UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): April 22, 2020 (April 22, 2020)

Avis Budget Group, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	001-10308	06-0918165
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification Number)**

6 Sylvan Way	**07054**
Parsippany, NJ	
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's telephone number, including area code (973) 496-4700

N/A

(Former name or former address if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

☐ Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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

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

Emerging growth company ☐

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

Item 2.02 Results of Operations and Financial Condition.

On April 22, 2020, we provided preliminary first quarter 2020 results and an update on April trends. A copy of the press release making this announcement is attached hereto as Exhibit 99.1, which is incorporated herein by reference.

The information in this item, including Exhibit 99.1, is being furnished, not filed. Accordingly, the information in this item will not be incorporated by reference into any registration statement filed by Avis Budget Group, Inc., under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated by reference.

Item 8.01 Other Events.

We are providing the following supplement risk factors, which should be read in conjunction with the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2019.

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

The outbreak of COVID-19 to multiple countries across the globe, including North America, Europe and Asia, has adversely impacted the U.S., U.K. and global economy. We have experienced disruptions to our business thus far from COVID-19, and the pandemic continues to spread in most of our markets. Governmental authorities are taking increasingly severe countermeasures to slow the outbreak, including a number of shelter-in-place orders and large-scale restrictions on travel. The pandemic is a highly fluid and rapidly evolving situation and we cannot anticipate with any certainty the length, scope or severity of such restrictions in each of the jurisdictions that we operate.

The full impact that COVID-19 will have on our business cannot be predicted at this time due to numerous uncertainties, including the ultimate geographic spread of the disease, the duration and severity of the outbreak, travel restrictions and business closures, the effectiveness of actions taken to contain the disease, the length of time it takes for rental volume and pricing to return and normal economic and operating conditions to resume, and other unintended consequences. This impact could include changes in customer demand; our relationship with, and the financial and operational capacities of, vehicle manufacturers and other suppliers; the used car market; risks associated with our indebtedness (including available borrowing capacity and ability to refinance indebtedness on favorable terms, among other things); the adequacy of our cash flow and earnings and other conditions which may affect our liquidity; and disruptions to our technology network and other critical systems, including our dealer management systems and software or other facilities or equipment.

Our business is generally subject to and impacted by, international, national and local economic conditions and travel demands. We do not expect economic and operating conditions for our business to improve until consumers are once again willing and able to travel. This may not occur until well after the broader global economy begins to improve. Additionally, our business is also dependent on consumer sentiment and discretionary spending patterns. Current economic forecasts predict significant increases in unemployment in the United States and other regions due to the adoption of social distancing and other policies to slow the spread of the virus, which are likely to have a negative impact on consumer discretionary spending, including in the mobility industry. Even when economic and operating conditions for our business improve, we cannot predict the long-term effects of the pandemic on our business or the mobility industry as a whole. If the mobility industry is fundamentally changed by the COVID-19 outbreak in ways that are detrimental to our operating model, our business may continue to be adversely affected even as the broader global economy recovers.

To date we have incurred, and expect to continue to incur, increased costs related to COVID-19, such as procurement of overflow parking for our idle vehicles and costs associated with sanitizing our vehicles and facilities. In addition, the industry may be subject to enhanced health and hygiene requirements in attempts to counteract future outbreaks, which requirements may increase our costs and take a significant amount of time to implement across our global operations.

The COVID-19 outbreak has also caused us to reduce and furlough employees in order to right size our business for vehicle rental demand by reducing operating costs. These actions could create risks, including but not limited to, our ability to manage the size of our workforce given uncertain future demand.

We believe that business disruption relating to the COVID-19 pandemic will continue to negatively impact the global economy and may materially affect our businesses as outlined above, all of which would adversely impact our business and results of operations. To the extent that the COVID-19 outbreak continues to adversely affect our business and financial performance, it may also have the effect of heightening many of the other risks identified in the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2019, such as those relating to our substantial amount of outstanding indebtedness.

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

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

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

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

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits are filed as part of this report:

Exhibit No.	Description
104	The cover page from this Current Report on Form 8-K, formatted as Inline XBRL.

The following exhibit is furnished as part of this report:

Exhibit No.	Description
99.1	Press Release dated April 22, 2020.

SIGNATURE

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

AVIS BUDGET GROUP, INC.

By: /s/ Cathleen DeGenova

Cathleen DeGenova

Vice President and Chief Accounting Officer

Date: April 22, 2020

Avis Budget Group Provides Preliminary First Quarter 2020 Financial Results; Update on April Trends, Mitigation Actions and Liquidity

PARSIPPANY, N.J., April 22, 2020 - Avis Budget Group, Inc. (**NASDAQ: CAR**) today provided preliminary First Quarter 2020 Financial Results as well as a further business update related to COVID-19 to supplement our earlier press release issued on March 23, 2020.

Preliminary First Quarter Results

January and February started out exceptionally strong with Revenue up 9%, continuing the momentum from the end of 2019, and suggesting that 2020 was shaping up to potentially be a record year. March results were significantly impacted as shelter in place orders effectively eliminated travel activity globally.

For the First Quarter of 2020, we expect to report total Revenue of $1.7 to $1.8 billion, a 9% decrease at the midpoint, as rental volume was impacted in the second half of March. We expect our net loss to be between $(155) and $(165) million and Adjusted EBITDA to be between $(85) and $(95) million, compared to Adjusted EBITDA of $(1) million in the First Quarter of 2019.

Rental days were in a range of 34.4 to 34.6 million, Revenue per Day was in a range of $50 to $51, and Per-Unit Fleet Costs were in a range of $250 to $255. The results are preliminary and final results for the First Quarter may change. See "Forward-Looking Statements" for further information.

Current Revenue Trends

April revenue appears to have stabilized, down approximately 80% from the prior year. We are planning for similar levels of decline in May but are anticipating a recovery in the following months as travel restrictions are eased. Our current reservations show improvement in June and sequentially increase over the balance of the summer.

We believe renting a vehicle will continue to be a safe, clean and attractive alternative when people return to normal way of life. We clean our cars before every rental transaction with disinfectant that is CDC-recommended and EPA certified to be effective against human coronavirus, including novel pathogens such as COVID-19.

Both of our Americas and International segments are experiencing lower Revenue per Day due in part to longer length of rental as customers are opting for more monthly rentals. The majority of our current revenue is comprised of leisure vehicle rentals, light commercial vehicles and mini-leases which all have a longer holding period.

Update on Mitigation Plans

In March, we committed to over $400 million of annualized cost removal and mitigation. Since then, we have exceeded our target on an annualized basis by taking unprecedented actions to preserve liquidity, remove costs and shrink the size of our vehicle fleet.

All non-essential capital and operating expenditures were eliminated and we are continuing to negotiate with partners and suppliers for further reductions. We have reduced or furloughed approximately 70% of our global workforce, or approximately 21,000 employees. Also, we have reduced base compensation at the level of vice presidents and above, froze merit increases, eliminated our 401(k) match for highly compensated employees, and canceled all future hiring.

We aggressively reduced the size of our global fleet beginning in March and continuing in April, and currently estimate that we will end June with over 20% fewer units than the prior year. Our vehicle dispositions will occur through both traditional methods and by utilizing our alternative distribution strategy by selling directly to dealers and consumers. Finally, we have negotiated a significant number of new vehicle cancellations to improve utilization and shrink the fleet size.

As a result of these unprecedented actions, we believe we will achieve an estimated $2.0 billion in annualized cost removal and mitigation through our actions to date, and we are prepared to take additional actions as appropriate.

Balance Sheet, Liquidity and Financial Covenants

As of March 31, 2020, we had access to $1.4 billion of available cash and cash equivalents and estimate available borrowings under our revolving credit facility to be approximately $225 million after taking into account requirements for letters of credit, providing us with access to an estimated $1.6 billion of total liquidity.

We have no meaningful corporate debt maturities until 2023 and have no material fleet financing maturities in 2020. As a result, based on current operational assumptions, we believe we have adequate liquidity for the balance of 2020 and into 2021.

In light of the current unprecedented circumstances, we have entered into discussions with our senior secured lenders to both seek a waiver of our financial covenant and to increase the amount of first lien debt permitted under our credit agreement.

We will continue to evaluate opportunistic financing, as well as accessing funds made available through the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020, which was passed at the end of March.

Earnings Release Announcement

We plan to report final first quarter 2020 results after the market close on Monday, May 4, 2020, and to host a conference call for institutional investors to discuss these results on Tuesday, May 5, 2020 at 7:00 a.m. Eastern time.

Investors may access the call at ir.avisbudgetgroup.com, or by dialing (877) 407-2991. Investors are encouraged to dial in approximately 10 minutes prior to the call. A web replay will be available at ir.avisbudgetgroup.com following the call. A telephone replay will be available from 11:00 a.m. Eastern time on May 5, 2020 until 10:00 p.m. on May 19, 2020 at (877) 660-6853 using conference code 13702810.

About Avis Budget Group

Avis Budget Group, Inc. is a leading global provider of mobility solutions, both through its Avis and Budget brands, which have more than 11,000 rental locations in approximately 180 countries around the world, and through its Zipcar brand, which is the world's leading car sharing network with more than one million members. Avis Budget Group operates most of its car rental offices in North America, Europe and Australasia directly, and operates primarily through licensees in other parts of the world. Avis Budget Group is headquartered in Parsippany, N.J. More information is available at avisbudgetgroup.com.

Forward-Looking Statements

Certain statements in this press release constitute “forward-looking statements.” Any statements that refer to outlook, expectations or other characterizations of future events, circumstances or results, including all statements related to our future results, impact from the coronavirus, cost-saving actions, and cash flows are forward-looking statements. Various risks that could cause future results to differ from those expressed by the forward-looking statements included in this press release include, but are not limited to, the severity and duration of the COVID-19 outbreak and related travel restrictions, the high level of competition in the mobility industry, changes in our fleet costs as a result of a change in the cost of new vehicles, manufacturer recalls and/or the value of used vehicles, disruption in the supply of new vehicles, disposition of vehicles not covered by manufacturer repurchase programs, the financial condition of the manufacturers that supply our rental vehicles which could affect their ability to perform their obligations under our repurchase and/or guaranteed depreciation arrangements, any further deterioration in economic conditions generally, particularly during our peak season and/or in key market segments, any further deterioration in travel demand, including airline passenger traffic, any occurrence or threat of terrorism, any changes to the cost or supply of fuel, risks related to acquisitions or integration of acquired businesses, risks associated with litigation, governmental or regulatory inquiries or investigations, risks related to the security of our information technology systems, disruptions in our communication networks, changes in tax or other regulations, a significant increase in interest rates or borrowing costs, our ability to obtain financing for our global operations, including the funding of our vehicle fleet via asset-backed securities markets, any fluctuations related to the mark-to-market of derivatives which hedge our exposure to exchange rates, interest rates and fuel costs, our ability to meet the covenants contained in the agreements governing our indebtedness, and our ability to accurately estimate our future results and implement our cost savings actions. Other unknown or unpredictable factors could also have material adverse effects on the Company’s performance or achievements. Important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements are specified in Avis Budget Group’s Annual Report on Form 10-K for the year ended December 31, 2019 and in other filings and furnishings made by the Company with the Securities and Exchange Commission (the "SEC") from time to time. The Company undertakes no obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances.

The preliminary financial information set forth herein is not a comprehensive statement of our financial condition or results for the three months ended March 31, 2020 and is subject to the completion of our financial closing procedures. We have not yet finalized our financial statement closing process for the three months ended March 31, 2020. In connection with the finalization process, we may identify items that would require us to make adjustments to our preliminary estimates, which may be material. The preliminary estimates have been prepared by and are the responsibility of our management and represent estimates and expectations based on the most current information available. Deloitte & Touche LLP has not audited, reviewed, compiled or performed any procedures with respect to such preliminary estimates. Our actual financial results for the three months ended March 31, 2020 could be different from those set forth herein and those differences could be material.

Non-GAAP Financial Measures and Key Metrics

This press release presents Adjusted EBITDA, which represents income (loss) from continuing operations before non-vehicle related depreciation and amortization, any impairment charges, restructuring and other related charges, early extinguishment of debt costs, non-vehicle related interest, transaction-related costs, net charges for unprecedented personal-injury legal matters, non-operational charges related to shareholder activist activity, gain on sale of equity method investment in China, COVID-19 charges and income taxes. Adjusted EBITDA is a financial measure not prepared in accordance with generally accepted accounting principles ("GAAP"). Management believes that Adjusted EBITDA is useful to investors as a supplemental measure in evaluating the aggregate performance of our operating businesses and in comparing our results from period to period. Adjusted EBITDA is the measure that is used by our management, including our chief operating decision maker, to perform such evaluation. Adjusted EBITDA is also a component in the determination of management's compensation. Adjusted EBITDA should not be considered in isolation or as a substitute for net income or other income statement data prepared in accordance with GAAP and our presentation of Adjusted EBITDA may not be comparable to similarly-titled measures used by other companies.

Below is a reconciliation of management's estimate of net loss to estimated Adjusted pretax loss and Adjusted EBITDA for the three months ended March 31, 2020. In the table below, we provide an estimate of the items we exclude from our calculation of Adjusted pretax loss and Adjusted EBITDA for 2020, which primarily include restructuring and other related charges, acquisition-related amortization expense, COVID-19 charges, early extinguishment of debt, non-operational charges related to shareholder activist activity, and transaction-related costs, net.

Reconciliation of pretax loss to Adjusted EBITDA	**In millions**
Net loss	\$(155) - \$(165)
Benefit from income taxes	(106) - (110)
Pretax loss	(261) - (275)
Add:	
Estimated certain items(1)	73 - 75
Adjusted pretax loss	(188) - (200)
Add:	
Non-vehicle related depreciation and amortization (excluding acquisition-related amortization expense)	55 - 56
Interest expense related to corporate debt, net (excluding early extinguishment of debt)	48 - 49
Adjusted EBITDA	**\$(85) - \$(95)**

(1) Includes restructuring and other related charges, acquisition-related amortization expense, COVID-19 charges, early extinguishment of debt, non-operational charges related to shareholder activist activity, and transaction-related costs, net.

This press release also includes information for Rental Days, Revenue per Day and Per-Unit Fleet costs. Rental Days represents the total number of days (or portion thereof) a vehicle was rented during a 24-hour period. Revenue per Day represents revenues divided by Rental Days. Per-Unit Fleet Costs represents vehicle depreciation, lease charges and gain or loss on vehicles sales, divided by the average number of vehicles in our fleet during a given period of time.

Contact

David Calabria

IR@avisbudget.com

PR@avisbudget.com