has driven value for us over the course of the last two years.

And, of course, what we've done with that cash flow right here. We spent part of it on acquisitions over the two years, but on a fully-diluted basis we retired 19 million shares. The average cost at which we retired all those, when you figure in what we paid for the converts, was right around $21 a share. So we reduced the fully diluted shares by around some 15% and, as you know, we are continuing to reduce the fully diluted shares by our ongoing share repurchase program.

So we actually think we have been fairly good marshals of your capital. We think we have invested it wisely. Our acquisitions are all -- either have or will generate returns on capital north of 25% and obviously buying our stock back at $21 when it's currently trading at $40-and-a-bunch is a pretty good buy.

And, this is as of February 14 when we had to go to press with these things, the number is now 172%. So it's a big number; so sit on that for us just for a minute. I think probably half the people in this room are saying, glad I got in when I did or it must be time to unload. And the other half of you are probably saying, well, I missed it. I guess I will just wait until there is a big pullback.

Not surprising, I'm going to argue why neither of those is the correct analysis to make. But we probably ought to talk about the elephant in the room before we do that and that is will we get to $1 billion of adjusted EBITDA by 2015. I'm sure that is the question on everybody's mind and it's certainly going to be the question that you need to answer if you are considering out stock from these kinds of levels.

So let's look at the numbers. In 2015, if we hit our $1 billion EBITDA target, we will grow our EPS by about 25% versus the S&P growth around 10%. Our multiple -- again this was at the level of 2/14. The 11% has now gone to 13%, but we still trade at multiple discount of about 7% to the S&P 500.

And here's the real number. We have a 12% free cash flow yield compared to a 6% free cash flow yield on the S&P 500. So that's what the numbers suggest in terms of the business case for buying our stock at this level, so let's talk about the Company case.

Looking back on 2014, first point, North American pricing has turned positive. Now it's not as fast as I know all of you would like it to turn and certainly not as much as we would like it to turn, but I do think over the past year you have got to consider all the noise that has been in the market. Pending FTC approvals of a four into a three acquisition. We had the advantage issue, which at least one player knew about before it happened, but the remedy for that four into three was actually going to file for bankruptcy.

And the consequence of the Hertz Dollar Thrifty acquisition was a fair amount of over fleeting in a market where it was fairly challenging to unload the number of cars that they needed to unload to get their fleet.

The thing you need to keep in mind is that all of that is transitory. None of that is a permanent shift in the market, not a permanent change. Certainly it will all be worked out by first or second quarter and then we will get a sense of where pricing is going to go. But, to me, against that backdrop, the fact that we've gotten fairly good North American pricing I think is a very good positive for our industry and obviously a good positive for our company.

Two, the EMEA integration and expansion has been successful. You're going to hear from Larry today that the synergies are coming in not only right on target, but he is actually going to increase his target a little bit.

The Budget expansion has been nothing short of a smashing success. We have tripled our revenue in Budget. I think our transactions are up something like 250%.

And the nicest thing about that is we've gotten really -- we've gotten smarter. I wouldn't say really smart. We have gotten smarter about how we yield Budget. The first year we went into it and said, look, we are just going to create a value brand and we are going to keep price 15%, 20% below Avis.

Well, what you learn is when you get into the summer months and when you get into the peak Christmas months -- Christmas is actually a bigger period in Europe than it is here -- you don't need to yield Budget quite as low as their value brand would suggest. We did quite well this summer in yielding Budget up. Pricing was up in the mid-teens and we actually did quite well in yielding budget up this Christmas.

Pricing was also up double digits in virtually every market. So these things are coming in not only on target, but well ahead of target, and I think it bodes well for the future.

Three, we have expanded our addressable market. We have gotten into car sharing. We've gotten into the deep-value car rental business. Both of those are growing much faster than the traditional car rental market.

You will hear from Kaye today that the car rental market is actually very big and robust. We absolutely have the leading brand, by a long shot, in terms of exploiting the car-sharing market.

And Payless is just a phenomenal acquisition. It's not that big, probably not an outcome driver for us. We paid $50 million for it, [bought it] about 3 times EBITDA. But it does participate in that deep-value market and there are some opportunities to grow that brand and make it more meaningful than it already is.

Then, as we already talked, strong and stable free cash flow. We generated $500 million of free cash flow last year; generated $410 million, if you take timing differences out, this year; and we expect to generate approximately $400 million of free cash flow next year.

The way I think about it is, particularly in terms of our addressable market, two years ago we had two brands and we were in two markets. Now we have five brands and we are in four markets. That gives us a much bigger opportunity to grow our business.

So in terms of why I am optimistic, let's look forward -- let's talk about the market. First, this is a $50 billion market. It's split roughly half between North America and half between EMEA. We have all of the Asian markets and all the Latin American markets which are growing far faster given the growth of the middle class in all of the BRICs. We have positions in every one of them.

The US is actually growing; it's growing in the 4% to 5% range. To the extent we execute well on our initiatives, we can actually provide a premium to that growth.

Where I think the investment action is is in the international areas. It's still an unconsolidated market; 65% is owned by the big four, 35% is still independent, and I think you are all aware of the scale benefits when you consolidate. I think we have actually been surprised that we've got scale benefits from the consolidation -- integration of Avis Europe.

I think we had modest assumptions when we went into it. I think our first number was something like $30 million and you are going to see a number well in excess of that. So there are scale benefits, even if we don't have a position in the market that you are acquiring in.

Third, little obsolescence risk in critical service to travelers. We are an increasingly mobile society. Airlines are obviously the way that people are getting around. Once they get to the airport, when you think about it, consumers have a choice between -- there is choice and convenience.

When you sort of balance choice and cost and convenience, and when you balance the convenience of car rental versus the convenience of perhaps a car service or limousine, the cost gets way out of whack. When you balance the convenience and cost to a taxi, well, convenience isn't very convenient but the cost is less. So we think from a value standpoint that there is little to be said that is going to obsolescence the car rental business at the airports.

Then, finally, I think the consolidation that's gone on in North America allows for a much more rational competitive environment. We all now have like business mixes. We all participate and everyone in the same markets.

When you think about the share that is outstanding outside of the big three, it's 4 to 5 points, so there really isn't a lot of logic for all of us to cut each other's throat going after 4 to 5 share points. I think when you think about our main cost driver in our business, it's fleet. We all buy a lot of fleet, so we all get basically the same deals. If fleet goes up, then we all have the same sort of cost pressures and, if fleet goes down, we all have the same sort of benefits.

So I think all those things have aligned to actually make for a much more rational competitive environment. Again, once we get past what I think is really transitory noise in the marketplace today.

So now let's talk about the important part, our company. Looking forward for the Company, ongoing benefits from acquisitions. Well, you're going to hear a lot about that today.

In EMEA it's going to be all the synergies rolling in. The economy is obviously starting to turn in Europe; slightly positive GDP in the Eurozone, the UK is growing at about 3% this year.

Budget expansion is continuing full force. We expect to grow that brand. I think 25% to 30% this year. Again, we will get equally as smart about yielding it.

In Zipcar, growth in synergies. We are just scratching the surface of how to grow Zipcar. The synergies going to start roll in. That's going to drive a fairly attractive return on capital and a fairly attractive growth in EBITDA, but that's the near-term story.

The medium-term story is this is a brand that needs to be exploited globally. We are moving pretty aggressively in the Eurozone to start rolling out Zipcar.

Then, finally, Payless. Great growth, great EBITDA. It's a franchising asset, which I would also point out that so is Zipcar, so is Apex. Not only did we add three brands, but we added three franchising assets that we can put into our portfolio.

Technology deployment. We talked about two years ago our demand fleet pricing integration system. We are about midway through the implementation and the best way to think about that is that we believe it's going to add a point of utilization and a point of pricing without affecting the marketplace. That's over $50 million of benefits.

The early read on what the first stage of DFP is doing is pretty encouraging and pretty promising, so we are still feeling good about our forecasting and that's going to rolling over the course of 2014 and into 2015.

There is connected car technology. We've got connected car technology in the Avis and Budget brands. It's similar to the zip car technology, but doesn't operate in quite the same way. It operates on Wi-Fi as opposed to cellular.

I would think of this more as an added convenience to the Avis and budget traveler and not as a way to get Avis and Budget into car sharing. I think there's a whole marketing mindset that you have to maintain there rather than set your other brands up to compete with Zipcar and car sharing.

Then, finally, there's the whole rationalization of our entire IT infrastructure. I think, as we told you when we acquired Avis Europe, we were not surprised but disappointed to find that there were something like over 750 different applications that they were in the separate countries.

One by one we are consolidating those into a few systems. There's an awful lot of cost take-out, but more importantly, it's going to allow us to manage the business on a fully-integrated basis. Not dissimilar from the way we manage the North American business.

Then the last thing is the IT infrastructure that runs our global reservation system is called Wizard. It was developed in the early '70s and, believe it or not, it still runs on COBOL. We are in the process of a three-year updating of Wizard, transferring it over to at least the 20th century technology, C+.

But at the end of the day, this is actually -- I think it's roughly a $60 million investment over the course of the next three or four years that's going to drive something like $17 million of benefit a year. But, more importantly, it is going to allow us an enormous amount of more flexibility in our IT infrastructure.

The thing we shouldn't lose sight of is that every initiative that we are doing in our business -- and it's not just us, it's the entire industry -- has added somewhere in the nexus technology and so you really need to be sophisticated in your technology. You need to have a state-of-the-art system and that's why we are spending this money at this point in time to update the Wizard system.

New opportunity, global shared services is an initiative that's starting this year. We think there's probably $50 million to $75 million of cost take-out in global shared services. It's probably a three- to four-year project. It's not something that's going to come on very quickly.

But when you think around the world now with the acquisitions that we have we have five different call centers; we have two shared services centers; we have three financial centers. We have nowhere near optimized either the wages we pay to get that work done or the infrastructure that we have to get it done. And that's a big project that is starting this year, but we think that pays enormous amount of benefits when it's up and running.

Then, finally -- not finally, but fleet costs have normalized. I think we had been saying that fleet costs have rationalized all throughout last year. We think they have gotten down to right about where they have been on a value basis over the last 10 years, somewhere between 78% and 82% of residual value.

We have provided for a couple of points decline in used car values this year, but I think the real issue in fleet costs in terms of their normalization is I do believe that there was a real paradigm shift in 2009 with the OEMs. I think getting rid of the labor contracts and closing capacity when they needed it, it caused them to be less aggressive about playing the market share game and I think it has caused them to be more thoughtful about how they sell fleet into the marketplace.

So I think it goes beyond just what are the used cars selling for and what the inflation rate is. I think there's a sturdiness and a commitment and a discipline in the OEMs now that makes a big difference in terms of the direction of our fleet costs.

Smart use of free cash flow. We are investing in our business wherever we can. We do have a very disciplined capital approval process, much to the chagrin of our regional presidents, but we do look at every project very carefully.

We make sure that the planned benefits are real. We audit all these projects after they are done and we make sure that they deliver the benefits they were supposed to.

Secondly, share repurchase. We have been repurchasing shares now for the better part of two years. I'm reasonably sure we will exhaust our current authorization of $200 million before the year is out and then it will be up to the Board as to where we go from there.

But given the fact that the other use of capital that we have is acquisitions, there's not a lot on the horizon. I think from an acquisition standpoint anything meaningful it's kind of game over in North America. I think our strategy is more focused on the acquisitions of the tuck-in variety, whether it's a niche brand or whether it's one of our licensees. One of our licensees that is contiguous to market that we are already in where we can get some synergies out of rolling it up and perhaps run it better.

I think we are at a state in our franchise network which gives us a real opportunity. I have a view that franchising is a lifecycle business. That it starts out with sole proprietor and then it becomes a family business and then it becomes a second-generation business. If you are truly a successful franchisee, it then needs to evolve into a corporate business.

I can tell you for sure that our licensees that are run by large corporations -- they are predominantly in EMEA -- they run the business for growth. They run it like you would want us to run our business, whereas most of our other family licensees or sole proprietor licensees, they run it to see the money that they can -- how much money can they make in the near term. They are not really focused on how do they grow their business. They are really focused on how much money can I increasingly make.

And so I think, given the size of our franchise network, we do have about $135 million of franchising come a year at about a 95% margin. It behooves us to think about how we restructure that organization and that network and how we get that business to grow. It hasn't grown all that much in the last three or four years if you look at our numbers, so I think there's a real opportunity there for that.

Then, lastly, substantial margin enhancement. We're in the process now of calibrating where our margins need to go; what we think the opportunity is in terms of the growth and the initiatives that's available to us. Let's look at 2015.

We think the biggest change is going to be in the international area as the synergies begin to roll in in EMEA and some of the costs that we have had to incur to achieve the synergies rollout. We think there's going to be a gradual improvement in pricing in Australia. Pricing in Australia the past year hurt our margins fairly significantly in that particular area. So we do think that the pricing environment will improve and that's going to add two points to the international area.

And I think our truck margins are going to improve. I think we embarked on the right strategy for truck about eight months ago. It's what I call a fleet constrained strategy.

We took the number of trucks from 26,000 down to 20,000. We took out all of our unprofitable routes -- not all of them, but most of them -- and we have slimmed down our network to only those locations that make money. And I think what you have seen in the course of our results this year our fleet will ultimately in 2015 be down 23%.

Our pricing has been up 7% to 8% and, yes, we have traded 10 points of volume for that. But to get rid of 23% of the fleet and 7 points of pricing for 10 points of volume, that is a trade that I think everybody in this room would do all day long. So I think we're going to get good margin improvement in truck.

So where are we going longer term with margins? Since the guys that have to do it are sitting here in front of me, I will be quick to point out that this is aspirational, but I do think if we hit on all cylinders this is where I think we can get to.

But the only thing that I would say about this is that over the longer term, given the cash flow generation abilities of this company, to the extent we fall short of those EBITDA margins we can more than likely make up for it in terms of share repurchases with cash flow. So I think there's two ways to get at these numbers and get at the growth on the EPS line if you ultimately don't get all that you think you're going to get on the EBITDA line. I don't see much, at least in the near future, that is going to change our cash flow generation ability.

And so, finally, you're going to see this chart a lot today. This is the graphic representation of the strategic plan that we laid out for ourselves some 2.5 years ago. Now to be sure, we've tweaked it a little bit over the course of the years but we have really never varied from those four global initiatives. They drive everything that we do and they drive everything that we think about in terms of what we ought to be doing over the course of the next two years.

So with that, let me just summarize what I think the key messages are. One, we have five global brands that are now competing in all the major industry segments. There's not a segment of the car rental industry that we do not have a participation in. Some bigger than others, but all of which are growing.

The expansion opportunity in EMEA in the near term and certainly the longer term in India and Brazil and China, where we have joint ventures -- and we at least have 50% on all of them -- I think are significant. But I think, as I said, in the near term I really do think that it's the synergy value that we're going to get out of Payless and EMEA in the near term.

Proven strategic plan. I think if you look at what our margins have done and what our growth in EBITDA has done it's all about execution and it's all about having a vision of where you need to go and executing on that vision. I think we've delivered on all those things that we've committed to deliver on.

Then, finally, the last I think just deploying free cash flow smartly. As I said, I think our return on capital and acquisitions is very compelling. Generally try to buy these assets at somewhere around 5 times EBITDA. When we are done the creation multiple is somewhere between 3 and 4 and it generally is all-cash, so we get somewhere between a 25% and 35% return on capital. I think that's a very good investment.

And to the extent that we don't have acquisitions in the pipeline that use up our free cash flow, we can always buy back our stock. We think that's a pretty good investment, given the discount that we are at to the S&P 500 at this juncture, and so that's what you ought to see us doing with our free cash flow.

So with that, let me turn it over to Larry and you can hear from somebody who actually runs something.

Larry De Shon - *Avis Budget Group - President, EMEA*

Good morning, everyone. We have been on somewhat of a transformational journey in EMEA over the last couple of years, so I'm pretty excited today to be able to share with you kind of what we've been up to.

What I'm going to talk about first is our business today in EMEA, which is the second-largest rental car company in Europe and includes a very large licensee network that spans about 85 countries; how the market is performing today across the region and what opportunities we can capture even in kind of the down economy; and then, finally, I want to share with you the great work our team has done repositioning the business for the future. So when the economy turns around we're going to be a very different business as we take advantage of what opportunities come with that.

First, let's set the background with a few data points here. First of all, we operate 1,600 locations. We generate $1.8 billion in revenue. We operate about 106,000 cars on average, about 5 million transactions that generate about 28 million rental days.

We have been so focused on growing Budget it now represents about 11% of our volume. When we acquired the business just two years ago it was about 4% of the volume, so we will talk a little bit more about Budget and where we see the opportunities there.

On-airport and off-airport, commercial versus leisure, close to 50/50 split. So 40/60 on commercial versus leisure and on-airport about 60% of the business. You can see on the right the revenue by market is pretty well distributed across the main markets in Europe.

On the fleet side, we have a nice diversification of the makes and models manufacturers across the different countries. Our fleet team has worked pretty hard to make sure that we've got a nice distribution of suppliers, that we are not overly invested with one or the other. So they've done a lot of work over the last couple of years to make sure that that is the way we are distributed with our fleet.

You will see our program is about 70%; our risk is about 30%, which is very different from what you will see in North America. In Europe, many of the manufacturers don't even offer risk units in the market or, if they do, they offer very few.

Program prices are pretty competitive, so particularly now with residual markets being a little iffy in some of the countries, we have no real compelling reason right now to try to increase that. But we are preparing the internal capabilities so that when we do see opportunities and the time is right in certain markets to increase the number of risk units that we will take advantage of that.

So we brought in some outside talent into the organization to help us rethink about how we remarket our vehicles. We are moving our remarketing to an online tool called Motor Trade. So, for example, in Italy now about 80% of the risk cars we sell in Italy are sold across this online tool, this B2B at about 1/10 of the cost of what it would cost us normally to sell a car.

So we are building the capabilities. When the time is right we would want to increase risk. We will do so, but right now we are pretty comfortable with that mix.

On the licensee side, we operate in 85 countries; 12 countries corporately run and 85 countries are run by licensee operators. There are very few countries now in the territory where we don't operate at least one of the brands; in most of the countries both brands. Licensees represent an important and stable recurring revenue stream that is highly profitable for us because we have very little cost that goes against the royalty income we get from our licensees.

Despite the recession in Europe, we've benefited from some of the higher growth markets, like Turkey, which has been growing about 20% a year for the last few years, which kind of makes up for some other markets where we might be seeing a downturn. So overall a good revenue stream coming in. We think it can do better and we will talk about that a little bit.

Many of our licensees enjoy the number one position in the marketplace. As we take a look at South Africa and Turkey on the Avis side, number one. If we take a look at Saudi Arabia, Oman, Jordan, on the Budget side, number one in the market.

In EMEA, as well as here, we've got a really fulsome portfolio of brands now that meet the needs of customers across every segment. As I said, we have been really focused on the Budget side, but we've got a big opportunity in the deep-value segment to grow Payless as well. Payless right now only operates in seven countries in EMEA, which are all licensee countries, so we've got a nice opportunity here to grow it.

Our corporate countries are pretty excited about it. They would like to get into it. Right now I want them to stay focused on Budget, but we will see an opportunity as we roll forward to start growing Payless as well. And we've had a number of inquiries from current licensees who would like to add Payless as another brand in their countries as well, so I think there's big upside there.

And in a little bit we will talk a lot more about Zipcar.

The competitive landscape, the market is a lot less consolidated in EMEA than it is in North America. There are a lot of small players in the countries and they represent about 34% of the market share is made up of a whole bunch of others, if you will. But as I mentioned before, this is the sweet spot for Budget. This is where Budget has been competing pretty effectively and gaining market share across the smaller players in the countries.

So let me turn to some of the market dynamics that are going on. First of all, just take a look at this slide, you can kind of see by country but overall this past year it has been a bit uneven in EMEA with the economy. I'd say that commercial has been a bit sluggish in Germany and France, although now stabilizing which is a good sign.

Domestic being weak in the southern tier countries, but very strong on inbound. In fact, last summer we had a tremendous summer in the southern tier markets which contributed to us having one of the best quarters ever in EMEA last year. So, overall, I would say things are starting to stabilize.

Our partnerships on the travel side, air side, rail side, and our corporate partnerships are very strong. These are just a representative set of a number of businesses that we do business with. 2013 was a big year for us on the partnership side.

We were able to extend for another five years our Avis exclusive agreement with SNCF, which is the French railway. We've been partners with them for 20 years and we were able to extend it for another five years. Also, we were able to extend our exclusive Avis partnership with British Airways. We just negotiated that deal and we will be extending it for another three years.

In addition, we've been able to use our relationships with these partners to offer Budget as an additional supplier into the program. So Iberia, for example, Lufthansa have both taken Budget as another rental car supplier.

Let's get to where the fun is -- driving sustained profitable growth. This is where all the work has been. This is where all the initiatives are. This is where the strategy is and just like to share with you kind of what we've been up to.

Our strategy continues to provide us with a lot of clarity and focus on what initiatives, what objectives we go after. It's really all -- it's about aligning the entire organization around the opportunities and going after them. And all of this supports the global strategy that you see in these four pillars.

I just want to go back to what we originally said when we acquired the business over in EMEA. We had targeted $35 million in synergies in the first year and we did surpass that by achieving $45 million of EBITDA improvements in the first year. This is all in the areas of IT transformation, customer service, finance, launching performance excellence initiatives, launching the ancillary revenue program, a lot of things like that.

So as we have continued our transformation of the business and aligned the organization around the strategic opportunities of running the business in a much more efficient, focused, more cannibal, more metrics kind of way, we've seen that there's a lot more opportunity than what we had originally estimated in the second phase. So right now we are targeting $65 million to $75 million a year by the end of 2015, which is higher than our previous expectations.

So, for example, improvements in areas of fleet management. Maintenance, continuing growth of ancillary revenue, introducing new products, yielding strategies, pricing strategies, digital acquisition and conversion strategies -- these are all things that we can leverage to improve our prepping margins in the business. And as we delve into every part of the business we identify even more opportunities that makes us feel pretty comfortable that the targets that we have set here, that we have raised to are achievable by the end of 2015.

We are also focused on growing profitable business. We are not just taking business for the sake of taking share. In fact, that really doesn't enter into our conversation. We really talk about growing the business profitably, both Avis and Budget.

So, for example, when we bought the Company UK was losing a ton of money. I brought Kaye over to be the MD of the UK and, after she did her initial assessment of the business, she walked into my office and said if we keep the same accounts we have, the portfolio of accounts we have, we will never make money.

That's a pretty sobering statement, but made it a pretty easy decision. Not easy to execute, but an easy decision, and that is we just can't be servicing business that's not profitable. We can't be going out and buying cars and adding staff to service business that is not going to be profitable for us.

So Kaye and her team went in and, literally, restructured the entire account portfolio that we had. Got rid of poor performing business, renegotiated contracts that we could, walked away from others, and in 2014 it's going to turn a profit. So in a really short two-year period they cleaned it up, that and a lot of other initiatives, and that's what we are focusing everyone on. Look, we would like to be the biggest, but it's not about that. It's about being the most profitable.

International inbound revenue. This has been a big part of our conversations with everyone; not just corporate employees, but also our licensee communities. We have made it clear it is everyone's job to sell into the network.

And I would say prior to the acquisition they were very focused on selling their own domestic revenue, but we need everyone to support the network. If you sell outbound, someone else is going to sell outbound, you are going to benefit from it.

But that required us to really change the dialogue that we had with our licensee community. Set targets, objectives, train our corporate people as well as our licensees on how to sell outbounds, providing their incentives for them so that they get paid for that, set targets for them that we can hold them accountable to. So it has really changed the entire dialogue.

You can see a nice growth there, 23%, and cross-border revenue represents about 35%, 40% of our total revenue. So we sell cross-border every day, but we know there's a lot more opportunity out there if we just get organized around it.

A lot of work has gone into this area; I know there's a lot more that we can do, but this is really our most profitable business. When we sell cross-border people tend to take all the ancillary revenue options, so this is the most profitable business that we can drive. It's everyone's job in the business to sell outbound.

Budget we've talked a lot about. You can see the 270% growth since the acquisition. Now represents 11% of our total days and you can expect that to continue to grow.

We have added about 250 Budget locations to the corporate network and we've acquired licensee operations in Italy, Belgium, and Luxembourg. The nice thing about this is that we are able to leverage the infrastructure we are already have to grow the Budget brand; not just in corporate locations, but also with our sublicensees. So we've done a lot of dual branding of locations and we can drive the business without having to put a lot of investment into it, which has been extremely helpful.

Driving ancillary revenue, we started this back in 2008 in the United States. We were able to grow ancillary revenue pretty significantly; continues to grow. We brought that program into EMEA. It's a very prescribed training and process of how you go about selling ancillary revenue.

And it really starts with understanding the motivation of why the customer is there to rent. You don't want to sell them things they don't need. You want to sell them products and services that they do need for the rental, so it's really understanding that first. What we call qualify the rental, qualifying the customer, and then selling them, in the right order, in the right way, using the right words, explaining in the right way so it's totally transparent to the customer.

You train the rental sales agents how to do that, you train the managers in how to monitor that, observe it, and coach them and mentor them. We hired sales performance managers across the entire region whose full-time job it is to be on the counter with the rental sales agents coaching them, helping them understand the benefits and the features of all the cars, so they can explain it in the right way to customer.

You do this well and everybody wins. The customer wins because they end up with products that they need for the rental. The employee wins because they are getting incentives; they earn incentives for selling it. And we win because it's our most profitable business. So you can see that we have improved this significantly and I would expect to see a kind of continued double-digit growth in this area.

We needed to change the number of our customers that come to us direct, which is our most profitable distribution, if you will. Getting them to our website versus going through an intermediary. When you go through an intermediary you are paying a cost to sell that you don't have to pay when you get them to our website.

We have not -- prior to the acquisition, it had been many years since we were out talking to consumers directly, even on the Avis brand. Not really much brand advertising, brand marketing. But before we go out and start spending money on brand marketing and advertising on Avis and Budget, we need to make sure that we've got an experience for our customers that, if we are going to drive them direct, it's a great experience. That they can buy all of our products and services, prepay and all those things when they come to us.

The websites in both Avis and Budget were very old. We needed to, literally, get rid of them and start fresh with brand-new web platforms. We launched the Budget one in October on a brand-new web platform, up to date.

Over time we will continue to enhance it, to provide more functionality on the website, so we will be making another phase to that in the fall. A very important phase as we will be changing the whole customer experience and flow as they go through it, making it very simple, very easy to understand. Being able to buy packages and extras and upsells and so forth. Very clear in how we present the products.

And we will be launching the new Avis website this summer with very rich imagery, content, how we position the cars, show the cars. Once again, for upsell opportunities, packages that you can buy, and so forth. So a lot of new applications coming.

Once we get all this launched, then we will be back in the marketplace on both brands talking to consumers and trying to drive them to this website. It is our lowest channel, our lowest cost channel.

In addition, we built the social media team in our Barcelona reservation center for the entire region. This team is terrific. Not only do they watch our back in social media when there's a customer service issue and they get it out of social media and get it into our Budapest shared service center to be dealt with, but they are also renting cars.

They are dropping in on conversations on Twitter and Facebook that might lead to a sale. They are dropping in and offering rentals to end the conversation to consumers. And they are booking rentals; they are booking reservations on social media.

Zipcar, we see a lot of opportunity here for Zipcar. It only operates in three cities: London, Vienna, and Barcelona. We will be opening Paris later this year. We have to do some work on the technology platform first, which is almost complete, that will allow us to grow international locations on a much faster pace than what we would've been able to do before.

We're hoping to get into a rhythm of four to five cities a year. There's a number of cities across Europe that make sense for us. Our biggest problem is deciding which ones to go into first, but we will be launching it later in Paris. And we are in final negotiations with one of our licensees to have the first licensee location for Zipcar as well and that is well on its way.

It's a great opportunity for us. The amazing thing around Zipcar is, when we announced the purchase of that car, we got phone calls from corporate accounts wanted to know if they could talk to us about Zipcar as being part of the solution for them for travel from countries where Zipcar didn't exist.

The brand equity of this brand is amazing. People know Zipcar across the entire region. Everyone is talking about it and it only operates in three cities, so this is a really big opportunity for us.

We are changing the conversation with our licensees. Our expectation is our licensees will grow their revenue. It has been a consistent stream of highly profitable revenue, as I said, but we would like to see it growing more.

Once again, it's about who you've got as partners. You've got some very strong businesses out there that have the financial wherewithal to add fleet, have the technical know-how, the talent set inside their business. These are the guys that we want to make sure that we work with to grow into other markets. Not just grow into new markets, but also take over existing markets that might be struggling.

So we are working a lot with our licenses now. We are supporting them in a very different way. We are teaching them how to manage revenue, revenue management, how to do their pricing and yielding. We are teaching them how to do digital acquisition and conversion other websites.

We are teaching them how to run process efficiency improvement opportunities inside their countries through PEx. We are teaching them how to drive ancillary revenue product sales across the counter. We are teaching them in all sorts of areas of the business, because as they grow their revenue we grow our royalties.

We want strong business partners across the region, so we expect the strong ones to continue to grow and get bigger territories and the weak ones over time will get replaced.

Improving the customer experience. Not only will the customers improve in the digital investment that we've made on both brands, but we are also making other investments as well. At the locations we are replacing computers and printers. We're putting higher bandwidth, bigger bandwidth into the locations to reduce transaction times.

We are upgrading some of our facilities. These are photos of the new lobby at Heathrow that completely got gutted and expanded to meet the needs of our customers. We launched a new location in Terminal 5, the British Airways terminal at Heathrow. We are the only rental car company in Terminal 5. Since we opened it our rentals for Heathrow climbed 23% since we have opened that location.

And we are investing in new technology. The challenge we have in some of the southern tier markets is that their volume can triple from January to July, but their lobbies don't triple, the number of positions they have don't triple. So we needed to create some more bandwidth for them to be able to move our customers through quickly and not end up with these long, long lines in these southern tier markets in the eight, 10 weeks of the busiest time of the year.

Not only from a customer experience perspective, we want to keep those lines down and keep everything calm in the lobby, but also this is our opportunity to sell in our biggest volume ancillary revenue. And when the lines get long our rental sales agents won't sell in, because they want to process everyone, get them through, and get them into their car. And what we want them to do is have the time to be able to have the conversation with the customer to drive ancillary revenue at our busiest times.

So we are developing a technology which is a mobile technology our rental sales agents can use in the lobby or on the lot. This leapfrogs past kiosks because it's a much more mobile way of doing it. Allows the rental sales agents to be able to add several more positions, if you will, and have the time and the conversation with the customers about ancillary revenue. And it's a lot, a lot cheaper than going with kiosks.

So we will be launching that technology for this summer peak coming up and I think it's going to change completely the customer experience during our busiest time.

This slide is a simple slide that represents a whole lot of work that has transformed who we are as an organization and what we think we can achieve in EMEA. Job one was getting the strategy down, getting well-defined with tangible objectives, tangible initiatives that we could go after.

Job two is creating an organization that is aggressive, aligned and focused, accountable to metrics, and creative and works with pace and direction. And get rid of the naysayers, get rid of the nonbelievers.

Job three was developing metrics for everything that we do and everything that we spend, so we know where we start, so we know where we can go. And job four was adding extensive project management to the organization to ensure that we stay on track every year and deliver on initiatives that we promise. So we are now an organization that knows how to execute.

We have leveraged our shared service center. What we wanted to do was change the focus of all of our corporate countries. We no longer wanted them doing things that took away from managing the employees that are on the front line, that are supporting customers; taking away from going out and talking to our customers directly, whether it's partnerships or corporate accounts or travel agents; or out on the frontline talking to customers as they go through the rental experience.

We wanted our managers to really focus on where the value is, where the embedded value is to unleash that. That means getting in the operation, understanding every metric, driving the efficiency in the operation, reducing the cost every day, understanding where your fleet is, staying open for business. Don't shut down, find that last car.

This is about making sure that when a car goes to maintenance and it's a day late you understand why. This is when you send a card to a licensee and it's not on rent back to you, how come? Why? When you send a car to a local market agency and they haven't put it on rent yet, why?

This is understanding every single day, every single idle day on the fleet. This is understanding who your top performers are in ancillary revenue. What do they do different than everybody else? How do you replicate that? Understanding who your worst performer is and what you are going to do to improve it.

So anything that takes the eye away from those things we wanted to get rid of, move it out of the countries. So we moved 500 positions to our Budapest shared service center over the last two years. It's about 790 people now in the shared service center. They are doing all the back office functions now for the countries.

We went from a country structure to a regional structure, so we went to four regions instead of 12 countries. We kept our very best talent and we gave them a broader territory. So we narrowed their focus and then gave them more geography to cover and we kept our very best people to do it.

So now our country teams are extremely aligned about what it is they've got to deliver on. We centralized things like revenue management, pricing, yielding, digital acquisition and conversion. All those decisions are made centrally now with the influence of the countries about what works best for their market. But we are leveraging the best practice and the skill set that we went out and hired into the organization and put them centrally to drive those strategies across the entire region.

So this is about really getting people aligned about what their mission is, what their job is, how they can unleash the value. Peeling back every single possible thing you can, find that embedded value. Our business is made up of thousands of details, and unless you know every day where you are with a metric and how you are performing on those details, you can't move it forward.

This is about finding people in the organization that believe every single metric can be better tomorrow than it was today. That's what we've been building over the last couple of years.

To me, the outlook is pretty bright. The economy is beginning to stabilize. If we stayed focus on the strategy of growing the business profitably and continue to deliver on the strategic initiatives to reduce our costs and grow the top-line revenue, this will improve our margins. We have a talented and extremely focused team who have very high expectations of what they think this business can contribute.

So to summarize, we have the broadest brand portfolio of any rental car company in Europe. We are exceeding our original synergy targets and have identified more opportunity to drive efficiencies and profitability. We see significant opportunities to grow and expand Zipcar. We are extremely well-positioned for recovery in Europe.

We are transforming how we run the business in EMEA from A through Z. Our talent, focus, the metrics, the accountability, and the beliefs that we can achieve will drive us to even higher profit margins than the business we acquired just two years ago. Thank you.

I'd like to introduce Pat to come up and talk about Latin America and the Pacific.

Pat Siniscalchi - *Avis Budget Group - President, Latin America/Asia Pacific*

Good morning, everyone. I took a little different tact in preparing for this presentation. I went to see Book of Mormon yesterday. How many of you have seen Book of Mormon?

Okay. Well, the rest of you won't get this, but for those of you who saw it: I am disappointed to say this, but my presentation will not change your life.

Last time we were together I had the opportunity to talk to you about my 40 years with the Company and the fact that I had just achieved that. And I put up this depiction of two old guys, one of them being me, one of them being my brother, supposedly. My brother wanted me to retire and join him on the beach. And I said, well, I'm not ready to do nothing yet.

And one of the reasons why I realized I'm not ready to do nothing is because what comes after this picture is this picture, where you are looking in the mirror -- you think you are looking at someone else and you are actually looking in the mirror. And I don't really want to be there, so I figure I got to keep on going.

What keeps me going is the passion of the people that I work with and I hope you get a sense of the passion that drives this organization today when you meet us at lunch. When I go across my world, and it's a pretty broad world, I'm always amazed at how consistent the passion for our business is. And we rent cars; it's not rocket science, but for some reason our people are really passionate about delivering the service to our customers.

And I am very proud of that and it's really is what gets me up every morning and gets me excited about going to work.

So I am going to talk to you a little bit about our business today. I am going to talk to you about our strong market position in our corporate countries, our broad network in our licensees, and probably most importantly, how well positioned we think we are in the emerging markets going forward because we do think this is the region of opportunity.

So this is my world and we have six corporate countries, six corporate operations. We are corporate in Australia and New Zealand, Singapore, Puerto Rico, the US Virgin Islands, and Argentina. And then we have four joint ventures where we have a joint venture in Thailand, it's a Budget joint venture; we have an Avis Budget joint venture in Brazil; we have an Avis joint venture in China; and we have an Avis -- soon to be Avis Budget joint venture in India.

Then we have 63 Avis licensees across the region and 50 Budget licensees across the region. So as Larry said, he has the broadest network and coverage in EMEA. We also have the broadest coverage in Latin America, Caribbean, Asia Pacific. That is the last time I will say that; from now on it's [LACPAC]. But we have the broadest coverage.

In our corporate operations with $720 million in revenue, that's really very good revenue. It brings with it a very high profit margin. We have 1,900 locations which include the licensees and the JVs, and we have four brands, soon to be five brands.

Ron mentioned that Apex is actually a different business model and I would like to take a minute to explain to you why I love the Apex business model. Apex is a small -- deep discount rent-a-car company in New Zealand. It is now in Australia. We acquired it in October 2012.

It has some unique features that separates it from the rest of the deep discount market. Probably the single most important one is it never pays a third party for a rental or a reservation.

If you want to book a car at Apex or you want to rent a car at Apex, you either book it through their website, which is what most people do; you call them or you call their reservation center; or you call their location. They never pay a travel agency, an airline, an OTA. They don't pay anyone else for their business.

We have -- as Larry talked about, we have a broad licensee network. They produce a lot of very highly profitable revenue for us, over $35 million, and I like to think about our licensee network.

Ron made a comment and he's right; we have -- our licensee network is evolving. It's going -- we see the opportunity, especially in some of the bigger markets, to create a higher level of professionalism by moving from a family business to a corporate environment. And I think that opportunity is there for us in the future.

But we have licensees that are really very proud to represent our brand and I think part of that is that we are a good franchisor. I really believe, if you went out and interviewed our licensees in this part of the world, they would tell you that we give them good support. We partner with them to grow their business. They think that it is a good partnership between ABG and their individual licensee ownership.

Unlike much of ABG, we have 85% of our fleet is risked. We have to sell 85% of our cars. But that's nothing new for us and that's the way it has been for a long time, and we think we are pretty good at that. We think that we've developed the experience.

And also, in our corporate markets, residual values are pretty stable and that's allowed us to sell risked cars consistently at really pretty -- very similar depreciation rates. So we see our risked fleet as really being an opportunity of holding our fleet costs down and it has contributed to our margins.

So we have had good growth in the last four years and that is really from the corporate market, doesn't include the JVs. So let's talk a little bit about our markets.

We have four brands. Avis is, I think, probably the strongest brand in our region. I think it's hard to really define that, but we are in --- India, for instance, Avis is the only international brand. China, Avis is really the only international brand that really trades as an international brand. Hertz is invested in China auto rental and Enterprise is invested in a company called eHi.

Budget is also a strong brand, and maybe different from the rest of the world, in some of our markets Budget is a strong corporate player. As an example, in Australia, Budget has the largest corporate account in Australia, BHP.

But the future we think is really bright for our deep-value brand. Payless does exist in Latin America and the Caribbean to a very limited extent. We see it as really having -- see this as being a big opportunity. Larry mentioned something about his licensees, Avis and Budget licensees inquiring about getting Payless. We have had that same conversation.

The need for a discount brand for our Avis and Budget licensees in Latin America is pretty dramatic because there are a lot of deep discount players in that market. So we intend to use Payless as a discount brand to partner with our licensees and potentially Apex as a franchise brand. We are actually going to pilot our first Apex international franchise in May in Grand Cayman. And you are all invited to go and rent an Apex car in Grand Cayman.

Coming in 2014 we are going to start car share in Australia. Australia, in Sydney and Melbourne at least, is already pretty developed in terms of car share. We think that with Zipcar we will be able to get our fair share of that market.

So let's talk about our two major corporate operations in this region, which are Australia and New Zealand. We have really strong market share positions in each. We are the leading rent-a-car company in both those countries.

We have partnerships of Qantas and Air New Zealand, the two leading airlines in those countries; exclusive partnerships. We have very strong profit margins and we have very high ancillary sales.

And we have award-winning service. In Australia, we've won a number of customer service awards. When we measure our own internal service through our BOTC, Australia and New Zealand consistently, on both brands, scores very high.

Ron alluded to the fact that Australia had a difficult time in 2013. The mining boom went to bust seemingly overnight and we were -- the industry was left over-fleeted, created a lot of pricing pressure.

About August we decided to that we had to do something to change that. We had to try to force the market to increase prices. We did that and we were able to have a much better fourth quarter in Australia.

After nine pretty lousy months, the fourth quarter was pretty good. The first couple months in 2014 have indicated that pushing up the prices has held, at least up to now, and we are optimistic that we will be able to continue to keep our prices up above prior year.

New Zealand is in a real sweet spot right now in terms of its economy. It's very strong. We have taken ample, I think, really good opportunity there to -- 2013 was, by far, a record profit year for us in New Zealand and we are looking forward through having it -- right now we are in the middle of a great summer. The inbound business is really back in a strong way and we are having a very strong summer.

We expect that 2014 will be strong. We also expect the summer of 2015 to be good because there was something going on there in 2015. I'm going to ask if anybody knows -- everybody knows there's a World Cup in Brazil in three months, right?

In 2015 there are two world cups; anybody have any idea what they are and where they are? Rugby World Cup is in the UK in 2015 and -- I didn't even know enough countries played this sport to be called the World Cup, but the cricket World Cup is in New Zealand in 2015.

As much as -- not too many people -- I mean I am one that can't watch cricket. There are people that like to watch it and mainly they are from the UK, India, and South Africa. So there will be a lot of people going to New Zealand to watch the world cricket cup in 2015.

In June it's in Brazil -- the soccer World Cup in Brazil and this is an incremental revenue opportunity for us. But I want to be very clear about this, it is not a volume opportunity. It's a yield opportunity, because when the World Cup is over in Brazil, you are in the middle of winter. So you are not going to fleet up for the World Cup, but we will take advantage of the World Cup through yield and we can create incremental revenue.

In China, China still has this great dynamic about it. There are twice as many people with drivers licenses as there are passenger cars and that is going to create a need for car rental and eventually car sharing. So we are very optimistic about China and I will talk more about Brazil and China a little bit later on.

When I talked here two years ago I said that our goal when we are in a partnership is to be the best partner. Not just to be the best rent-a-car partner, but the best partner. And I think that has allowed us to have exclusive relationships with Qantas and Jetstar and Air New Zealand and flybuys but there's an enormous amount of opportunity in our region to expand those partnerships.

We brought a senior sales and marketing executive, Stephen Wright, on our team to help us mind that opportunity. You know, the Asian airlines are some of the most important airlines in the world. We are in a number of the programs, but there is a lot of opportunity for us to really build a partnership in those programs so we get more benefit from it. And we brought Stephen on to help us do that.

The portfolio is obviously part of our -- everyone's life at ABG. We think about our business in terms of these portfolios all the time and one of the critical opportunities for us going forward are our joint ventures. They account for $200 million worth of revenue today, which isn't a lot, and we -- but the opportunity for growth is enormous. And we think we really have positioned ourselves very well.

First one I would like to talk about is China. Avis is the leading international car rental company in China. Our partner is a company called Shanghai Automotive Industry, a very big company. They JV with Volkswagen and General Motors. They've sold over 5 million cars in 2013.

When we got involved in China back in December of 2011 was my first visit there. There are a couple things that were readily apparent to us. One is that we weren't really a rent-a-car company. We were a leasing company that did chauffer drive. They were the two segments we competed in.

So the first thing we did was we talked to our partner and we said, well, we need to really see where the future opportunity is. And so we've had a third party come in and do a study of the China industry and came back and said, well, the opportunity is really clear. The opportunity is in self-drive domestic car rental, that is where the opportunity is going to be over the next five or six years.

So we realized that -- and our partner and us agreed that that was the opportunity. The first step was also to agree that we weren't going to go after this opportunity in a way that was going to create losses. We both were after building profit. So we had to take a very stepped approach of going -- and it was really a walk-before-you-run approach.

First, we had to change the organization and structure the organization so there were people that were really focused on domestic self-drive business. Second, we had to train those people. Third, we had to bring some resources from ABG into China to support those people. And, fourth, we had to get a system.

And we still -- right now we are working with Gerard and his group to bring Wizard to China because the system that they operate on was truly a leasing system. It wasn't a car rental system. So Wizard in China will be -- Wizard will be in China in September of 2014 and at that point I think we're going to be ready to run and we will be able to expand Avis a lot faster.

We are very optimistic about that. Our partner and us are both in agreement on the opportunity and I am looking forward to a lot of growth in China between 2015 and 2020.

India is not a self-drive market. I asked this question last time, but how many of you have been to India? Well, you would know that you are not going to get behind the wheel of a car and scoot around Delhi or Mumbai.

It's just not something that inbound customers do. We have about 2,000 cars in India and only 30 of them are for self-drive. So it's a car-and-driver market. It's going to be that way for a while, but we are in great position here.

We are the only international rent-a-car company in India. We are in 20 cities; our next largest competitor is only in 12. And our partner is a group called EIH. They own Oberoi hotels. If any of you have ever stayed in an Oberoi hotel, you know that they are first-class hotels.

Mr. Oberoi, the CEO of EIH, when I first met him he said to me, you know, Pat, we went into this partnership with you to take care of our customers at our hotels. We wanted a premium product to take care of our customers at our hotels, so we partnered with Avis.

He said, but that's not the opportunity anymore. The opportunity is in the corporate market in India and you guys are better at leading us to do that, so you should take the lead here. You should become the majority shareholder. So that's what we did.

We went from being a 33% shareholder and this October, this past October we became a 60% shareholder. We think there is a lot of opportunity with us driving the business and building the corporate portfolio. And we also think there's a very good opportunity to improve the profit margins of the business.

It's not a high profit margin business. I think there's a lot of room for improvement. We've already put a profit margin improvement plan in place and we expect 2014 to produce higher profit margins.

We are also going to launch Budget in 2014, so when we launch Budget in 2014 Avis and Budget will be the only two international brands in India.

Brazil is our latest acquisition. We acquired 50% of that on August 7. It was an acquisition that we -- we see Brazil as a big growth market.

We want to participate in that growth. Not just as someone that collected royalties, but somebody that had profit participation. And maybe, more importantly, we felt like we could really help drive the growth in Brazil.

Today we have very low market share there. There's a dominant player that has a very large market share and we are -- we think there's a big opportunity for us. We have to do three things.

We had to change the organization, which we are in the process of doing. We had to increase our capacity to rent cars at the major airports by changing our facilities. And the third thing we had to do is train our people and improve our service.

We're just about there now and we are very optimistic about Brazil. I think we can be a very important player in Brazil in not too long a time.

So we are still a believer in brand expansion. We opened up in Taiwan, Laos, and Cambodia in about the last 18 months. All three of those we are the only international rent-a-car company present.

I think Taiwan is going to be a great market. Laos and Cambodia will be car-and-drive markets for the foreseeable future, but Cambodia is becoming an increasingly popular tourist destination for people in Asia.

We introduced the Budget brand in Singapore. We opened up a new Budget licensee in Colombia. There is still room for Budget to expand. One of the big moves will be to establish Budget in India this year.

And we expanded Apex. Apex, when we acquired it, was only in Brisbane and Australia. It's now in the five -- well, it's where we want it to be. It's in five cities now. It's the Sydney, Melbourne, [Cairns], the Gold Coast, and Brisbane.

We are not looking to expand it any further than that. There's a huge amount of opportunity in just those five cities and we are looking forward to that. And we expect to launch Zipcar in Australia in 2014.

So our outlook in 2014 is in our corporate countries we're going to grow our revenues by 5% to 7%. In our JVs we're going to increase our profits in each one of the four JVs and we are going to really, though, position ourselves for much higher profitability I think in 2015 and beyond.

Apex is going to grow 25% this year and we are opening, as I said, our first Apex licensee in Grand Cayman in May. You would have seen on a couple of my slides that it said that we were -- had strong ancillary sales, but we realized about the first quarter of last year that there was more opportunity there. So we brought on an ancillary sales expert to support our countries.

You know there's no profit in cheese pizza. I said that the last time we were here, so you really need the ancillary sales to improve your profit margin. We think there is additional opportunity to do that and we have brought on a real strong person to help us lead the way there.

So what do I want you to remember about our region? Well, where we are corporately, we are in very strong position, both in terms of market share and profitability and position in the marketplace. We are also in the area of opportunity through our joint ventures and by having being vested in those countries -- India, China, and Brazil -- we are in a position not only to be -- benefit as a franchisor, but we are in a position to benefit as an owner and realize some of the profits from those operations.

And there's still a lot of opportunity to expand our brands, especially Apex and Payless in the deep discount marketplace, Zipcar in Australia, and Budget in Asia. Thank you very much. I'm going to invite Larry up and we are going to answer some questions.

QUESTIONS AND ANSWERS

Unidentified Audience Member

In Europe, can you talk about the competitive dynamic there and how you see that changing?

Larry De Shon - *Avis Budget Group - President, EMEA*

Couldn't hear the last part of your question.

Unidentified Audience Member

How you see it changing.

Larry De Shon - *Avis Budget Group - President, EMEA*

The competitive dynamics?

Unidentified Audience Member

Yes. How is it now? What do you expect it to be in a few years?

Larry De Shon - *Avis Budget Group - President, EMEA*

I think there's probably an opportunity for some more consolidation to happen in the market. As I said, about 35%, 34% of the market is made up of a lot of little players, particularly in the southern tier countries, so I think there's an opportunity for that to kind of play out and consolidate down a little bit more.

I am hoping the pricing is going to improve. We have taken a very strong pricing strategy going forward that we've seen some real benefits of this year and hopefully that's going to continue. I think we will see some more opportunities to grow the brand into the different markets.

We've got some countries that are still single branded that we can grow Budget as well into. Overall I think there's just a little bit more to play out in consolidation.

Unidentified Audience Member

Larry, could you talk a little bit about Zipcar? How long will it take for a location to become profitable? I remember the old Zipcar used to be 12 to 18 months for a market to kind of breakeven. As you go to Europe, how long will that period take?

Larry De Shon - *Avis Budget Group - President, EMEA*

It's not dissimilar. London turned profit in 2013, so going forward London will be profitable now for us. We've got to build Vienna and Barcelona up, the volume -- the fleet size and the overall volume is still too low, so our plan is to continue to grow our membership base there, get that market up, and I think over the next probably year or two both those markets will get profitable.

So it may be a little bit longer than what North America has been experiencing, so I think as we launch kind of four or five cities a year we are expecting probably a couple of years of building a membership, getting the volume up, getting the fleet right, and move it into profitability.

Unidentified Audience Member

Larry, you talked a little bit about driving people to your website as opposed to going to third-party sources. So what percent of your bookings actually go through to third-party sources and the same question I think applies to Pat. And if you were able to shift that, what might that equate to, either in terms of savings or margins? However you want to express it would be great.

Larry De Shon - *Avis Budget Group - President, EMEA*

I would say about 42% of our business comes through -- well, I will actually put it this way, about 20-some-percent of our business comes through partnerships. Now many of those partnerships we -- that includes the airline partnerships as well. But we do get a significant amount of our business that comes through kind of broker channels or other OTAs, online travel agencies.

Internet, in total, represents 42% of our business. Of that, about 30% of that is coming through our own channels, so I think that's the place where we see an opportunity to continue to change that dynamic. So less on OTAs and brokers and more on our own direct channel, so moving at 35%, 38% of the 42% up. With each one that we move becomes -- you save a good, let's say, 15%, 20% cost of sale by moving it onto those channels.

Unidentified Audience Member

(inaudible question -- microphone inaccessible)

Larry De Shon - *Avis Budget Group - President, EMEA*

Will I be -- just take a look at our average transaction cost which is $1.8 billion and 5 million transactions. So for every one of those that you can move I will say it's a couple hundred dollars per transaction. You can -- for every one of those moved you can save 15%, 20% of cost of sale on that by moving it your own channel. Those are rough numbers.

Pat Siniscalchi - *Avis Budget Group - President, Latin America/Asia Pacific*

And talking about Australia and New Zealand, we don't -- their OTAs is not as big a deal. A lot of our business, though, is driven through Qantas and Jetstar and a lot of our business is done directly through our website. Budget does 50% of its business through its website today in Australia, close to that in New Zealand.

We still do a very high percentage of our business through our call centers -- 30% for Avis, probably 25% for Budget. So the OTAs don't have as much of a play in our market but the partnership element is there, especially with Qantas and Air New Zealand. And that's pretty high -- that's a pretty expensive business for us, but it drives a lot of volume.

Unidentified Audience Member

Excluding your licensee revenue and profit, in Avis Europe how does your corporate EBITDA margin look like when you get to your 2015 or 2016 target? And how does it compare to North America? Because I remember that was part of the opportunity was to close that gap.

Larry De Shon - *Avis Budget Group - President, EMEA*

That is really the opportunity. So when you take a look at -- if you remove the licensee revenue and the EBITDA that that generates, it is almost -- it is not quite half of the current EBITDA performance. So the opportunity is really to take the corporate revenue and how do we continue to drive the profit margins on the corporate revenue, and that has got tremendous upside to it.

We have improved that about a point this past year, but we've got an opportunity to continue to drive that up. It's probably not going to --.

Unidentified Audience Member

(inaudible question -- microphone inaccessible)

Larry De Shon - *Avis Budget Group - President, EMEA*

I mean it's not going to probably hit North America type of profit margins, because you still have the country-specific things and the cost that goes along with that. Although we have streamlined a lot of that, there's still lots of things that have to stick.

Unidentified Audience Member

In 2015 do you have a target of what that could look like?

Larry De Shon - *Avis Budget Group - President, EMEA*

We haven't published a target specifically for EMEA, so I haven't -- we haven't said one, but we have targets that we are going for in 2015, 2016, and now.

Unidentified Audience Member

Thank you. Obviously North America undergoing some fleet management initiative to improve that. Where do you think internationally your fleet management systems stand relative to North America and what opportunities are available over time to maybe bring it up to par with North America?

Larry De Shon - *Avis Budget Group - President, EMEA*

I will go first, if you don't mind. It's a close one to my heart here.

Instead of one fleet management system, we have, I think, seven different fleet management systems across EMEA. We are going to go to one. We are building a new fleet management system that all the countries will work from.

Along with that is not only do you have kind of seven different fleet systems, every country then hung a ton of applications over 25 years that they hung off of it. So when you take a look at the metrics and try to look at the consistency across the countries everything is measured little bit different, so we need to clean all that up. So going to one fleet management system with a maintenance module that's attached to it, we will then sunset a whole bunch of applications in seven major fleet management systems.

These are old systems as well. They don't stay up and running, so we need to get onto a new platform that really is robust and stays working well for us. That will give us insights into the business on a daily basis that we sometimes struggle to see today, so that gives us an opportunity to continue to drive utilization and really make sure we understand our fleet costs every day.

Then along with that is -- the way the business planned their volume and their fleet they did it by country and they did it by month. We've now moved into planning our fleet and volume by district and by week.

So we have a fleet call every Friday where we go through every single district location across all the countries and we take a look at how they performed last week, what it looks like for this next week, what the competitors look like, what it looks like from a month for now, two months from now, three months from now. We make fleeting distribution decisions. Then we move cars to where the volume opportunity is; nothing stays static anymore.

So when we acquired the business it was a monthly fleet plan at the country level. The country level can hide a lot of things that are going on deep down inside the country that you want to know about, so now we go to a district fleet plan and a district view every single week.

Revenue management is there to look at where we can get yield opportunities. Our fleet management folks are there and fleet distribution folks are there; the countries are on the phone; the district managers are on the phone. And this is really understanding this at a much deeper, granular level, which is how we are used to running it in North America.

Pat Siniscalchi - *Avis Budget Group - President, Latin America/Asia Pacific*

Well, we're going to doing two things. One is we are looking at the North America system. That's what we would like to bring eventually to Australia and New Zealand and the corporate operations in my area.

We are -- we basically really off-the-shelf home-developed systems today. I think there is opportunity for us in moving to the product that Tom and his team are developing in North America. We are looking at a piece of that right now with Scott and certainly in Gerard and his people.

I think, though, that -- Larry made a comment; one of the things that we try to do over the last couple of years and really in Australia we have really honed in on it over the last five or six months is to have more focus on the daily movement of fleet and the daily movement of pricing to try to find opportunities to keep the pricing up and improve the yield.

And so we do that through, again, our homegrown systems, but a lot of communication between -- and I think a lot of it is about communication between the management group at the headquarters and the people in the field. We have really pushed that up so that we are constantly reviewing where we are in terms of price and fleets.

Unidentified Audience Member

Larry and Pat, Larry, on your slide presentation, you talked about ancillary revenue per day growing almost 24% in the past two years. Just give us a sense for what the dollar amounts per day have been and what have been the main drivers.

And then separately, you talked about that you are moving the Avis website and improving it in EMEA. How does that work on the ancillary revenue side? Can you get the consumer to buy some of those products or services through the web, or do you lose that but make it up on cost?

Larry De Shon - *Avis Budget Group - President, EMEA*

It's a great question. I would say this past year we have averaged about EUR6.5 per rental day on ancillary revenue, which is, as we said, up 24% over the last two years and we've got a lot of opportunity here to go. So we are really in the initial stages of the ancillary revenue mission, if you will.

And this is a multi-year type of initiative because it changes really everything you do at the station level. It changes your management focus, who you recruit as managers and how you train them. It changes who you recruit as rental sales agents and how you train them, what you hold them accountable to. It changes your incentive plans. It changes everything in the business, so that some multiyear faceted approach to continue to grow it.

How it plays out on the new websites is really important, so this gives us a couple opportunities to sell ancillary revenue which today we really only have the counter. In the new websites we will be able to offer products in a much more clear way for the consumers because they actually understand what it is they are buying and where in the process it makes more sense for them to then think about it and purchase it.

This gives us the availability to actually move things around on the website and see what the take rates are by positioning things differently. What photos you show of cars, where you show it in the process, what works well or doesn't work well and we can continue to move it around. We can package products together so when a customer comes into the website and we qualify the customer on why they are renting the car and we understand it is a family going -- party of four for a week beach vacation, those would've been different things which you would then offer.

So we can package products together. We can offer them individual. We can show them clearly as they are booking exactly what they are spending so they can see exactly what this is going to cost them as they go. It's one of the big things we hear from consumers is they are confused at the end on what their total charge is going to be. Well, in the new websites this will be clearly spelled out for them.

So there's a lot of things we can do to get them to prepay or buy the things upfront. But once again, if they don't, then we have another option, another opportunity to do it at the counter.

Unidentified Audience Member

Thanks, good morning. A follow-up question on competitive landscape.

Given the success of Budget in Europe, what are you seeing from Hertz and Europcar in terms of investing in value brands? Am I right in the impression they are largely single-brand strategies at the moment?

And then a question for both of you. Can you just touch on what you are seeing from Enterprise in both of your regions and how aggressive they are being in making investments? Thanks.

Larry De Shon *- Avis Budget Group - President, EMEA*

On Hertz and Enterprise as far as offering multi-brands, Europcar have a brand called InterRent. It is primarily -- they use it as a broker brand. It's not really selling much that we can see direct to consumers or any other types of intermediaries. It's primarily a broker brand. We haven't seen really much there yet.

On the Hertz side, they have Firefly; once again it's a deep discounted value brand. Not seeing really a whole lot of activity with Firefly either. Budget continues to grow, so we are not seeing it impact really our business at all.

Enterprise, they have -- they are now corporate. They were corporate in the UK and Germany. They are now corporate also in France and Spain and then the rest of Europe they've opened as licensee operations. So they continue to enter a number of markets across Europe, but almost always in the licensee format.

Pat Siniscalchi *- Avis Budget Group - President, Latin America/Asia Pacific*

And Enterprise in my part of the world is really not -- they made some small moves. They sold their first franchise -- national Alamo franchise they sold it to the second-largest rent-a-car company in Brazil, Unidas. They took an investment I think 17% in a company called eHi rent-a-car in China. And that's really all we have seen.

There's a lot of rumors around about Enterprise entering the Australian market, and I assume that they will do that at some point. We are trying to be prepared for them to do that at some point. They will probably struggle with getting an airport position in Australia when they enter it for a few years, but we expect -- I would expect them to be there.

And we try to -- we actually talk an awful lot about Enterprise for a company that doesn't exist in our marketplace, because we know that when they do come they will be a significant player.

Unidentified Audience Member

Both of you spoke quite a bit about geographic expansion. Could you quantify or kind of detail the incremental costs that you had experienced with expanding geographically?

Separately for Pat, expecting Apex revenue to grow more than 25%. Does that embed some sort of forecast for pickup in the Australian macro?

Pat Siniscalchi *- Avis Budget Group - President, Latin America/Asia Pacific*

Well, let's do the Apex one first. No, it doesn't, but it is taking advantage of an opportunity in Australia and New Zealand that has existed. You know, the cost of doing business on airports is relatively high. The cost of doing business as a second-tier company or a third-tier company off airport is not. So that's one of the reasons that drove us to acquire Apex is we wanted to have that opportunity that the off-airport operators have.

And the growth that you see is really about building share. It's not really about -- the opportunity is there. There are a number of airport operators in Australia and New Zealand. Apex is having a great growth year in New Zealand.

There's a number of off-airport players there that aren't nearly -- and I'm saying as objectively as I can -- aren't nearly as well run as apex is. And so we see a significant opportunity of taking our fair share from a lot of those off-airport operators in Australia and that's what's driving the growth.

We are off to a very strong start this year. You know, they are very good with their business model. We acquired a good business model with a very experienced management team. They were just looking for the opportunity to really be able to grow the business and we gave them that opportunity. And we are just mining it right now.

But I think the 25% growth is really getting established in the five cities in Australia. It's probably the largest part of that.

Larry De Shon - *Avis Budget Group - President, EMEA*

So growing geographically, there's a number of ways to do that. I think probably the biggest way which we will continue to look at is the lowest cost way on that is growing through our licensee network, so that's really no cost to us. We will take a look at countries where we are single branded and finding an opportunity for the other brand and now for Payless as well. So that's one way.

Another way is growing the network in our own countries, growing more Budget locations and more Payless locations. Once again, as we grow Budget locations in the corporate countries, it's a very low cost because we are leveraging the network that we already have there.

There is always a possibility of what's the few remaining licensees are in the corporate countries with one of the brands that we can always take a look at. Then other than that it has been acquisitions of licensees that we think make more sense for us to run corporately than to run licensees, but those always kind of come along as they come along.

Pat Siniscalchi - *Avis Budget Group - President, Latin America/Asia Pacific*

In my world, I agree with Larry. Our biggest opportunity for growth is expanding our licensee network and that doesn't have a cost of capital to us or a cost of -- large cost to us, so that is the one we will pursue. There are -- as we took a larger shareholding in India, as we acquired Brazil, there are opportunities out there where we think we want to share in the growth of that country that we will look at to see if there is an investment opportunity if they are individual.

Neal Goldner - *Avis Budget Group - VP, IR*

Okay, thanks, everyone. It's time for a break now. You've got I think 10 minutes? 15, 15 minutes, so if you could be back in the room about 10:25. Thank you.

PRESENTATION

Neal Goldner - *Avis Budget Group - VP, IR*

Next it's my pleasure to introduce our President in North America, Tom Gartland.

Tom Gartland - *Avis Budget Group - President, North America*

Good morning. On behalf of the 20,000 men and women in North America, I am privileged and proud to be here representing them today. And I would like to start out by publicly thanking them for what they've done for our company over the last 60 days.

We've had several Arctic blasts, tons of snow. Our service agents have been cleaning cars in temperatures 15 and 20 degrees below zero and we have not missed a beat. So congratulations to our operations team led by Joe Ferrero for the excellent work they've done, especially in the months of January and February.

The agenda is similar to my colleagues, Larry and Pat. We will talk a little bit about the business today, the market dynamics, and our growth drivers. But I would like to start and remind you when we were here two years ago that we were a dual brand strategy in North America, Avis and Budget and a lot has changed in the last two years, so I would like to summarize some of the changes that have occurred.

First of all, we have built and executed a strategy in the last two years. The execution of that strategy allowed us to drive $5.5 billion in revenue for the North American business, up 7.5%. It allowed us to deliver EBITDA of $550 million in North America and we are responsible for and accountable for 72% of the Company's EBITDA.

We achieved a 1% price improvement in 2013, the first price improvement year over year since 2009. We've restructured our truck business in late 2012 and into 2013. I'll speak more about that in just a moment, but it allows us now to drive sustainable double-digit EBITDA margin in our truck business.

We acquired and integrated Zipcar last March, March of 2013, and in just nine short months we increased the EBITDA of Zipcar 2 times its previous year. And we acquired and fully integrated Payless in 2013. So a lot has changed since we were here two years ago.

I want to talk about our -- which way do I point this, back this way? Okay, I will talk a little bit about our diversified revenue sources here in North America. You can see that we have now had a green piece of the pie, which is Zipcar in car sharing, our leading car sharing brand. But still pretty much divided between Avis and Budget with total revenue at 80%, ancillary revenue at 15%, and Zipcar making up 5% of our revenue source.

But I want you to focus on the chart that says airport and off-airport. Our off-airport business, by itself, is a $1 billion business and the off-airport, or what we like to call local market, services commercial clients and leisure clients. We are not focusing on the insurance replacement side of off-airport or local market.

Now let's talk about the balance of revenue between our segments. First of all, we have $2.2 billion in commercial revenue; 60% of that is under contract. Those are our large commercial customers and our midmarket commercial customers, and we have 19% of our commercial contracts which are small business. We will talk more about small business and its success in just a moment.

In our leisure side of the business we have $2.6 billion in revenue with 54% of that revenue is under contract. Under contract with travel partners, marketing affiliates, associations, and airline partners. And we continue to drive our mix and shift our mix to profitable segments.

If you look for example at opaque, it only makes up 5% of our volumes today and strategically we have reduced our opaque -- dependency on opaque by 16% in 2013.

This chart I think represents some of the customers that are part of our portfolio, whether they are corporate customers, travel customers, or airline customers. If you look in the corporate side, on the far right, you see customers like United Technology, Lockheed, CSC, U.S. Bank, etc. Again, 60% of our $2.2 billion commercial volume is under contract, under long-term contracts.

In the middle you see our airline partners. Every major airline partner is represented in our portfolio. And on the far left you see our travel partners, some of them membership opportunities like Costco Travel.

And the most recent new acquisition is AARP. We signed an exclusive agreement with AARP where they will provide their members Avis, Budget, Payless, and Budget Truck exclusively. We expect $70 million of incremental volume to come from this acquisition in 2014. All-in-all, in our $5.5 billion of revenue in North America we have $3 billion of it under contract, which drives sustainable revenue and overall profits for the business.

Let's talk about our fleet mix. And I know we will get into fleet more in greater detail when we talk about fleet pricing and residual values and pricing overall, but let's just talk about fleet from a high level at this moment.

We have a diversified manufacturing list and OEM partners and we did this for two reasons. First of all, we meet the customer expectations. We provide them the vehicles that they want to drive and the ones that they drive at home.

Second of all, it provides significant risk mitigation against any one particular make or model if it were to be involved in a recall. In 2013, our supply chain organization dealt with over 70,000 recalls in our 370,000 fleet and we didn't miss a beat. So the risk mitigation by having multiple OEM partners is important to our business.

Our risk and program mix is still about 65/35 or so, and it's all about flexibility. It's about allowing us the flexibility to react at certain times in the market and hit market peaks. And we will continue to take advantage of both risk offers and program offers as they come available.

And the last pie, the pie chart in the middle, I want you to focus on our specialty and premium fleet. We will talk more about this as a strategic driver in the difference that it has made in our business in just two short years.

Now let's talk about our portfolio. Again, when I was here two years ago we talked about the North American business as having a dual-brand strategy. Avis is premium and Budget is mid-tier. Now, with the acquisition of Payless in 2013, it allows us to execute against a good/better/best strategy in car rental.

And we have added Zipcar, the leading car share brand so we are well positioned in North America for growth. And we will get to our growth strategies in a minute, but I don't want you leave today without thinking that the North American business is a growth business. We are here to grow profitably and we will do that.

Now let's talk about all the effect over the last two years has had on our earnings and our profitability. First of all, our fleet costs went up 14%. We pegged to the investment community in early 2013 that we expected our fleet costs to come in around $300 and that's exactly where they came in, about $299.

We had fleet costs right. We had the residual values pretty much right. We had the depreciation rate correct and that's where we came in for 2013. So we have dealt with over two years a 14% increase in fleet costs.

But we've been diligent in our operational efficiencies, driving revenue, taking pricing, making sure we are managing SG&A, and we've lowered our overall SG&A cost by 5%. And while our fleet costs, our single biggest cost in our P&L, went up 14%, we were able to drive an 8% margin improvement over the last two years.

Now let's talk about our market dynamics. This is a picture of the North American business. Our volume is outpacing economic growth and will continue in 2014. Our leisure pricing has been strong over the last year and continues to be strong as we move into 2014.

Our commercial pricing, while we have been in a difficult negotiation environment for the last two years, is improving. Two years ago when I was here with you and sharing with you our commercial pricing, we were down 2%. In 2013 our commercial pricing was less -- was down less than 1% and we negotiated over 60% of our contracts in 2013 either at flat or an increase in price. So we are very proud of our selling team and what they are doing in pricing.

Our fleet costs are relatively stable and our Zipcar membership growth and our revenue growth was outstanding and our synergy benefits achieved in 2013 were on target. Kaye Ceille, our new President of Zipcar, will follow me and come up and give an in-depth discussion about our Zipcar business.

Now when we talk about market dynamics in North America, there's two things that everybody wants to know about and it's in every meeting, it's in all the discussions: what is happening with pricing, what's happening with residual values, what's happening with your fleet costs. So it's all about fleet cost and pricing on fleet had residual -- pricing and residual values.

Here's a historical look since 2008 where we see residual values climbing to a high or a peak of 87% in 2012. That was a great year. And we see them decline now in 2013 to 82% and we are pegging or forecasting our residual value for our fleet in 2014 at about 80%.

Now here's a secret I will share with you. When we sat in 2012 and did our planning, our 2013 plan, we thought we would lose about 3 points in residual values. We actually lost 5.

It normalized faster and, if you will recall, those of you who follow the industry closely, it normalized very fast in the second quarter of 2013. Now the beauty of that is it gave us six months to overcome that normalization and we still met the expectations that our board and shareholders had in our business plan.

So as we look at 2014 now we think our fleet costs have normalized; our residual values going to be about 80%, that's we are forecasting; and you can see the historical value at 79%. This is a graph that shows the last decade and it shows really the same details, leveling out at that $300 per car in fleet costs.

Now we forecasted that our fleet costs are going to be either flat to up potentially 3% in 2014, so $300 to $310 that's our forecast. In the last five months we've sold 30,000 cars and the residual values normalized in the second quarter. We were happy with what we saw in Q3. We were happy with what we've seen in Q4 and in the first two months of 2014.

Our fleet buy for 2014 is just about done. Mike has a few things that he is tweaking on the margin, so we are happy with the buy. We are managing the residual values and we will talk more about our fleet optimization tool in just a moment.

Now the one thing that I would like to share to be clear is that fleet residual value decline of 5% since 2012 that is not an ABG issue. That is an industry issue. Everyone in the industry selling late-model cars is dealing with the same issue, so the question is what are we going to do about it?

Take a look at this chart. This is an average family vacation, somebody going on vacation. The least expensive part of their vacation is car rental. It's 5% or less than their spend.

In fact, this is true for anybody that goes on a commercial trip. If they are going on a business trip. And the question is will anybody change their behavior for a dollar? That's what we are talking about. We're talking about realizing pricing at a $1 a day times the number of rental days we achieved here in the North American business.

In fact, when you leave here today and you go across the street to buy a cup of coffee at one of the famous retail chains, it will cost you more for that cup of coffee than we hope to achieve in pricing in all of 2014. We are just asking for $1 a day and we believe we deserve it. We believe we deserve it.

We do 88 million rental days in 2013. We will eclipse 90 million rental days in 2014 and our team is focused, laser focused on $1 a day across every single segment. Not just leisure, but our commercial segments as well.

Again, I, for one, don't believe anybody will change their travel plans for $1 a day or an average of $3 in a normal rental transaction. Everybody in our organization is focused on this.

We did a good job in 2013 by getting a point of price. It's the first time we got a point of price in five years. That's $0.48. It equates to $0.48. We are focused on a dollar.

Now we've given out an estimate in 2014 that we will achieve another point of price again, but we are not focused on a point of price. We've just simply focused on $1.

I would like to talk about the growth drivers. You have seen this chart from each of my colleagues, Pat and Larry. You saw this two years ago from Scott when he presented our strategic plan as a business about accelerating growth; expanding our footprint, whether it's globally or here in North America it means something different; putting the customer first; and drive efficiency throughout the organization.

These four pillars are consistent no matter what region you work in, but the execution of those pillars is a bit different. The North American business is a bit different.

Now these are the four things that we talked about two years ago: international inbound, small business, specialty and premium fleet, and ancillary revenue. In just a moment, I will share with you how we did over the last 24 months against these strategic initiatives.

But here is what is exciting, here is what's exciting. These four pillars the revenue per transaction is 20% to 83% higher than a normal rental transaction. They represent $1.5 billion of revenue in North America.

So if you can move these, you are significantly moving the needle and overall profitability of our company. And I, for one, am extremely excited about what we've accomplished but even more so I'm optimistic and excited about the growth coming in the future.

Let's talk about international inbound. You heard Larry talk about cross-border sales and how important it is for EMEA. It's equally important here in North America. It's higher revenue per day. It's longer length of rental. It's the highest ancillary penetration of any rental that we have.

In the last two years we grew this segment of the business 15%, 15% growth. And our focus on cross-border selling and the collaboration with Larry and Pat and Larry's team and now Stephen Wright in his new position driving cross-border sales from LACPAC into North America and vice versa gives us tremendous, tremendous excitement about the growth that's going to come in 2014.

And remember that the overall profitability on international inbound rental on each transaction is 83% higher, 83% higher than any other normal transaction. Small business; small business is a $1 billion opportunity alone here in North America. 19% of our commercial volume is small business today.

We have a tremendous relationship with our small business customers. We are creating loyalty with them and we believe we can move this from 19% to 24% in the next two years, shifting to the higher profit transaction. And when you compare small business to large commercial, it's $5 a day higher and somewhere in the $8 to $10 range higher as you compare it to our midmarket commercial volume.

What we have now branded as signature, our signature vehicle portfolio, has been nothing short of a home run. Two years ago when we were here we had less than 1,000 cars in this category; signature fleet, luxury fleet. Today we have 16,000 cars. About 5% of our fleet is in this category.

And take a look at the revenue per unit. Our average utilization is in the low 70%s, call it 70% to 73%. On a core car we are delivering gross margin of $650, but if you look at our signature for fleet, our luxury cars, the cars that certain percent of customers want to drive and are willing to pay for, they drive twice the level of revenue per unit, even with utilization 8 points lower. And the revenue per unit is better than twice our core vehicles.

This is a 90% growth in 24 months from 1,000 to 16,000 vehicles, and we will continue to reap the benefit as we add more and new luxury fleet with different OEM manufacturers in 2014 and 2015. In fact, this same strategic initiative we did a -- we pulled our Zipcar membership and 34% of our Zipcar membership said they will be willing to drive a luxury fleet at twice the hourly rate, 34%.

And some say, well, that's not a very big turnout. You don't need a lot, you don't need a lot. If 10% of our 860 Zipcar members are willing to move up to a luxury car in car sharing, we can double our overall revenue and profitability. And in fact, in New York right now BMW 5 Series is now part of our Zipcar car sharing model.

Let's talk about ancillary revenue. Ancillary revenue grew 2% and you might say, wow, that's not very high. Well, every dollar in ancillary revenue drops through at 75% to our P&L.

We did $6 a day on eligible days. Now we have -- we clarify eligible days on those customers that come to the counter or do not have a pre-described commercial relationship with everything included. If we just look at eligible days, our ancillary sales are near $12 a day. We made a 2% improvement and we will make a significant improvement again in 2014 and 2015.

We just launched our partnership with Sirius XM radio on January 1. 70% of our vehicles are now equipped with the capability to turn on and turn off Sirius XM radio depending on the customer want and desire. All the customer needs to let us know is that they would like it. We turn it on for a small fee and it's ancillary profit for our business. We are excited about the opportunity that we have to drive this category in 2014 and beyond.

Local market, I shared this with you. This is a great story. It's a billion-dollar business. We don't talk about it much. We simply just don't talk about it very much.

By itself, it's $1 billion business. It's 20% of the revenue or the turnover in North America. In the last two years, we improved revenue by 10%. We have co-branded our -- 73% incremental co-branding locations. That's Avis and Budget together sharing the same bricks and mortar. And our revenue per store increased 15% in the last two years.

In the last 90 days in major urban markets like here in New York City, every Avis and/or budget location is now a Zipcar pod. Again, putting our fleet closer to the customer, wheels when they want them, taking advantage of our infrastructure, our cost structure, and the ability to simply move the car, shift the car from an Avis car to a Zipcar car in the same parking lot. That's fleet sharing and Kaye will talk more about the synergies that we are going to drive in fleet sharing in Zipcar.

So local market a tremendous success story and continuing to grow for our business and into the future.

Now I want to talk a little bit about when we talk about expanding our global footprint, for us that meant acquiring Zipcar and for us that meant acquiring Payless.

Now Payless is a small business. It's a $100 million business today. In the scheme of things it's not going to move the needle, but Payless was really a breakeven business. We will deliver between 13% and 16% EBITDA for Payless this year in 2014.

The integration is complete and, most importantly, the deep-value discount brand is a fast-growing segment of the business. And by playing in this segment it allows us to protect our pricing and budget our mid-tier brand and to protect our Avis pricing. So we are very excited about this new entry with Payless into the deep-value discount brand.

Customer first, putting the customer first. We've had many initiatives over the last two years. The most recent is our second-generation mobile apps for both Avis and Budget, and mobile is growing 3 times the normal rate. So this is an exciting opportunity for us and we just launched our tablet app last week.

But when the customers have your brand in their hand, you create loyalty with the customer. And when they need you, when their plane is canceled, when they need to get home, they simply touch their app, go to Avis, and we are waiting for them. It drives loyalty and it's driving significant growth for the business.

Customer first; we talked about Select & Go, which is really our choice model in the top 50 airports here in the United States and in Canada. It allows the customer to exchange their vehicle.

We assign a vehicle to them. We tell them what space they are in. If they want to change it or they want a different color, a different make, a different model, they simply go to the exchange line, get in the car, drive to the gate, and they get their rental receipt at the gate.

Or they may want to upgrade to one of our signature vehicles, maybe one of our BMWs or Cadillacs or Escalades or Mustangs or Camaro convertibles or Yukons or Ford F-150 pickup trucks. How many people do you think like to rent a Ford F-150 pickup truck or a Chevy Silverado? In certain markets, like Texas, they love it. They love it, they love it. And we simply put them on our Select & Go line.

In 2014, we will launch our new points-based loyalty program for our very, very valued preferred customers, continue to drive loyalty with our commercial customers.

Now driving efficiency, this is another great story. Our truck business is a small business for us, $360 million business, but it was underperforming. It wasn't reaching the double-digit EBITDA margins that were expected by Ron, the Board, and our shareholders. In the fall of 2012 and in the spring of 2013, a group of folks got together and worked on building a new strategy for our truck business.

As you heard Ron say, we constrained the fleet. We reduced our fleet from 27,000 to 23,000 at the end of 2013. Our fleet will be reduced to 20,000 trucks by mid-2014.

We bought 3,000 new trucks last year. We will buy 3,500 new trucks in 2014 and we will have the youngest and freshest truck fleet in the industry. Our fleet will be gas 3.5 years on average and diesel 4.5 years on average.

We shut down unprofitable lanes. We shut down over 400 unprofitable stores and, because we refreshed our fleet and it's the freshest fleet in the industry, we took pricing up 7% in 2013 with the expectation of doing the same in 2014.

We took an underperforming business, made more money, more EBITDA margin in 2013, but most importantly, we have set this business on a path to drive sustained double-digit profit margins for the Company.

Now demand fleet pricing. We talked about this for the last, I don't know, 12 months, 18 months, but it's beginning to come to fruition. DFP, as we call it internally, is going to be a tremendous success story. Scott Deaver leads it for our team. Brian Dicker and Joe Siino on our pricing team are working with the organization in a three-phase rollout of DFP.

The first phase is pricing. That phase is almost complete. We have 64 locations using this model today for Phase 1 of pricing. We will add eight more this week until we get to the top 200 airports.

The fleet yield model will come in mid-2014 and then the demand forecasting will come in 2015. This will drive $50 million of incremental profit to the business. We are already seeing some of the rewards of this as we have implemented our first 64 markets on Phase 1 of the pricing strategy.

So, Scott, to you and to Brian and to Joe Siino and the guys back in Parsippany, thank you. This is a home run for us.

Utilizing technology with our fleet and optimization of our fleet lifecycle. We said we were pegging our fleet, forecasting our fleet to be somewhere in the $300 to $310 range in 2014, flat to up 3%. The difference here is about optimizing the lifecycle of the fleet.

This technology was in place in 2013. We were able to save $10 million in fleet optimization. We will continue to work this model with the team and try and do the same or more in 2014. A point of fleet difference makes a big difference in our overall P&L, so we will continue to focus on fleet optimization.

Alternative disposal channels, lot of talk about this in our industry. We sell about 160,000 cars on an annual basis. Previously we used the traditional auction method for 100%.

In 2013, 17% of our fleet sales were through alternative disposal channels. And in January and February through Sunday 26% of our fleet disposals were through alternate channels, whether it's Internet sales, direct to dealer, or direct to consumer with our partnership with AutoNation. And the AutoNation partnership allows us to capitalize on their bricks and mortar and their systems and their people.

We are in nine states today. We expect to grow another four or five in 2014, so our goal is to sell 30% of our fleet to alternative channels in 2014, reaping the benefits somewhere between $250-plus for every car that we sell.

So what does it look like for North America? North America is a growth business. We are an aggressive, bold organization. We expect to grow revenue 4% to 6%, volume at 3% to 5%, and pricing at 1 point. As I said to you, what we are saying -- what we have put in our business plan and what we are accountable for is a point of price.

What 20,000 people in North America are focused on is a buck. Less than a cup of coffee. We believe we earned that and we need to recapture that profit margin into our P&L.

We've talked about fleet costs, pretty stable. We feel great about -- especially as we came through the end of Q3, Q4, and the first two months of 2014. And we will continue to optimize and use our fleet optimization system to try and remain flat for calendar 2014. And we will continue to drive operational efficiencies to deliver incremental savings.

So where are we? We are a leading brand and actually have a good/better/best strategy now. Good with Payless, better with Budget, and best in premium with Avis.

We are profitable. We are delivering 10% double-digit margins for the business and we are accountable to do the same in 2014. We will aggressively target pricing in all channels. We can't just take pricing on the backs of leisure alone. It has to be leisure and commercial.

Residual values have gone away. While we've negotiated over the last years where we gave some of that back in pricing, it's now time to recapture it in our P&L.

We are focused on double-digit margins, which I have said, and we will use our strategic initiatives to drive the growth and profitability of the Company.

With that, it's my pleasure to introduce Kaye Ceille, the new President of Zipcar. Please welcome Kaye Ceille.

Kaye Ceille - *Avis Budget Group - President, Zipcar*

Thank you, Tom, and good afternoon. As Tom said, my name is Kaye Ceille. I'm the new President of Zipcar. I've been around for all of three weeks now, and if what Ron says is true, if I get a little bit of sympathy vote for my cold, I will take it.

But when I'm here to talk to you about today is a little bit about the progress we've made over the last 12 months relative to the synergies that we've taken and started to grow the brand. And then we will talk about what is more exciting for us, which is how we're going to grow the brand and the Company in the future.

I'm going to divide this morning into three parts. One, I'm going to tell you a little bit about who and what Zipcar is and a little bit about our membership. I'm going to talk about the synergies that we have outlined and where we are to date and how we are going to progress through 2015. And then we are going to finish up with what is more exciting to us, which is where we are going to take this brand in the future.

So I've got quite a bit to cover and a little bit of time, so let me just jump right in.

Zipcar founded and leads what is known today as the car sharing industry. It is a membership-based organization that gives our members access to cars by the hour for an all-inclusive fee. Our members use Zipcar for everything from the ordinary trip to the grocery store to the extraordinary trip, be it a honeymoon or a weekend away to a festival. In most cases, Zipsters use our Zipcars for their primary-use vehicle.

At the heart and the foundation of our service is our technology. Zipcar developed proprietary technology that enables all aspects of our service, including housing our membership data, allowing our members to book from any device that they like, selecting the exact make and model of their car, unlocking the vehicle when they arrive at the car, and completing the transaction as soon as they are finished.

Our systems and scale globally, processing one reservation every six seconds across multiple continents, countries, and currencies. As I said, our service is highly automated, allowing our members to access their vehicles on a self-service basis.

Our technology is key to our member experience. I'm going to talk a lot about our member experience because it is at the heart and the foundation of who we are at Zipcar.

We have the best network in the car sharing industry, delivering on our brand promise which is wheels when and where our members want them. We are a global company with thousands of cars in 36 major metropolitan areas and it more than 350 college campuses.

In the metropolitan areas where we exist, there's over 165 million people. Over half of them have driver's licenses and less than half of them actually own vehicles. We find that a remarkable opportunity for us to continue to expand their growth. All around the world Zipcar Zipsters can access and reserve any of our cars at any point in time anywhere around the world, and that is a competitive differentiation for us.

We are a trusted brand. Our members trust us because we have earned the status by delivering on our brand promise: wheels when and where they want them. This has led to some global notoriety from some of the key magazines and press from the likes of Time Magazine and Fortune magazine to name a couple.

That is important and I am very happy for free good press at any point in time, but the reality is there's one more score that is more important to us and that is our net promoter score. If you take a look at this chart, you can see we sit right next to the likes of Apple and Netflix. Again, it is our obsessive and relentless focus on our member experiences that allows us to deliver this high net promoter score.

As many of you know, net promoter is important because it drives loyalty to the organization. However, at Zipcar there's another benefit to us. Actually two of three Zipsters actually recommend us to a friend. That's important to us because we do have high membership growth rates and projections going forward, and we will use this as a strategic initiative to continue to increase our membership base.

It's a good segue to talk a little bit and very quickly about our membership. We have over 860,000 members and we add to that every minute. Our members range from anywhere from the Millennial generation up through the Boomer generation.

While we focus on every single life stage, we really do have a focus on the Millennial generation. As I said before, we are on over 350 campuses with a population of millions and millions of students that we have access to.

We have and continue to experience double-digit growth on our membership and the plan is for that to continue. In fact, our plan is to have 1 million members by 2015.

We are very excited about the Millennial generation so I want to spend just a minute talking about why we are so excited about this. There is a fundamental shift going on with regard to car ownership for this generation. More than half of these kids find car ownership too costly. This includes the cost of the car, fuel, insurance, and parking.

In addition to that, half would rather -- would drive less if they had other alternatives and most of them, like our Zipsters, are actually seeking out other alternatives to car ownership. A couple of weeks ago I was reading an article from Bloomberg magazine that reported out that Millennials actually prefer a 4G to a V-8. That means they are more likely to buy an iPhone than they are a car.

So Zipcar with our trusted brand and urban credibility and an entire generation of drivers who would rather buy a phone than a car, I think we are pretty set to take advantage of this opportunity.

How big is it? We think this is a $10 billion market and you can see by the chart how we divide the market across the different regions of the world. While currency and language may vary and may be different from country to country, the reality is the pain of circling around the block looking for a parking spot in these overcrowded cities is actually universal.

In the coming decades, it is expected that more than 2 billion people around the world will move into these urban areas and these city infrastructures simply aren't equipped and cannot accommodate a one car per person paradigm that exists today. We have the advantage of taking advantage of Avis Budget's global network and that will allow Zipcar to capitalize on the growth throughout the world.

This chart in front of you talks a little bit about the growth that we anticipate. It has been stated that the car share category is expected to add more than 10 million members by 2020. As you can see in the early couple years, North America actually takes the greatest amount of the share growth, but as we move forward into 2016, 2017, 2018 and beyond much of the growth comes in the other regions of the world -- in Asia-Pacific and in Europe.

Because Zipcar is the leading car share company and Avis Budget Group is global and has global coverage, we are well positioned to take advantage and hold our leadership in this segment of the business.

Let me move on to the synergy update for a moment. A little more than a year ago, we spoke a lot about the synergies between the two businesses. It's a classic one-plus-one-equals-three scenario. Zipcar's innovation plus Avis Budget Group's scale will enable Zipcar to reduce its costs and increase its revenue by bringing Zipcar to more people. We are nearly a year in to this initiative and I'm happy to say we are on our way to delivering against the plan.

Many of you have seen this chart already. This is how we categorize our synergy opportunity. It's divided into three buckets. It's divided into our cost initiatives, our revenue initiatives, and our fleet utilization.

As Tom mentioned earlier, in nine short months we hit every one of our cost objectives. On the revenue side, we added Zipcar to 28 airports and we are currently taking advantage of Avis Budget's urban network, adding Zipcar and sharing locations at more than 50 locations throughout North America with dozens and dozens and dozens of more possibilities.

Now the third category, fleet utilization, is a little more difficult so I would like to spend a moment talking about that. Let me talk about the one-plus-one-equals-three scenario. It's nowhere more apparent than right here.

As you can see from the chart, with Zipcar's highest period of demand actually is the opposite of when Avis's highest period of demand is. Simply put, we complementary demand patterns. By leveraging our technology, our locations, and our fleet management systems, we believe that there is $20 million in upside for Zipcar as we move forward.

Let me recap really quickly on some of the synergy opportunities that we have. We brought Zipcar to more people by launching six new markets in the last nine months and we have at least three more to go in the coming months. We've brought Zipcar to 28 airports with a goal of doubling that by year-end and we've lowered our costs by leveraging Avis Budget Group's vast resources.

We have also begun to increase leveraging Avis Budget Group's partnerships and corporate relationships to increase both our membership and revenue. We've had a few wins so far, but quite honestly, we just barely scratched the surface here.

When is all this going to happen? As I said before, and as Tom had mentioned, in just nine short months we realized $20 million worth of synergy-related savings from the actions we took in 2013. By the end of 2014, we will have doubled that number and by the end of 2015 we will meet the commitment of the $50 million to $70 million in synergies that we promised back when we acquired the Company.

So now the fun part; how are we going to grow this company and the brand? There are really four categories that we segment into where we see the growth opportunity: expand within current markets, broaden our product and services, add new geographies, and extend our technology in order to have a competitive advantage.

I will take a few seconds on each of these and walk you through what we are doing. First and foremost, we're going to expand within current markets. As I mentioned before, we have an aggressive goal to increase our membership, in fact increasing our membership base to 1 million by 2015.

We are currently leveraging Avis Budget's largest relationships to promote Zipcar in and around those organizations, and we are increasing fleet availability in our existing markets to start to capture that unmet demand that we have talked about the past.

Finally, we have a product called FastFleet. FastFleet is a program that allows other organizations to leverage our technology in order to manage their own in-house fleet.

The second area for growth, now this one is very, very exciting for us because this is something our members have been asking for. We are getting ready to launch Zip One-Way later this year. We are making a significant capital investment in order to allow our members to zip one-way by the minute, from pad to pod, city to city, and to and from airports.

Again, our members have been asking for this. It is a significant revenue opportunity for us and does give us a competitive advantage against others.

There are other developments we are working on, which include doubling the premium and specialty vehicles we have in our fleet. Again, not only is this a profit driver, this is also something our members have been asking for. And we will rollout more -- we have already rolled out more flexible mentorship options for those members who want to join their club but they are more of a light user than our normal member.

The third category is adding new geographic markets. As I mentioned before, we will continue to add our award-winning service to new markets in North America. We have already launched in six markets in the last nine months and have three more on the way. That's higher than the previous year's average, which was actually launching two markets per year.

Our expansion plans include adding 30 to 40 new universities on an annual basis and, as Pat and Larry have already stated, we see a tremendous opportunity for Zipcar in cities around the world. And, finally, we will extend our leading technology and we will build our award-winning technology with the purpose of enhancing our member experience, making it easier to join our clubs, drive our cars, and find parking.

Then, finally, we will streamline the management of our fleet in order to be more efficient and improve on the number of fleet that we share with Avis Budget Group. We are updating our apps to enhance the member experience, which includes allowing the member to rate both the condition of our vehicle as well as the service that we provide. All of these initiatives, plus others, are designed to continue to enhance the member experience, which will increase or maintain our very high net promoter score.

All-in-all we have four key objectives for 2014. One, we're going to continue to drive loyalty amongst our members by enhancing the experience and delivering on our brand promise: wheels when and where they want them. We will continue to expand in new markets in North America and overseas. We will deliver on the synergy targets that I spoke about a minute ago and we will continue our double-digit growth in terms of revenues and memberships.

I would like to close by saying how excited I am to take the wheel here at Zipcar. In the short time I've been here, I've started to begin to understand the power that this brand has. It was either Pat or Larry, I think it was Larry, that mentioned earlier that even where Zipcar doesn't exist the brand name is recognizable. It is remarkably powerful.

I believe we just began to scratch the surface for the future of Zipcar. And as part of Avis Budget Group we will be able to deliver on our promise -- wheels when they want them -- to more people in more cities, in more countries for the coming years.

Now thank you for being here today. At this point, I would like to ask Tom to come up and we will answer your questions.

QUESTIONS AND ANSWERS

Unidentified Audience Member

First, $1, that buys a pretty bad cup of coffee. I don't even think Neal Goldner would drink that and that guy drinks anything with caffeine in it.

Tom Gartland - *Avis Budget Group - President, North America*

I was talking $1 over a three-day rental.

Unidentified Audience Member

Yes. First, a question on the residual value projection that you have made on the slide deck there going from 82% to 80% in 2014. I was curious if you had any assumption for new car pricing behind that.

Any level of -- there have been some signs that the OEMs are showing some slippage on their discipline, something that Ron I think mentioned earlier was an important part for some of the tailwinds we have had. Just curious if there's any expectation of new car price decline because used and new go together.

Tom Gartland - *Avis Budget Group - President, North America*

The 2014 buy is just about done, we are just tweaking on the edges now, and we are comfortable with where we ended up in the 2014 buy. So I think we are just fine there and we are meeting the expectations that we had going into the year. So for us now that's behind us and we are very comfortable, so the issue for us now is residual value and whether that's going to drop 1%, 2%, or 3% or 79%, which is the real historical value since 2008.

So that's what we are focused on and that's why it's very, very important to optimize use of technology, to optimize fleet. We talked about being able to save $10 million in 2013. We are working on that. We meet on a regular basis to do the same on seasonality: when we bring fleet in, when we get rid of fleet, timing of fleet program versus risk. So we are managing that process very well.

We had a 2 point drop in 2013, more than we expected, in residual value and we were able to overcome that when we finished the entire year. So fleet buy we are good. I think we are happy with where we ended up against our expectations and we are forecasting residuals at the 80% (inaudible).

Unidentified Audience Member

Tom, I was hoping you could talk a little bit more about price. I appreciate the passion about the $1 a day you want to achieve, but on the corporate side I know you started some initiatives last year to kind of change some of the salesforce compensation.

I was wondering if there's anything more on the corporate side you are doing to pull back and be more disciplined there. And then any qualitative comments you could give about what you see from your competitors as it relates to just their discipline in the market on the corporate side.

Tom Gartland - *Avis Budget Group - President, North America*

Well, let's start with -- if we may, with we think this is an industry issue. So if residual values have declined 5 points in the last two years since 2012, then everybody is dealing with that in their fleet. Whatever number of risked cars they have they have to deal with that in their fleet, so it makes sense that everybody in the industry should be focused on recapturing profit margin back into their P&L.

As far as the commercial customers go, we negotiate these over a two- or three-year timeframe. So a customer -- we sign a customer in 2013 and it's a three-year contract, so it takes time to move through $2.2 billion in contracted commercial -- in the contracted commercial portfolio. So I think the most telling thing is in 2012 what we renegotiated or renewed with our commercial clients was down 2%.

In 2013 we were down 0.7 points, so we made a pretty big jump in our renewal rates in 2013. Now 60% of those customers renewed at flat or with a slight increase. We changed the compensation program. We are very disciplined in our approach as we renew every single account, and we won't be used as a stocking horse and we won't discount the value of our premium service.

We've maintained retention rates in the high 99 percentiles over the last couple years. We still are doing very well in commercial account retention, but we just simply are not going to renew a customer for renewal's sake if it doesn't meet our profit expectations.

It's a work in progress, really, but it has come a long way. And I think the most important thing is the residual curve changed during that 2012 and the first quarter of -- sorry the second quarter in 2013. It's going to take our industry time to recapture that on the commercial side.

Unidentified Audience Member

Thanks. You mentioned that volumes outpacing economic growth and I assume by extension employments. If you look at longer-term trends, then growth is more being in line with employment trends. So I guess where do you see the difference; is it mix, share gains, length of rental increase, or is it your off-airport business driving it?

Tom Gartland - *Avis Budget Group - President, North America*

It's all of the above. That's why I really wanted to go through each of the strategic drivers, so let's just deal with, for example, our signature fleet.

Two years ago we had 1,000 cars in that category. Today we have 16,000 cars. The ARPU is $2,000 or more per vehicle. The margin on it is $1,400, $1,500 -- 2x, 2x-plus what our core fleet is -- so we have added fleet incrementally to it.

In addition to that, our marketing team has put on the website in our top 200 -- sorry, our top 100 airport markets for both Avis and Budget. When you go online, type in Orlando, what's going to come up is not the A car for -- the least expensive car we have in our fleet. What is going to come up on that screen is our signature fleet, the signature fleet that we have available, for example, in Orlando. That's driving incremental -- tremendous incremental revenue and incremental profit.

Local markets growing in the mid-single digits, 6%-ish, 7%-ish in local market over the last two years and that's a billion-dollar business by itself, so it's growing substantially. Inbound is up double digit, 10%, with 83% higher revenue per transaction. And then we are adding the right profitable accounts, like AARP, where we are going to drive $70 million worth of incremental revenue.

We have taken 16% out of in opaques. We actually shifted to one opaque provider and really left about $100 million of opaque volume so that we could use -- we could drive retail volume, which is more profitable. Use our cars for retail volume, which is more profitable. So it's all of those things that's driving our growth.

Then you got to add Payless to it. That's an opportunity. We had 12 locations when we started. We have 18, we have 19 locations now. We will continue to add Payless to locations wherever we work with the airport commissions, primarily in leisure markets.

And we have integrated that business fully into ABG, so the backend is fully integrated. It allows us to cascade fleet to them and we've taken a business that had a zero, 1% EBITDA margin to 15% this year. So within six months. So all those things are helping us drive growth on the top line and secure our margins at double-digit rates or better.

Unidentified Audience Member

Tom, could you just comment on what you are seeing industry-wide with respect to fleeting trends year-to-date?

Tom Gartland - *Avis Budget Group - President, North America*

I think we saw some over-fleeting by admission in Q4 by one of the competitors, so we dealt with that. I think we did fine in the fourth quarter. I think the first quarter is -- we are just starting now to -- we really haven't even had a normal commercial week this whole year. We've had a snowstorm or an interruption or some kind of problem every week this year since the beginning of January.

But what we can tell you is we think the fleet is about right; our competitive fleets are just about right. If anything, I think we are gaining a little bit of volume because one of the competitors is tight right now and I think that's driven from the snowstorms maybe tightening up one of the competitors in the marketplace.

So I think the over-fleeting issue is taking care of itself and will wash by the time we get to mid Q2. Then we are all going to compete on our value proposition and our customer service execution.

Unidentified Audience Member

Can you just talk a little bit more about that pacing of those commercial contracts? Because I wanted to know whether it's a third, a third, a third over a three-year period so that there is a natural pricing improvement over the next couple of years that we should be forecasting or looking towards.

Then, secondarily, what percentage of your customers are no-shows where they just don't show up; you don't charge them? And how is that changing over the next few years?

Tom Gartland - *Avis Budget Group - President, North America*

Both good questions, so let's try and deal with the commercial question first. It is about a third, a third, a third. What can interrupt that pattern is when you have a very large customer that has a -- is significantly larger than the rest of the pattern. But a third, a third, a third.

And we will continue to be diligent and disciplined in our process. We certainly don't see residual values going back to 85 or 87 in 2014 and 2015, so we need to recapture that.

As far as no-shows goes, it depends on which business segment that we are talking about. We do not charge a no-show fee; that is true. Our system for our commercial customers holds the car for a period of time.

We track their airline. If their flight is canceled, they will rebook or notify us. That releases that car so it's available for another client or another customer.

We have implemented prepay in all three of our brands: Avis, Budget, and Payless. And in Avis and Budget if you give us 48-hour notification, we don't charge you. But if you just simply don't show, we do. And in the Payless execution, we charge you for the full rental.

That has had an effect, about a 5% or 6% effect on reducing our no-show rates overall, so that's the way we are getting ahead. We are providing the customer a discount to book and prepay so they have a guaranteed vehicle when they get there, but we don't have no-show fees in place now and we don't contemplate --.

Unidentified Audience Member

(inaudible -- microphone inaccessible)

Tom Gartland - *Avis Budget Group - President, North America*

It's in the, I would say in the high teens. High teens to 20% overall.

Unidentified Audience Member

I think you guys deserve more than $1 a day and I'm just wondering in particular because --.

Tom Gartland - *Avis Budget Group - President, North America*

Come with me and join us.

Unidentified Audience Member

-- car rental is the only area of the travel industry that I'm familiar with where pricing hasn't reached a new cyclical high. Certainly in the case of airlines the revenue per available seat mile has and, in the case of hotels, revenue per available room night has reached a new high.

If I'm not mistaken, rental price per day is still multiple percent below the prior peak. And so I'm just wondering what constrains your ability to take more price and how aggressive are you willing to be in the near term to get pricing to where it ought to be?

Tom Gartland - *Avis Budget Group - President, North America*

First of all, thank you; I agree with you. But let me start out with this is that -- a little bit different than the airline industry and the hotel industry is that our fleet became more valuable in 2011 and 2012. We had a natural residual value in the fleet. We saw that in our P&L and we gave some of that back in negotiations with commercial customers, as this gentleman's comment, and/or to leisure customers as well.

So now that that has normalized, that 5 points, in our P&L that's $150 million. So now that that has normalized, the opportunity to capture pricing is real, and it's an industry phenomenon.

So the airlines and the hotels got there a little faster. We had the benefit of higher residual value fleet -- our industry did for a few years. But now that is just normalized.

As far as how aggressive are you going to be, look, we have taken -- how many price increases, David, in 2013? 17 price increases. We led 17 price increases in 2013. We took two in January, two in February, another one in March.

But once you put that in, then you put it in and we are pegging our premium, mid-tier, and deep-value brand, and then we watch what the competition is doing as well. So it's a fine line, but we are aggressive and we'll continue to be aggressive in driving overall pricing.

Unidentified Audience Member

Are you seeing any evidence of demand elasticity? You mentioned that people won't change their travel plans for a small price increase and a 5% share of budget. It makes perfect sense to me. Are you seeing any evidence that you shouldn't be even more aggressive, taking price?

Tom Gartland - *Avis Budget Group - President, North America*

Where we see the brands that participate in the same tier, when we take pricing and those brands take pricing as well, our pricing is usually a $5 a day, $30 a week price increase; we see that pricing holding fairly well. So we are part of an industry, but $1 a day across -- certainly seems more than fair and I am glad you agree.

And you do the multipliers, it's like Ron's overhead when he started out. We will do 90 million rental days in 2014 here in North America. That's -- if you get $1, it's $90 million drops through to the P&L.

Unidentified Audience Member

Question for both Tom and Kaye. I guess first for Tom, where are we -- and I know you mentioned that from a fleeting perspective now everything is roughly in line. But where are we longer-term in terms overall capacity, overall fleet supply in the industry? And where could be -- with regards to where Avis is going on fleet supply, but also more broadly for the industry, how much more work needs to be done to take out capacity?

I would also ask for Kaye, how would you characterize overall supply within the car-sharing market and how that plays out over the coming years?

Tom Gartland - *Avis Budget Group - President, North America*

All right. Kaye, I have answered the last few. Why don't you start? Go ahead and start now.

Kaye Ceille - *Avis Budget Group - President, Zipcar*

How would I characterize the oversupply in the car-share?

Tom Gartland - *Avis Budget Group - President, North America*

Overall supply.

Kaye Ceille - *Avis Budget Group - President, Zipcar*

Overall supply in the car-share industry. I think, as I think about that question, it's really about how you utilize the fleet. If you look at Zipcar, for example, is on a classic -- if you look at car rental, we would be overfleeted during the week and underfleeted on the weekend.

I don't think our competitors are much different than we are. So that is something that we can fix in time, over the course of the next year, relative to fleet sharing with Avis and Budget, which gives us significant opportunity.

Tom Gartland - *Avis Budget Group - President, North America*

I don't know how far forward I can answer that question. I can say that 2014 is basically behind us. Mike and I were in Detroit last week, begin initial discussions with two of our OEM partners. We feel that we're going to have no issue getting the right supply.

Then it is all about a negotiation on the right price, and the right program or risk. Any further than that, I really can't answer.

I would say from a supply standpoint, to your comments and that we have taken down the fleet in Zipcar about 20% in the last year, so we are beginning fleet sharing now. We shared 625 cars this weekend, as an example, here in the Northeast category -- or Northeast; and we think there is an opportunity to share in the 2,000-car range this summer.

One of the things that allows us to do -- or the partnership between ABG and Zipcar now is Zipcar was capital constrained. They weren't able to fleet up for the 12 weeks of summer. We are, and we're able to do that by sharing fleet back and forth.

So last year, Zipcar's fleet in this area in the Northeast was up 12%, so we're beginning to meet unconstrained -- or constrained demand that was in the marketplace. We are forecasting this summer to be up 20% or more by sharing fleet back and forth between the two organizations.

Much more then, 2015, I really can't answer.

Neal Goldner - *Avis Budget Group - VP, IR*

Tom, Kaye, thank you. We're going to take another 15-minute break and then we will come back and David Wyshner will present. Thank you.

Tom Gartland - *Avis Budget Group - President, North America*

Thank you.

PRESENTATION

David Wyshner - *Avis Budget Group - Senior EVP & CFO*

Good morning. It's a real pleasure to see so many familiar faces here today. Thank you again for coming. Thank you also to Neal and Matt and the team they assembled for making today happen. I know they put in a lot of long hours preparing for this event.

I would also like to think my colleagues, Larry, Pat, Tom, and Kaye. I really appreciate your willingness to devote time to helping with our Investor Relations efforts.

Thanks also to Gerard Insall, our Chief Information Officer. I asked Gerard a few weeks ago if there was a way, without spending any money, to demonstrate some of the investments we're making in customer-facing technology. I think the video that we just showed did an excellent job of highlighting the increasing importance of technology in our business.

As you have no doubt figured out by now, we as a management team are extremely enthusiastic about our Company's prospects. We are dedicated to moving Avis Budget Group forward. My comments today will focus on four key areas: our business today, some key drivers of our performance, our expectations for earnings growth, and the substantial free cash flow we generate and how we plan to deploy it.

We are a leader in the global vehicle rental industry with more than 500,000 cars and trucks that generate 35 million rental transactions and $8 billion in revenue each year. Our revenues are diversified along a number of different axes, whether it is by brand, customer type, location type, or geography. In fact, our brands operate in more than 175 countries around the world, often with the leading position in the market.

We have a highly variable cost structure. This includes the ability to adjust the size of our fleet fairly rapidly in response to changes in demand.

This inventory flexibility differentiates us from most other companies in the travel industry. It helps us accommodate the seasonal ups and downs inherent in our business and also buffers our exposure to economic cycles.

As a result of our highly variable cost structure, changes in pricing have a larger impact on profit than volume or other drivers do. A 1-point change in pricing can offset about 3 points of increased fleet cost; or put another way, a 1-point increase in pricing adds nearly $50 million to our EBITDA, which is why everyone you heard from today is so focused on driving rate across our business.

While pricing is particularly impactful, this slide highlights that capturing customers, managing fleet costs, and maximizing the productivity of our vehicle assets and our workforce are important as well. Our efforts in all of these areas have really made a difference. We have grown our EBITDA nearly at a 25% annual clip since 2010, and we have expanded our margins over that period by 22%, or 180 basis points.

Our earnings growth has allowed us to strengthen our financial position. We have cut our leverage nearly in half since 2009. As a result, we are now well within our targeted leverage range; and as I will discuss in a bit, our projected earnings growth should move us to the lower end of the range even without any reduction in our net debt.

But before I go there, I want to level-set by spending just a minute reviewing our recent results. We had a strong 2013. We came into the year knowing that we had a $125 million headwind from very low fleet costs in 2012. This ended up being compounded by a dip in vehicle residual values last spring.

Combined, we had a $190 million increase in North America per-unit fleet costs. But due to the benefits from our revenue initiative, increased pricing in North America, acquisition synergies, and operational efficiencies, we were able to generate $769 million of EBITDA, excluding items, in 2013 -- our second-highest total ever. As each of our speakers today has discussed, our revenue synergy and operational initiatives were important not only to our 2013 results but also to our future earnings growth. In fact, I consider one of our objectives in meeting with you today to be putting a spotlight on the global performance drivers -- the deliverables, if you will, that underlie our strategies.

If you noticed similarities among Larry's, Pat's, and Tom's presentations, and I am sure you did, they were not by accident. Our strategies are global, even though much of the execution against those strategies is regional.

Today I want to discuss five important drivers of performance, of our financial performance, each of which is part of our execution against two or more of our global strategies. For example, our initiative to deliver profitable revenue growth enables our global expansion and accelerates our growth.

Our focus on process improvement allows us to deliver customer benefits at the same time that we drive efficiency. And investing in technology impacts just about everything we do.

So let me discuss some of these performance drivers in a little more detail. The 2008/2009 recession caused us to take a hard look at our business. We examined which transaction types really drove our profitability and which were simply generating revenue, but not necessarily margin or profit growth.

We looked at our entire business and developed some outstanding analytical tools that didn't have the biases that can be associated with conventional wisdom. What we learned significantly changed how we approached various parts of our business: increasing our focus on more profitable segments, channels, transactions, and customers; deemphasizing others; and identifying margin issues and opportunities. The effects of our actions were fairly dramatic.

We took a more aggressive approach to expanding our base of small business customers and have grown it to the point where it now represents approximately 20% of our commercial revenue in North America. We invested in our premium and specialty fleet, which generates incremental revenue well in excess of its incremental cost; and we more than doubled the revenue we generate from these vehicles.

We put resources behind our international inbound and outbound efforts, the most profitable customers we have, and again more than doubled our revenue in this channel. At the same time, we shrank our volume of opaque rental substantially and took steps to ensure we were not carrying fleet to meet opaque command.

We halted our efforts to expand in the insurance replacement market and closed unprofitable stores. Just as importantly, we took actions that substantially improved the profitability of the insurance replacement volumes that we decided to keep.

Our profitability analyses continue to drive our actions, whether it is our focus on improving contracted commercial pricing or other areas that we are not yet willing to discuss publicly.

Next among our global performance drivers is our focus on process improvement and cost control. This goes beyond making sure that the costs we took out of the business during the recession don't creep back in.

We have increased our rental transactions per employee by 9% since 2007. We are generating roughly $50 million a year in incremental savings from our Performance Excellence efforts as a result of having teams in place around the world. We are increasing our use of shared service centers, and we are maintaining a relentless focus on controlling costs.

We are also making targeted investments in technology, not only to drive incremental revenue and profits but also to improve the experience we offer our customers, to strengthen our infrastructure, and to support future growth. For instance, we've reengineered our Budget websites in Europe to drive higher traffic and conversion; we have updated our mobile applications to enable greater functionality. And we are embarking on a multiyear program to modernize our core Wizard system, which once completed, should lower our costs and increase our agility.

Our technology efforts are also supporting the expansion of our global footprint. For example, Wizard should be available to our joint venture operations in China in Mandarin later this year.

The fourth performance driver I would like to discuss is acquisition integration. On the acquisition front, our activity over the last seven years has been concentrated in the past three years with the acquisition of Avis Europe in late 2011, of Apex in 2012, and of Zipcar and Payless in 2013. For us, the expansion of our global footprint is financially attractive because of our ability to identify and realize acquisition synergies.

We consider transaction integration to be a long-standing core competency. When we acquired Budget, we beat our synergy target by nearly 40%. We are on track to exceed our Avis Europe synergy target, which we raised once already, by over 15% as we have continued to identify opportunities for margin improvement in Europe.

And Zipcar and Payless have been in our crosshairs over the last year. As Tom and Kaye mentioned, we have taken numerous actions in Zipcar to leverage our Avis Budget infrastructure, and are on our way to $50 million to $70 million of synergies there. We are expecting annual synergies from Payless equal to 30% of our $50 million purchase price.

The last deliverable I want to discuss is one of my personal favorites, optimization. With a fleet of over 500,000 vehicles worldwide, optimizing the millions of fleet decisions we need to make represents a significant opportunity to add value.

Some of the fleet decisions we make are ones that you are well aware of, such as risk versus program purchases, and which channels to sell our risk cars in. But there are many other decisions we have to make: what makes and models to buy, when to in-fleet certain vehicles, where to position them, how long we should hold each vehicle, and when and where to sell cars.

While our fleet folks are some of the best in the world, the significant number of variables involved really lends itself to a system that can optimize all of these decisions. Our investment in optimization technology and processes is already generating savings, and we estimate the benefits will reach at least $30 million a year by 2015.

We are building on our fleet optimization work as we think about yield management. We believe we have a significant opportunity to improve pricing over the coming years.

As we have discussed already, the fact is the average cost of a plane ticket has increased almost 25% since 2009, and the average rate for a hotel room has increased 30%. But the average rate per day we receive from our customers, these very same travelers, is down 4%. It is clear the traveling public is willing to pay more to get where they need to go; and we believe it's time that some of that willingness to spend should accrue to our benefit.

We made some progress on increased pricing in 2013, particularly on the leisure side, but we believe there is more work to be done.

In the commercial side of the business, we have a two-pronged approach. First, we are focused on growing our uncontracted commercial account base, particularly small business customers, and inbound travel to improve our mix. Second, for our contracted commercial business, we are negotiating hard on renewals to start moving pricing up.

But on the leisure side of our business, we have another optimization opportunity. We started by automating elements of our yield management activities to allow our pricing experts to focus on pricing strategies rather than spending much of their time on execution. We are currently investing in yield management tools that we believe will be the most sophisticated in the industry.

Over time we see this work as being worth a point of price and a point of utilization. In dollar terms, that means close to $50 million of annual benefits by 2015.

The net result of our plans to execute against our strategic initiatives is that we're looking to achieve earnings growth that significantly outpaces rental car demand growth. Of course, that game plan isn't new-news. This slide, which details the benefits we are expecting from key initiatives, is one that we have been showing you for nearly a year now.

It underscores how we get comfortable in our ability to achieve our goal of $1 billion of adjusted EBITDA by 2015. So we thought today was the perfect opportunity to update you on our progress.

Our plans for Phase 2 European synergies are largely unchanged. We have augmented the $50 million to $70 million in Zipcar synergies with $15 million of Payless integration benefits; and our expected savings from operational efficiencies have increased by $25 million. What the red boxes show is that each of these initiatives made a positive 8-figure contribution to our earnings in 2013, and yet they are still in their early stages.

First, Phase 2 of our European integration efforts contributed $20 million to EBITDA last year. As you heard from Larry today, we continue to forecast $65 million to $75 million in benefits by 2015.

The ramp-up of our Zipcar synergies will take place in 2013, 2014, and 2015. Most of the benefits from Payless should be realized within the first year of our ownership.

Our operational initiatives are generating substantial contributions: over $30 million in net benefits in 2013 alone, with another $80 million that we think is achievable over the next two years from fleet optimization, yield management, performance excellence, and other process improvement work. All told, these three major initiatives generated more than $60 million of savings in 2013, with even more expected to be achieved in 2014 and 2015.

As a result, and subject to the usual anxieties about predicting the future, here is how we see the next two years unfolding. As we discussed on our earnings call last week, we are forecasting adjusted EBITDA, excluding items, of $825 million to $900 million in 2014. The midpoint 12% growth comes from a combination of global demand expansion, continued double-digit growth from Budget, and pricing that we expect to be up approximately 1% in North America, partly due to our mix and yield management initiatives.

We see $55 million in incremental earnings from integration activities. Our fleet optimization work should largely offset the roughly 2-point lower residual values that we anticipate, and incremental tax benefits will partially offset non-vehicle inflation. At the risk of repeating myself, this boils down to our executing against initiatives designed to allow us to grow earnings faster than volumes.

The same should be true in 2015. Our revenue increase will again stem from a combination of global volume growth, increased North America pricing, continued expansion of Budget, and incremental yield management benefits. We foresee an incremental $55 million in synergy from acquisition integration as we get a full-year benefit from actions taken in 2014, plus a part-year benefit from 2015 work. We are looking for fleet optimization to largely offset normal fleet inflation and for incremental tax benefits to partially offset non-vehicle inflation.

At the midpoint, then, we expect 15% growth to $1 billion of EBITDA in 2015. Importantly, if we are able to hit the higher end of our targeted benefits from our European integration and yield management, that could allow us to achieve $1 billion of EBITDA in 2015 even without the Zipcar synergies we are working on.

At its core, our business is a cash business. Our earnings growth over the last few years has brought with it a significant increase in our free cash flow.

We generated $460 million of free cash flow in 2013, or almost exactly $4 per share. Our free cash flow was in line with our pretax income, particularly if you back out the roughly $50 million timing benefit of cash flows we had in our International segment in the fourth quarter.

We used a third of our free cash flow to repurchase more than 5 million diluted common shares, which came in the form of convertible debt repurchases and straight share repurchases. Another third of our free cash flow went to acquisitions, primarily Payless and a stake in our licensee in Brazil, as well as integration-related activities. And a third went to our balance sheet in the form of debt repayment and an increase in our cash balance. By the way, these figures exclude the acquisition of Zipcar, which was financed with incremental debt borrowings.

Looking ahead, we expect that the substantial majority of our pretax earnings will continue to translate into free cash flow. Our capital expenditures will be a bit higher than they have been in the past as we invest in technology, and we don't expect to be a regular federal cash taxpayer in the US in 2014 or 2015. As a result, over the next few years we expect to generate nearly $1 billion of free cash flow or over $8.00 per share in aggregate.

With our net leverage able to move down toward the lower end of our targeted range solely because of our earnings growth, our planned uses of free cash flow in 2014 and 2015 are straightforward: share repurchases and tuck-in acquisitions. Tuck-ins will most likely be acquisitions of licensees who operate within or contiguous to areas where we currently operate. They could also include small brand acquisitions like Apex and Payless.

On the share repurchase front, we ended 2013 with $150 million of authorization remaining, and we continued to repurchase shares in the first six weeks in 2014. We will probably look to increase our share repurchase capacity before we use up the existing authorization.

Our debt maturities are in good shape. We have $2.7 billion in net corporate debt and, excluding our well in the money converts, we have no maturities until 2017.

Importantly, though, our P&L is being negatively impacted by $900 million of existing high-cost debt. We anticipate redeeming our 8.25% notes later this year if conditions remain favorable, and there should be a significant rate benefit associated with that refinancing.

To summarize, I and we are enthusiastic about our prospects. We remain focused on profitable growth, and we have multiple opportunities to drive that growth.

We expect to grow our EBITDA to $825 million to $900 million this year and to reach $1 billion in 2015. We generate substantial free cash flow, nearly all of which we expect will go to tuck-in acquisitions and share repurchases. Thank you again for your interest in our Company, and it is my pleasure to reintroduce our Chairman and Chief Executive Officer, Ron Nelson.

Ron Nelson - *Avis Budget Group - Chairman & CEO*

I hope you found this morning's presentations a useful and productive use of your time. You know this is a tough event to get ready for; you guys are a tough audience. We like to be on our A game. And I hope you walk away knowing more about our Company, and about our management team, and about our business than you did.

We have spent the last three hours or so talking about 2014 and 2015. I thought maybe I would step back a little bit and give you 5 minutes on what I think the future direction of our business is, well beyond 2014 and 2015.

The way I would like to do that is through a very thoughtful article that was in the New York Times about six weeks ago. It was an interview with Arne Sorenson, who is the CEO of Marriott. He was talking about the challenges that he faced in growing the Marriott brand.

Now, Marriott is a lot like Avis in terms of the business that they do and the customers that they have. And as I read it, I finished it saying: geez, you could take Marriott out of this article and put Avis Budget in it, and almost everything would still ring true for it.

I actually have taken this article now and I've socialized it with our senior leadership teams in every part of the world, because I do want them to think about where our business is headed, in addition to how we get margins up and how we generate profit. But I do think we ought to keep our eye on where the business is headed.

When you read the article, Arne Sorenson's basic assertion is that our brands are boring. You know, I guess I could say that about the Avis and Budget brands. They have basically been around for a long, long time. Their basic appeal is to the Baby Boomers, but probably not much beyond, unless you are a Millennial that really has to travel and use Avis and Budget.

He was making the case for change based upon the evolving demographics. And the statistic he used, which I think is one that we think about a lot, is that within the next five years a third of the traveling public is going to be Millennials.

And they are a different group. They actually are more globally minded than the Baby Boomers are. They respond to brands differently.

They grew up with technology. Technology is a big part of their life. It hasn't been a big part of the Baby Boomer's life.

And the marketing message that they want to hear and that they respond to is different than the marketing message that Baby Boomers respond to. So I thought about that, and I go: well, gee, that is kind of like our business as well.

So what did they do? I think it's interesting.

Well, they expanded the range of brands that they own. They acquired the Ritz-Carlton; they went high-end with luxury; they opened up a lot of discount brands over the years, so that they could increase their basic appeal to the existing customer base.

The other thing they did -- and I would say that's not dissimilar from what we did in terms of acquiring three more brands that spread out our effective addressable market. The other thing that they did that he talked about was they changed the marketing message to one that was really less about service and how big and how great they are to one about a lifestyle message.

And when I think about that, while we haven't abandoned the We Try Harder message by any stretch, we have changed our marketing message slightly in the Avis brand. It really is more about lifestyle and how you use our cars and what you use our cars for, as opposed to the service proposition that we are going to guarantee you.

But as you read out in the article, they actually -- they felt that they needed more. I think the line that he used was: we need to move from a sea of sameness to a world of differentiation. So what they did was they partnered with Ian Schrager; they bought 50% of the EDITION hotels, and they got Ian Schrager to design and build hotels for them.

And the interviewer asked: well, gee, isn't that what you guys do? Don't you know how to build hotels?

And he had a really interesting point that I thought -- that really resonated with me. His point was: I don't think we had consumer permission to enter that space.

I thought about that, and I go: well, gee, this has a lot of parallels to Zipcar. We never got into car sharing at Avis and Budget brand largely because we never thought the consumer would perceive the Avis and Budget brand as having permission to get into that space.

So, why is that relevant? Well, it's relevant because Zipcar is our Ian Schrager. We already have Ian Schrager and we didn't -- now, we paid $400-and-some-million for it, but we didn't give away 50% of the business in order to do it.

What we got with Zipcar was a brand that resonated, clearly resonates with Millennials. It is a brand that capitalizes on the role that technology plays within this particular group: it's cool; it's hip.

Avis and Budget just isn't cool and hip. Those aren't words that come to your mind when you talk about it, but Zipcar is. And more importantly, as I describe it, it's not your father's car rental company, which is what I think all of the major brands are today, and I think that is how the Millennials think about it.

That is the key. I think Zipcar is providing the brand differentiation that is demanded by this group. I think they are -- it also allows us to take advantage of the emerging trend that deemphasizes car ownership.

But more importantly, we are not abandoning Avis and Budget. I think what it does, though, is informs us and gives us a competitive edge in terms of how we need to morph Avis and Budget over the next 5, 7, 10 years to be able to ensure that our mother brands are as accepted to the new generation of travelers as Zipcar is.

So, I think despite the comment, the assertion that I made and I continue to believe, that there is little obsolescence risk to our business, I do think what this article spoke to was the need to think differently about your business. That innovation and marketing are going to be more and more critical as we move here from a really big cultural shift in demographics.

Acquisitions, share repurchase, cost efficiencies -- they are all great, but they aren't going to be enough. They really aren't. We are going to need to technology think about how we innovate and how we market to this group in order to keep our brands vital, in order to keep our business growing.

I thought the final line of the article, which I think is telling -- and I will do it in Marriott terms instead of Avis Budget terms -- is that when they ask the younger guest what they want, the younger guests are telling them: whatever you do, just don't give me another beige hotel room. So you can substitute Impala, Taurus, whatever you like for that. (laughter) But I think that is kind of the thought.

So with that, I'm going to invite my colleagues up and we will answer some questions.

QUESTIONS AND ANSWERS

Unidentified Audience Member

I actually thought it was interesting, Ron, that you ended on Zipcar because I actually meant to ask you all about that. Because one of the things I noticed is since you bought Zipcar, at least from my perspective as a consumer, it does seem like I hear a little bit more about maybe what Enterprise is doing or what Hertz is doing with their brand or their cost-sharing initiative, and I do think you have the best cost-sharing brand.

So is there -- from the consumer marketing front, have you changed the messaging a little bit from what Zipcar used to be before you bought it? Or how come it doesn't appear to be as maybe visible as maybe we hear from all the other brands talk about their car-sharing efforts?

Ron Nelson - *Avis Budget Group - Chairman & CEO*

Well, I will let Kaye or Tom speak to that as well, but: I hope not, is the answer. I think we continue to need to make Zipcar as edgy and cool and hip as it has always been in the last five years. I think that is what gave the brand its strength and its power, and I think that is what gives us the competitive advantage with the Millennials.

I used the line out of the article about consumer permission for that very reason. It is that I do think it is very hard for mainline brands to break into that without a really different and new value proposition. It's hard to migrate a brand to a different audience.

I think the Zipcar had an advantage by being a new entrant and being a first mover and having all the right stuff in terms of their customer experience. I think that is what drove the power of the brand and the significant market share that they enjoyed and continue to enjoy in the marketplace. Tom?

Tom Gartland - *Avis Budget Group - President, North America*

Yes, I will jump in and just say we purposely have left Zipcar separate at offices in Boston. It has a separate entire organization; it has a separate message, marketing team, technology, and strategy.

What we have done is utilized the power of the ABG procurement team, fleet team, and so on. In fact, Zipcar fleet, which was 24-months, 50,000-mile cars has all been completely refreshed. They are 12-month cars, less than 18,000 miles; and then we cascade them out of the brand. The ability to in-fleet, de-fleet, supply chain, maintenance, damage, all of those kinds of things is the strength of the back end of ABG.

The rest of it is purposely left alone. The core stands by itself.

And not only are we investing in incremental geographic cities or locations, but -- Kaye talked about this: we are making a huge investment in one-way, which is a significant differentiator between other car-share players in the marketplace.

We are in alpha test of that now, and it is one way pod-to-pod, one way from pod to the airport, one way from one part of the city to the other, with differentiation in notifying the driver where available parking is. So it is totally separate and it is intentional.

Unidentified Audience Member

Okay. Actually maybe just on this last one for you. In terms of the pricing, the new pricing optimization tools that you are putting into play, you maybe give us an actual illustration of how it works at, say, one of your airports? How it lifts utilization, and how you have been better at it, and how as you roll it out you will actually see the benefit.

Tom Gartland - *Avis Budget Group - President, North America*

Well, this is the first phase, the pricing phase. We are now implemented in 64 airports, and it allows us to look at pricing and change pricing multiple times during the day based on competitive dynamics, whereas before we weren't able to do that.

When you get to the 150th to the 200th airport we may not have looked at it once a week or once a month. So the ability to compete and to yield up and down for both revenue and price opportunity multiple times a day is what is driving the overall efficiency of the program.

Unidentified Audience Member

(inaudible -- microphone inaccessible)

Tom Gartland - *Avis Budget Group - President, North America*

Yes. Well, it's based on what the competitive pricing is within the tier we are playing in, whether it is premium, mid-tier, or deep-value discount. And then we know what our fleet position is in that airport and we -- I think our operations team does a great job of understanding what the competitive fleet position is in every airport.

So Larry talked about the weekly fleet call; we manage that as well. We manage every single car category on a weekly basis, is there any length of rental restrictions in place, and so on. All of that is fed into the system and allows us to yield up.

Unidentified Audience Member

Back here. In your opinion, do you think the North American car rental industry is now consolidated enough so that the publicly traded players can, by themselves, dictate industry pricing without the private player participating?

Tom Gartland - *Avis Budget Group - President, North America*

Want me to answer? Well, I don't think that consolidation is the driving factor. Certainly there is consolidation in the North American business. There's three players with 96% of the share.

But what I think is the driving factor quite simply is what your fleet costs are, and either in-fleet costs or residual values increasing or declining. My counterparts in each of those organizations, public or private, have a responsibility to their shareholders, whether there is one or multiple, to recapture the profitability in their P&L and in their business units.

So I truly believe that where we are right now and in the next couple years, in 2014 and 2015, is not consolidation. It is simply that we went through a real unique, high period of residual value in 2011 and 2012, and that has normalized. And once it normalizes -- and we gave some of that margin away as that happened, we as the industry -- and now, we are going to recapture that into our P&L. That is my opinion.

Ron Nelson - *Avis Budget Group - Chairman & CEO*

No, I just think the notion that a $12 billion to $15 billion player is going to make uneconomic decisions in the face of cost increases is a little remote. That is why I said at the front that I think the nice thing about consolidation is that it sort of rationalizes the competition, because we are all having the same business issues facing us.

That wasn't necessarily the case a year ago before the consolidation. Hertz was primarily a premium brand that had to go down market when they wanted to grab leisure business; it dragged Avis along with it. So I think that the management team at the private company is very smart, and they are very oriented towards returning as much capital to their shareholders as possible. And so I don't go into it thinking that something is going to make an uneconomic decision.

Unidentified Audience Member

You mentioned an intention to increase your share repurchase authorization prior to the completion of the current authorization. I am just wondering whether you could give us any additional color on your plans for the cadence of share repurchase activity.

Ron Nelson - *Avis Budget Group - Chairman & CEO*

The only thing that I would tell you is that we generate virtually 100% of our free cash flow in the back half of the year. So I don't -- I think we are always constantly balancing the impact on the rating agencies and our debt ratings with our desire to buy back shares.

So I would think that we will certainly use up the existing authorization probably over the course of the first six months of the year. And then as we get into the cash generating, we will probably be more aggressive.

Unidentified Audience Member

Given the line of sight to such robust and rapidly growing free cash flow, does it make sense to consider a type of structured share repurchase program that would allow you to repurchase at an accelerated rate to take advantage of the current share price?

Ron Nelson - *Avis Budget Group - Chairman & CEO*

Sure, I think that if I were a trader, that is probably the thing that I would be thinking about right now. But you know, I believe in the continued growth of our business. I think we are going to continue to grow. I don't believe that we can be a market timer.

I think the goal here is to return capital to our shareholders. And as long as our stock remains fairly valued or undervalued, then I think it is more important to have consistency in your program than it is to try and be a market timer and drive some sort of incremental value.

Unidentified Audience Member

Hi, just to maybe clarify on the leverage point, is that 3 to 4 times the target now? Or as you delever with EBITDA growth are you going to seek to maintain that kind of leverage target? Does that mean you'd look to add some debt as you grow EBITDA?

David Wyshner - *Avis Budget Group - Senior EVP & CFO*

The 3 to 4 times continues to be our target, and I think we are going to be in a situation where over the next 18 months I expect we will be growing our EBITDA, not really paying down or reducing our net debt. Then that should take us to being really toward the lower end of the range at that point in time.

Whether we would actually take on additional debt to keep leverage up to 3 times is something I think we will look at then. We haven't made a decision about it now. But I don't see our target changing from being 3 to 4 times, and preferably at or near the lower end of that range.

Unidentified Audience Member

Okay. A quick follow-up. You said that you are not going to be a full federal cash taxpayer in 2014/2015. When do you anticipate you might be? And can you just discuss the NOL in general? Thank you.

David Wyshner - *Avis Budget Group - Senior EVP & CFO*

Chris, that was one of the questions I hoped wouldn't come up (laughter). We feel good about our tax position. We are still working through where we end in 2013, because some of the actions we take over the first six months of the year actually impact our 2013 tax position.

So we are really quite confident that we won't be a regular federal cash taxpayer in 2014 and 2015. I think we are well positioned for that potentially to continue beyond that.

But we are still working through the way 2016, 2017, 2018 will look and we'll provide some additional clarity there as we get some additional numbers. Realistically, I think we will probably move at some point over the 2016, 2017, 2018 period to being probably a partial cash taxpayer.

And I am hopeful it will be a while before we are a full federal cash taxpayer. But we will provide additional clarity as we look through our longer-term plan and how our very significant tax attributes unwind over time.

Unidentified Audience Member

David, I had a quick question on the 2015 EBITDA target. I guess back in 2012 when you first put out the $1 billion EBITDA target, it seemed to be mostly on the back of Avis Europe synergies and the tax initiative, and didn't presume any price increase. But today when we look at it, since then we have acquired Zip which, net of synergies, is about $100 million of EBITDA approximately. We of course had the normalization of fleet costs, but maybe also have -- in our target today we have an assumption for price increases.

But I guess what has changed since 2012, aside from the fleet costs, on the cost front? And what is your assumption on pricing on both the leisure and the corporate side, and the conviction levels in that?

David Wyshner - *Avis Budget Group - Senior EVP & CFO*

I think in terms of our assumption about pricing, we are assuming approximately 1% this year, and we do expect that would again be somewhat stronger on the leisure side than on the commercial side. As I pointed out in my remarks, we are targeting $1 billion; but if we achieve at the higher end of our range for European integration and our optimization work, we can get to the $1 billion even without anything more from Zipcar.

So we continue to be in a position where I think we are giving ourselves multiple avenues, multiple ways of getting to $1 billion and a potential for more than that. But I think we are also eager to -- we are also trying to make sure we don't get ahead of ourselves.

We have -- we are focused on delivering 2014 and the $825 million to $900 million there, and trying to move toward the highest end of that. At the same time we're looking ahead to 2015.

I don't see significant changes in the way we have looked at Europe or other parts of our earnings drivers. I think we have been consistent and our strategic plan remains the same. And as a result, I feel good that the plan and the set of deliverables -- that that continues to position us well for $1 billion in 2015.

Unidentified Audience Member

Can I ask you a little bit more about pricing? The chart that you have on page 148 on the comparison between RevPAR and hotels and airfare, versus what's happened in your industry, I understand what has happened with residual values and how that has impacted ability to price and be lower prices for your customers. But at the end of the day, why is there such a limit on the ability to increase prices?

Is capacity utilization that much different? Obviously cars are more fungible and easier to -- you can buy a car and sell a car much more quickly. It is harder to build a hotel room right away or get a new airplane for a route.

So -- because that chart is really interesting and attractive. But what does it really tell us, if you're only going to be able to increase prices 1% a year over the next two years? Right?

Ron Nelson - *Avis Budget Group - Chairman & CEO*

Well first of all, we try never to get too far out over our skis in projecting price increases because the magnitude of the drop there is so big that it can cause you to make other decisions on your budgeting that may not be in the best instance.

The other thing I would say -- I think you are absolutely right that the ability to get out of inventory on very short notice has been -- impacts pricing in the marketplace. But I do think that the notion -- consolidating from four to three at this juncture has now changed the fundamentals of the business. There is so little market share left that the notion of competing for share, which one of our competitors has been doing pretty aggressively since 2007, has really gone by the wayside.

So I think that that plays into it. I think the residual values certainly play into it.

And I think I think the careful way with which another competitor has executed pricing over the course of this past year, as I said up front, is really more aligned around the noise that has been in the market that is transitory. I do think that the over-fleeting will be out as they integrate their acquisition. I do think that we will be beyond the FTC issues; and the Advantage bankruptcy is going to get settled and solved over the course of the next 30 to 60 days.

So I think there is enough change that has gone on in the marketplace in the last two years that it is hard to deduce whether we have been effective in trying to raise prices or not. What I would say is that if you look at the fundamentals in the industry and where everybody is positioned right now, where the marketplace is positioned, I can't think of a better opportunity, at least since I have been involved in the car rental business.

Unidentified Audience Member

One quick follow-up. For a hotel room and the planes in most cases, if you don't show up you have to pay a cancellation fee. Is that ever going to change medium to long term in this industry, to re-educate the consumer -- or is it (multiple speakers)

Ron Nelson - *Avis Budget Group - Chairman & CEO*

Well, it's hard to tell. I think -- I know one of our competitors just has a philosophical aversion to charging no-show fees. But I think the whole issue of prepaid really gets around that.

Somebody was asking Tom a question about no-show rates. We actually do get a little bit of no-shows in prepaid, but I think it is less than 2%. And then it scales up to in the mid-20%s for our call center.

But as you go through the different segments and channels where people book things, the no-show rate drops down from 24%, down to about 12%, and then down to about 8%; and then prepaid is around 2%. I think that prepaid reservations is going to be a more palatable and effective governor on no-shows than a pure no-show fee. That's my opinion.

Unidentified Audience Member

Hi. If I am flying into an airport that only has one bus going around and it takes me to one building where all your competitors are, why would I prefer Avis over Budget?

Tom Gartland - *Avis Budget Group - President, North America*

Well, we differentiated the brand between Avis and Budget. First of all, Avis primarily a commercial Sunday-through-Friday brand where we sell and contract with small business, mid-market, and large commercial contracts.

The fleet is different. We have a premium brand fleet at Avis, and so we give you a different customer experience. We have a customer bypass system called Avis Preferred, and we have a different loyalty program at Avis than we do Budget.

Budget is a leisure brand really formulated for leisure traveler. Its peak period, on the weekend versus during the week that the business person as traveling. But Budget's small business is increasing as well, but it doesn't have the same loyalty program, for example, that our Avis brand does.

So it is fleet differentiation, customer experience differentiation, loyalty program: all of the above.

Ron Nelson - *Avis Budget Group - Chairman & CEO*

The other thing I would add to that is that walk-ups are right around 7% or 8% of our business. They are not meaningless, but they are not enormously meaningful.

The brand transaction is actually made well before they get to the airport these days, and it's why marketing has become so important, why loyalty is important, and why the image of your brand that Tom talks about is very critical.

Unidentified Audience Member

Hi. A couple questions. First of all, as a follow-up to that, in airports where there are central rental facilities, how would you characterize pricing and share trends? Does a structure like this where you have a central facility, does that undercut the oligopoly theme that has been discussed?

Second, just one of your competitors has talked extensively about the use of telematic packages in vehicles. Obviously technology is a very central focus to your Company, but it doesn't seem like you are taking the same approach. So just trying to get a sense for why you may not see as much value in this; I assume there is a cost perspective to it.

Ron Nelson - *Avis Budget Group - Chairman & CEO*

You want to go ahead and start, or --?

Tom Gartland - *Avis Budget Group - President, North America*

Okay. Well, first of all, whether it is a Conrad facility, consolidated rental facility, or a facility where everybody is in their own footprint, that really doesn't change the dynamics of share in that facility. I think, as Ron said, the decision is made well ahead of time, well before you make the -- before you get to the airport.

What the consolidated rental facility does do is allows a lot better operational efficiency at the airport for the provider. So, we can position our Avis brand and our Budget brand next to each other. We can operate a quick turnaround service facility so that cars can go down in that facility and right back up to the ready space and be online and ready to go.

In fact, the newest consolidated facility is in Boston; and if you traveled to Boston prior to that facility, it was a nightmare. It was an absolute nightmare.

Having the ability to have cars on the ready line in the space that we had in Boston, Joe, we had a couple hundred spots. We have now got 1,800. So the ability to service our customer and provide service for our customers significantly increases in a consolidated facility.

Now as far as technology in the car, and where -- I think Ron said it earlier, that this industry is moving with technology. I am not going to go into all the different things that we are thinking about or we are working with the OEMs on and so on.

But for now, what we are doing is providing some things that the customers want at the time of rental, like navigation capability, like entertainment capability, or Bluetooth capability. But the technology change in the next 24 to 48 months I think is going to be substantial, and I actually think it is going to be driven by the OEMs.

I think the cars that we will see, that we'll acquire in our fleet in 2015/2016 will be very different than they are today, allowing a customer to make multiple choices as to what they want to do when they are in their vehicle. We will be able to operate the vehicle as well: open the doors, shut the doors, drive the car -- you still have to drive the car.

But the technology is going to be there from the OEMs. And then it's how we work with the OEM partners in order to capitalize on it.

Unidentified Audience Member

Ron, I was hoping you could talk a little bit more about the comments you made about brand extension. A few years ago, I would've been very surprised to know you are going to buy Payless; and I was very surprised this year to see Hertz launch the Firefly brand in the US. So what is it about that segment of the market that is causing both of you to pay attention to it?

As you look at Payless -- and I understand it might be more of a franchise opportunity in parts of the globe and a discount operation. But do you see that changing over time as -- maybe with Millennials in a different way of renting? I was just trying to get your thoughts on how you see the Payless brand evolve over time, and what is it about that part of the market that is causing you to pay attention (multiple speakers)?

Ron Nelson - *Avis Budget Group - Chairman & CEO*

I wouldn't overcomplicate the thought about it, John. It is the segment of the market that is growing the fastest, when you look at premium and mid-tier and deep-value or discounteds. It is growing a couple of points faster than the basic car rental market.

So we wanted to participate in it, and I think the choices for us were: do we migrate the Budget brand down, from mid-tier down into the discount? Or do we try and get a participation through another brand?

I think changing a brand's profile is really a whole -- very slippery slope and a risky exercise. And at least with respect to Budget, which trades at or conducts business at a few dollars premium to the discount area, it would have been costly.

So I think Payless gives us an opportunity to participate in that segment. It will -- I don't think we are ever going to take on Enterprise or take on the Dollar/Thrifty complex. But I think at least it gives us an ability to protect the integrity of Budget's pricing.

And I think we will grow the brand. I think we will get it in more airports. I think we will grow it in the local market.

Why do I think that is growing faster? Well, I have seen a number of different studies on why consumers rent different cars; and like it or not, some 60% to 70% of the decision is made based on price, at least for the leisure traveling consumer. So I think you want to have a position in that marketplace if you want to avail yourselves of all the demand that is out there.

Unidentified Audience Member

Two follow-ups from me. First just sticking with the technology in the cars, would it ever make sense -- maybe not now, but in a few years -- to put the Zipcar technology through all your cars so that you can know where all your cars are at all times, which would be a savings? And also maybe help on the fuel gauge. I know you talked about that before, but maybe where you are on that.

And then just the fleet cost numbers you provide, sort of offset by fleet optimization. If you didn't have the fleet optimization, what would be the -- I guess I want to get the gross numbers?

THOMSON REUTERS

Ron Nelson - *Avis Budget Group - Chairman & CEO*

She's on your account, Tom.

Tom Gartland - *Avis Budget Group - President, North America*

Let's talk about technology first. The ability for the car to have incremental technology, any car to have incremental technology, I think is the future. So whether it is Zipcar technology or other, developed somewhere else, I believe the cars in the future and in the near future -- actually 2015/2016 model years -- are going to have technology advancements that they don't have today.

The key for that is how we -- are we developing it? And are we putting it in after we receive the car? Or are we developing it in conjunction with the OEM? Or are we going to utilize their ports in order to create some unique experience for the customer?

It is too early to talk about that at this point. But technology and the ability for the car to open and run itself and know where it is at all given times, that is actually coming in one form or another.

Give you another example. All of our Signature fleet is equipped with technology where we know where it is every day, and used, and where it's going. The reason for that is my good friend Dennis Letts, in charge of security in the back of the room there, is that if we lose a car that's $70,000 it's far different than losing a $20,000 car. So the investment in technology to through cellular technology know where it is, is very, very important to us.

So that is coming in our industry. And how we capitalize on it is up to us.

Unidentified Audience Member

(inaudible -- microphone inaccessible)

Tom Gartland - *Avis Budget Group - President, North America*

It's very slight. It is in the dollars per month cost. And when we offset that against the revenue per unit and the potential theft, it makes a lot of sense to make sure all those cars are equipped with that technology. As far as fleet cost goes --

David Wyshner - *Avis Budget Group - Senior EVP & CFO*

I'll take the fleet cost. As I showed in my slide, we're looking at $30 million of positive impact from fleet optimization over the next couple of years. What that can do is offset at least a point of pricing in the fleet, which is valuable.

And to Tom's point, and going back to John's question, it's easy to focus on Payless because it is a separate brand. But the impact that moving toward a more diversified fleet and more higher-end cars can have -- yes, it moves our fleet costs up a little bit. It did last year; it will again this year.

But the impact that that can have on our business is really quite positive. As Tom's saying, the cost may be several dollars higher for the car on a Signature fleet or any sort of premium rental that we have. All the other costs are the same.

As a result, the ability to get a significantly higher price has substantial drop-through associated with it. So we are going to see some increase in fleet costs due to having a little bit different mix of cars; but we view that as really being very positive and in some ways can have as large or maybe even a larger impact then things that are easier to see if they're in a separate brand like Payless. But I wouldn't want them to get lost.

Neal Goldner - *Avis Budget Group - VP, IR*

We are out of time. I want to thank all the presenters here for doing their presentation. I want to thank all of you for coming.

We are having a lunch on the ninth floor. There are about 25 to 30 Avis Budget people in the room: Joe Ferraro over there who runs our US operations; David right there who many of you know used to have my job; now is essentially the VP of Finance or SVP of Finance for North America. There is essentially the equivalent of the SVP of Finance for Latin America/Asia Pacific here, and many other people.

It is a buffet lunch. I hope you go upstairs and take the opportunity to talk to these people and ask them questions, learn about their business. They are eager to tell you. And thank you very much for coming.