

avis budget group

Investor Day Presentation

David Wyshner
Sr. Executive Vice President and Chief Financial Officer

May 2012

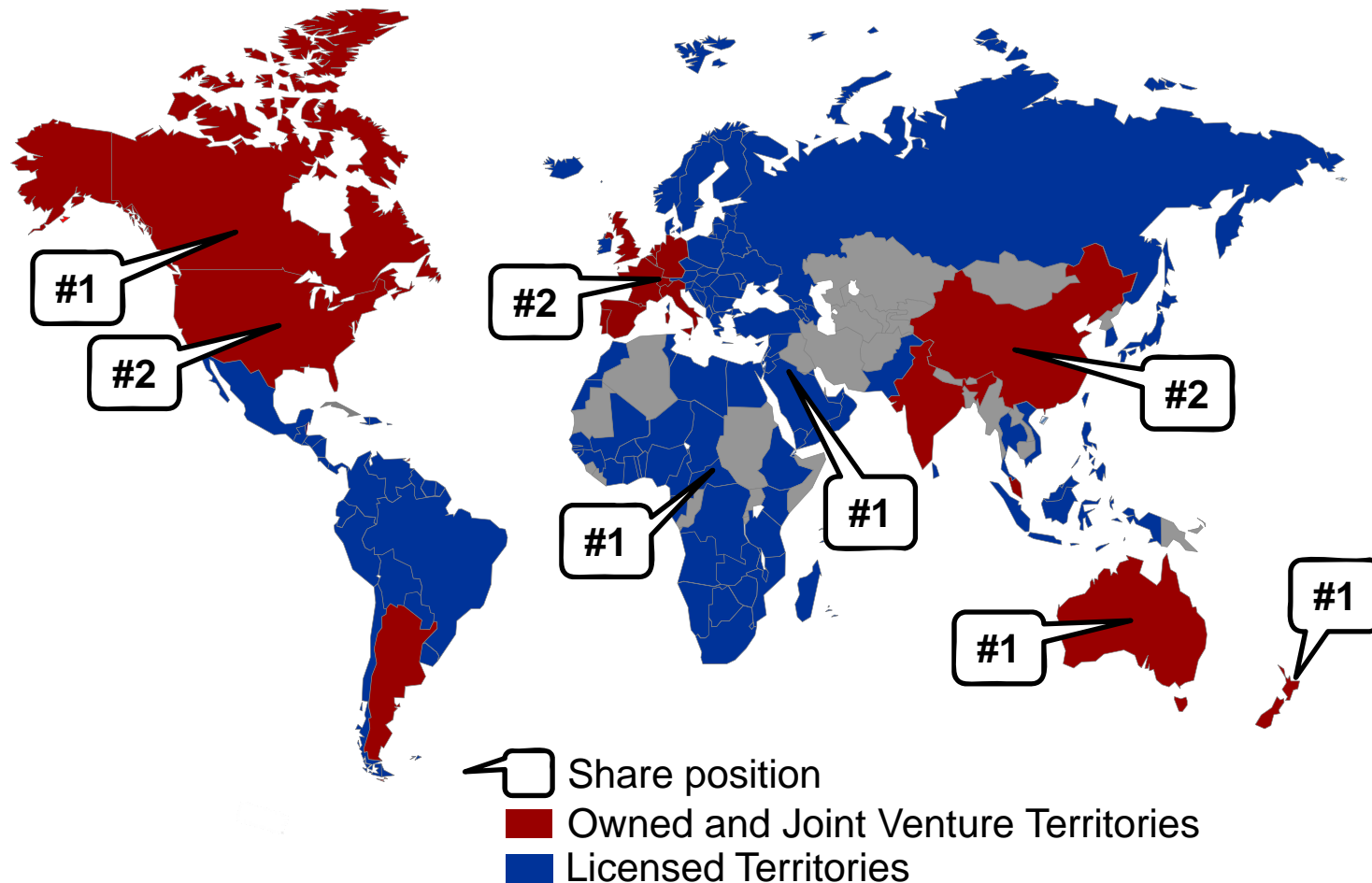
Agenda

- ▶ **The business today**
- ▶ **Strong financial performance**
- ▶ **Growth drivers**
- ▶ **2012 outlook**
- ▶ **Summary**

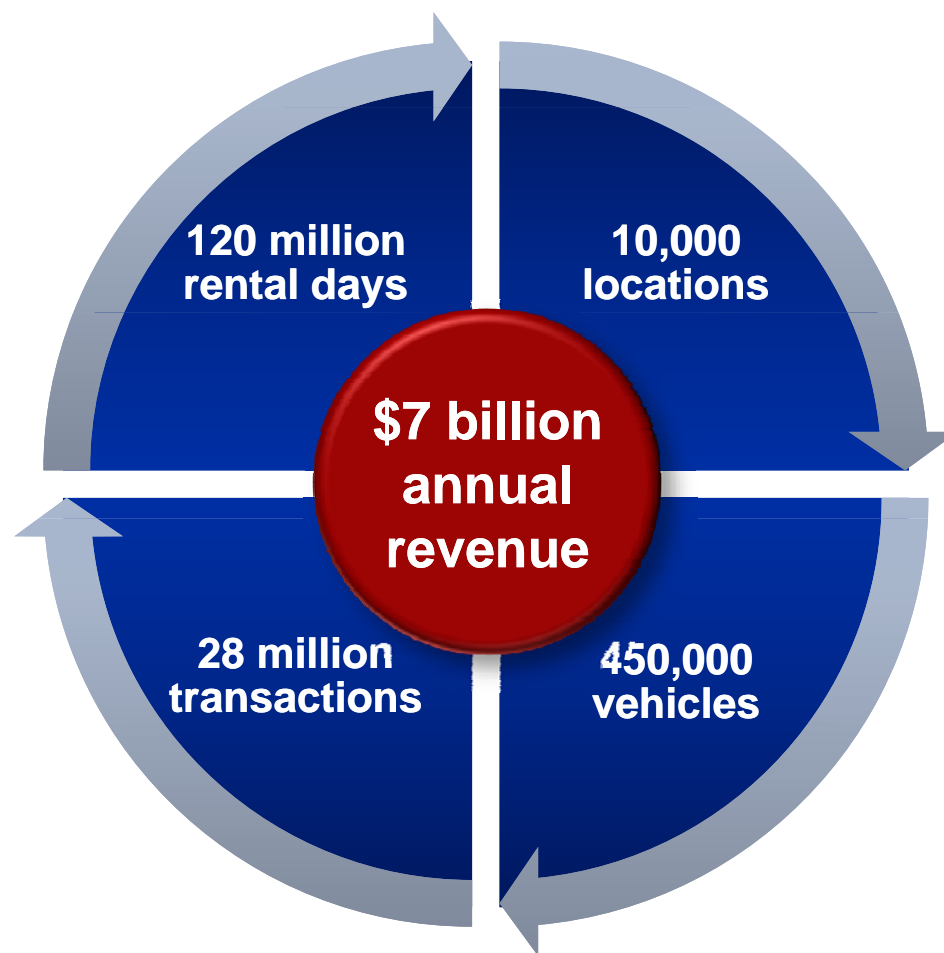


A Global Leader in the Car Rental Industry

Locations in More Than 175 Countries

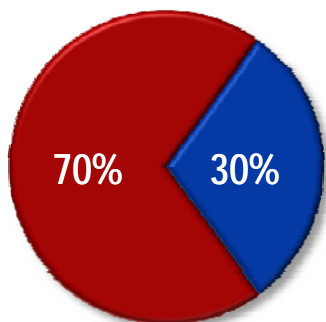


Avis Budget Group Today

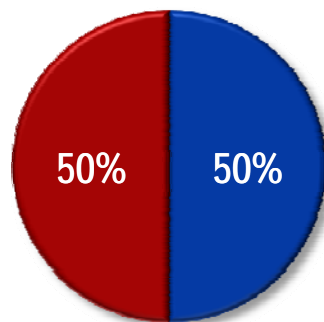


Diversified Revenue Sources

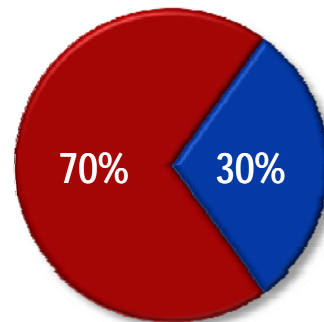
Avis vs. Budget



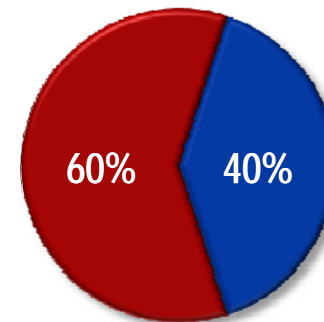
Commercial vs. Leisure



On-Airport vs. Off-Airport

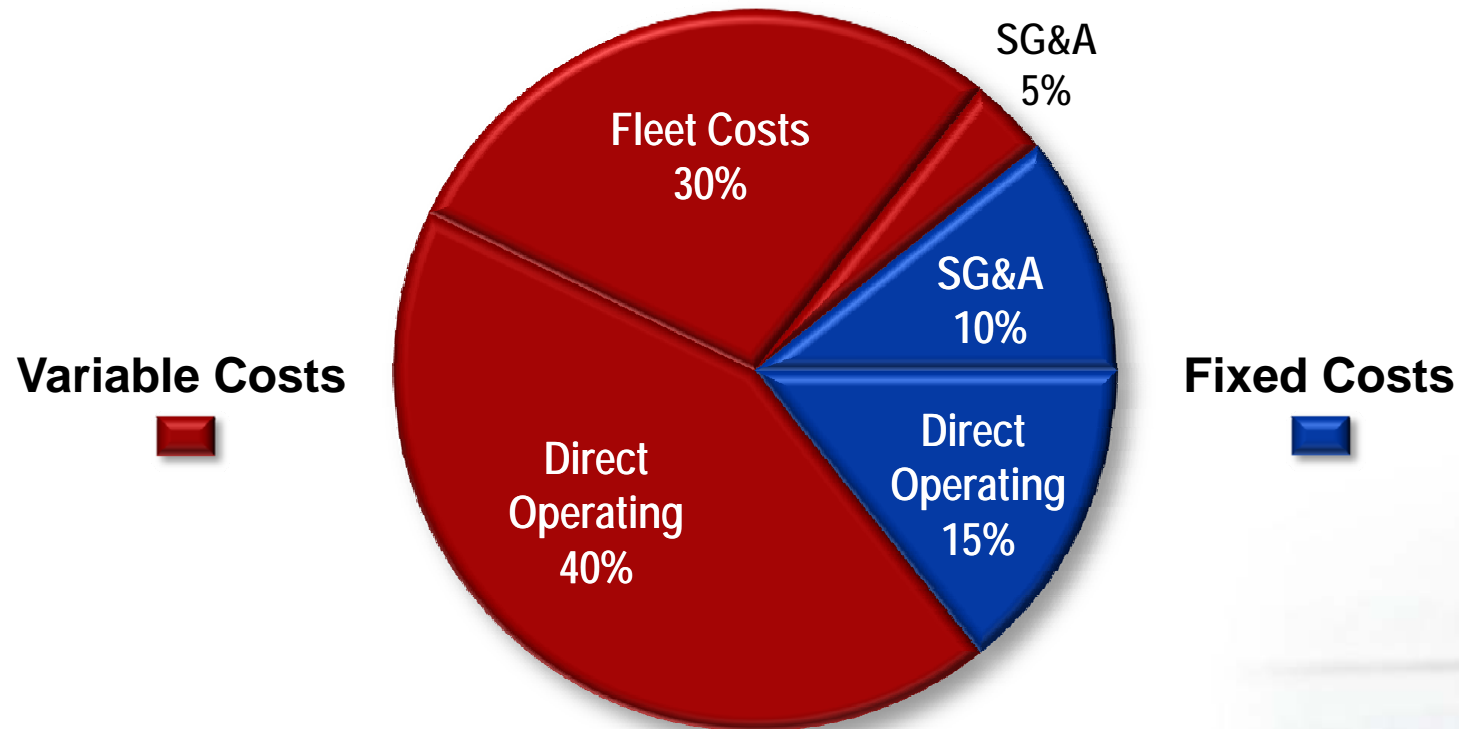


U.S. vs. International



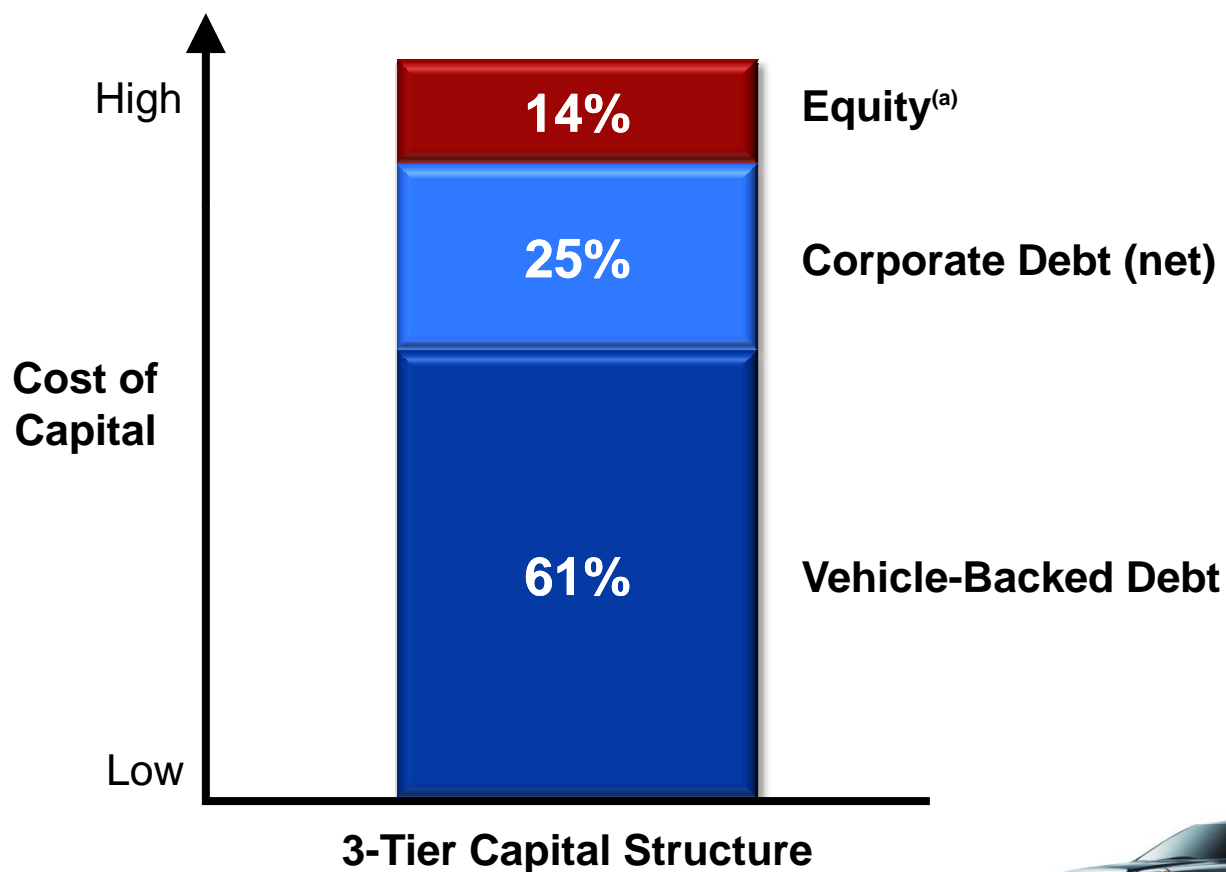
Flexible Cost Structure Enables Us to Manage Our Expenses Relative to Demand

Cost Structure is Approximately 75% Variable



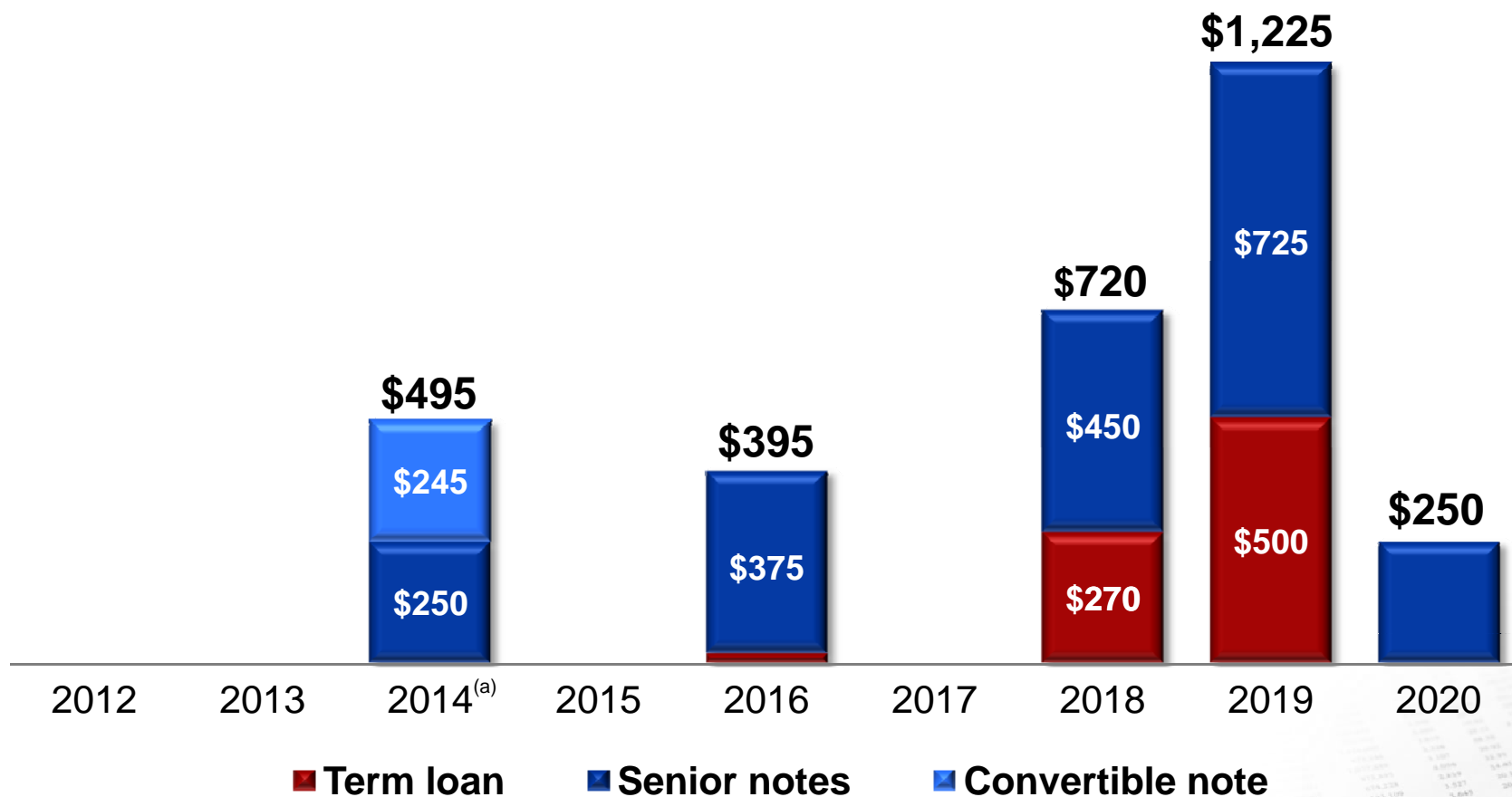
Optimized Capital Structure Drives Higher Returns

Maximizing Our Use of Lower-Cost Vehicle-Backed Financing



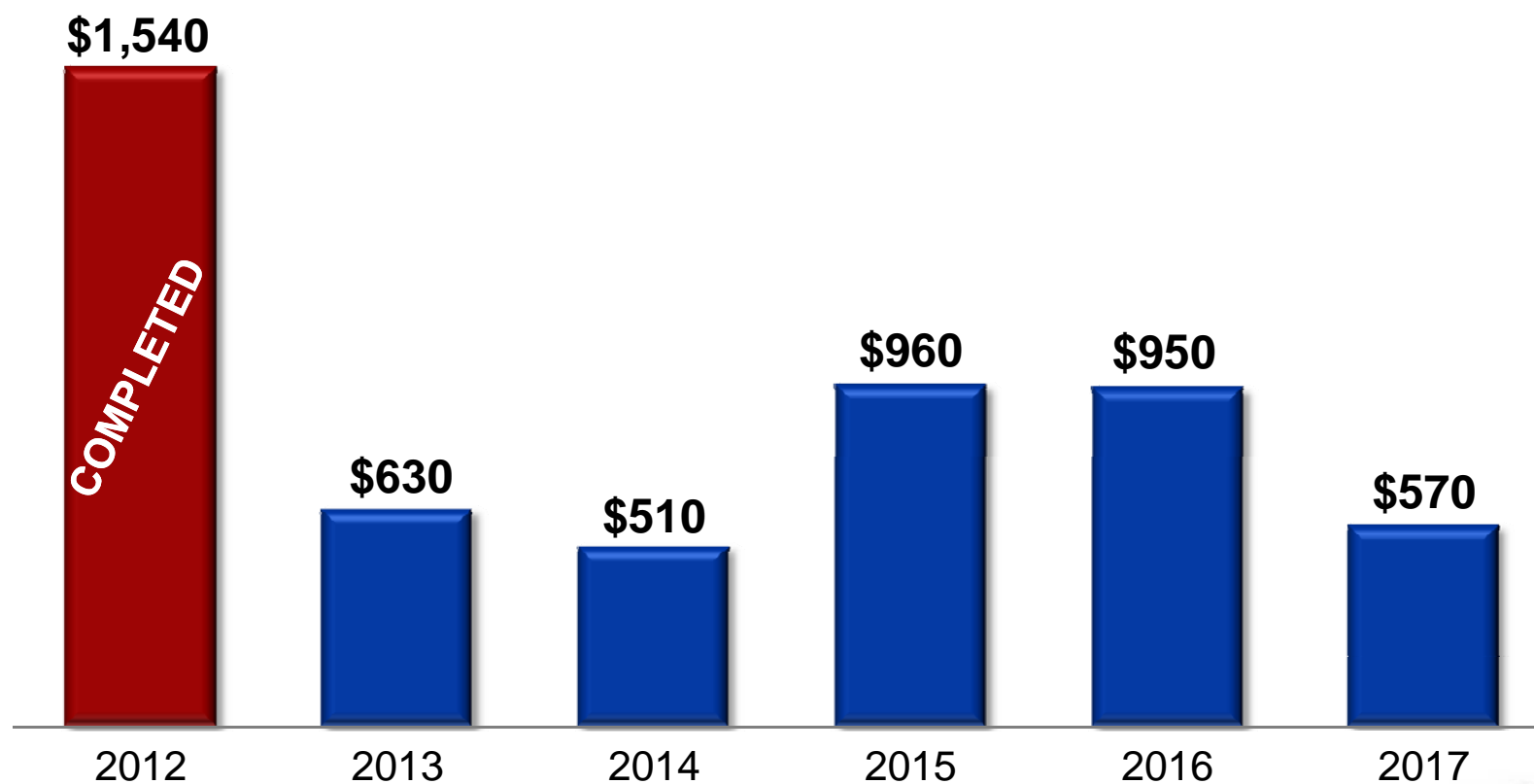
No Corporate Debt Maturities Until 2014

(\$ in millions)



Well-Laddered ABS Maturities

(\$ in millions)



Agenda

- ▶ The business today

- ▶ Strong financial performance

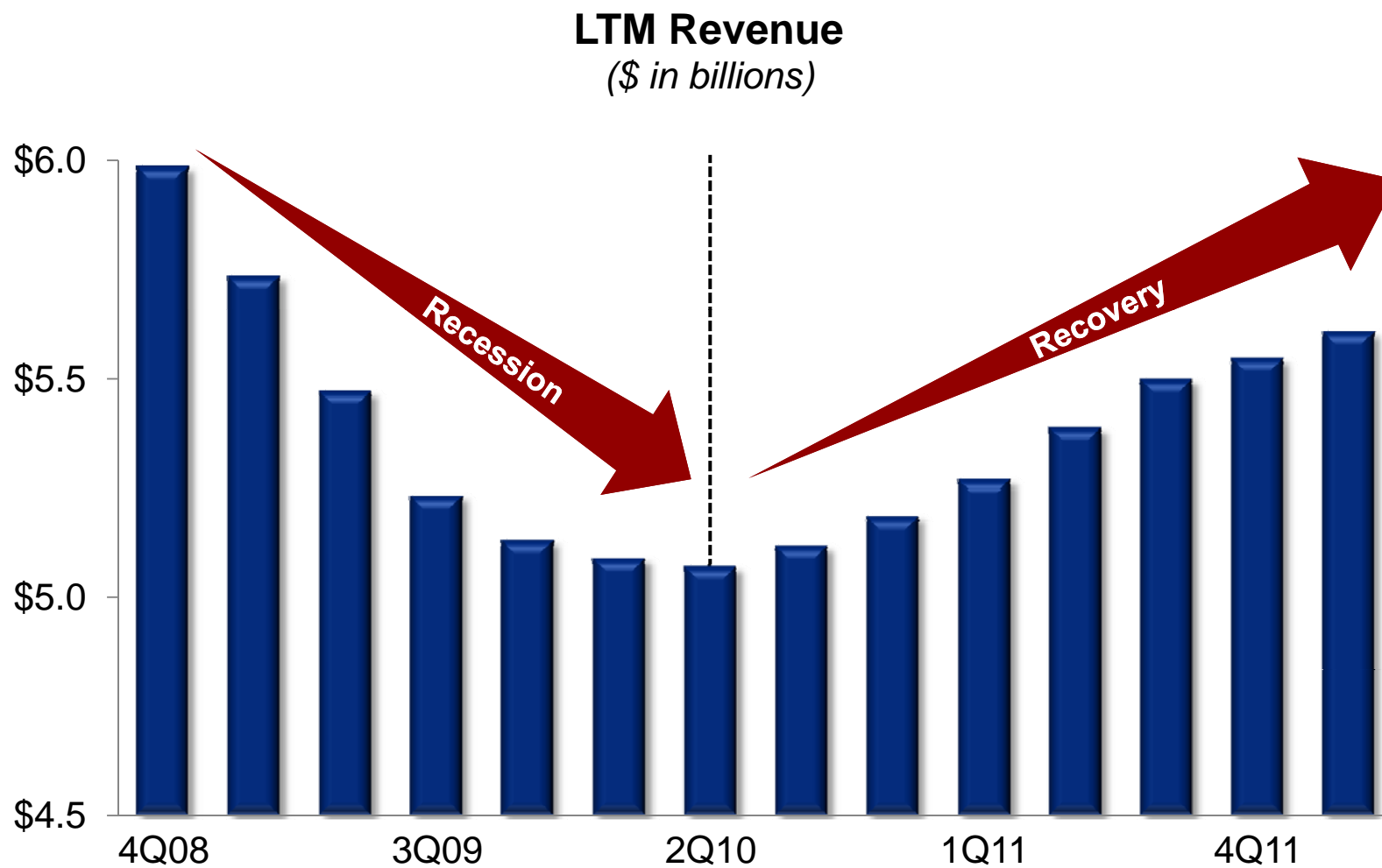
- ▶ Growth drivers

- ▶ 2012 outlook

- ▶ Summary

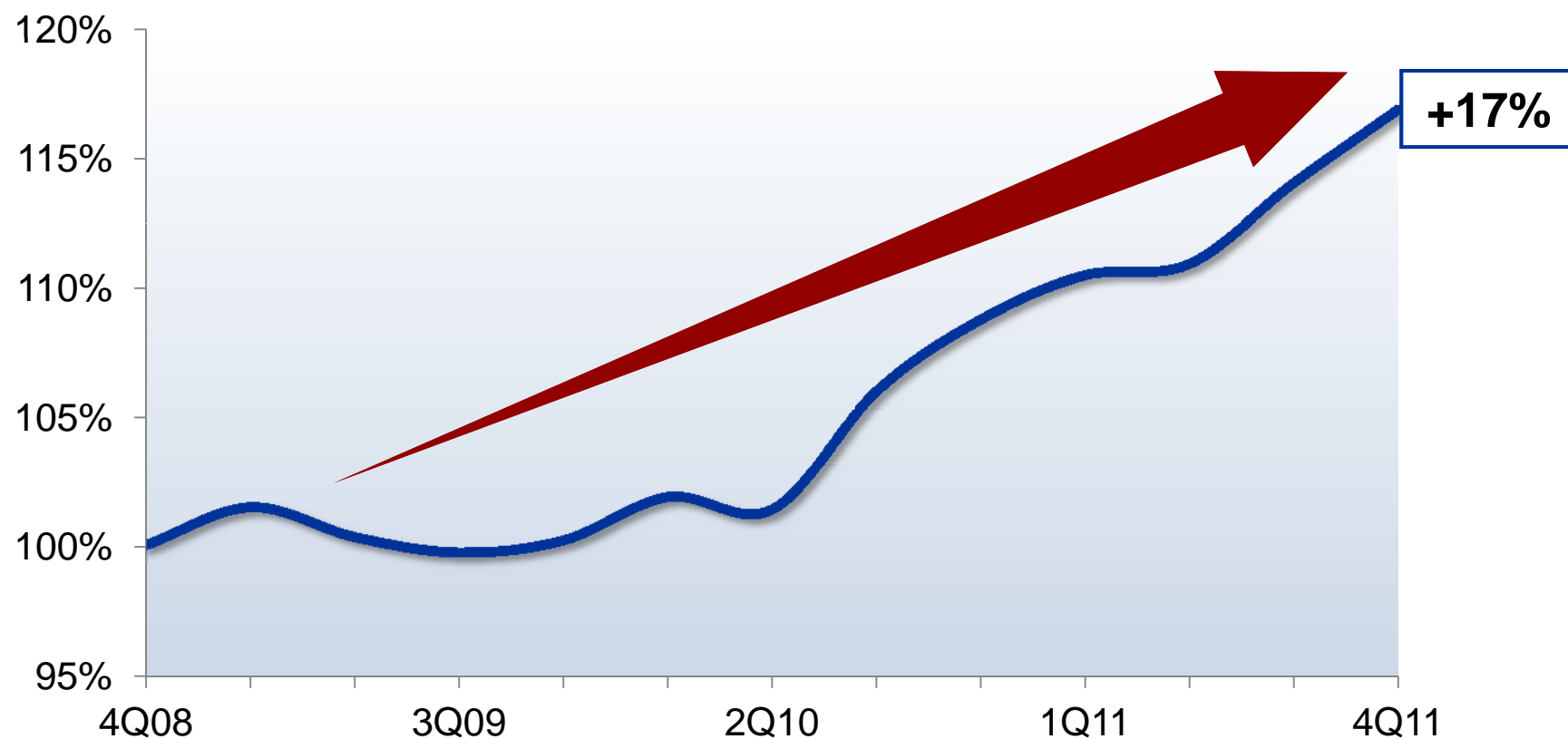


Solid Post-Recession Revenue Recovery



Intense Focus on Cost Reduction...

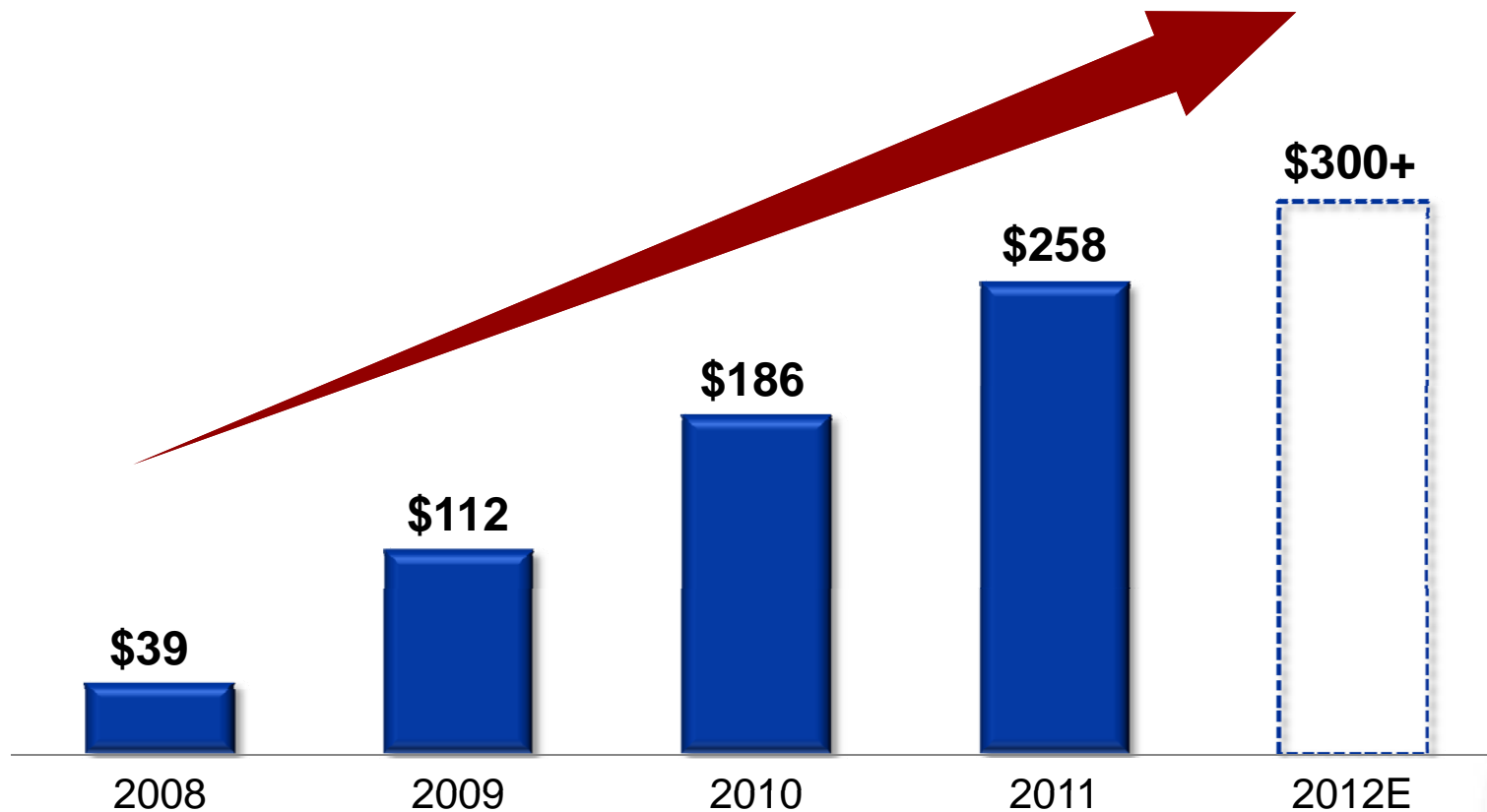
LTM Revenue per Employee



... And Productivity Enhancements

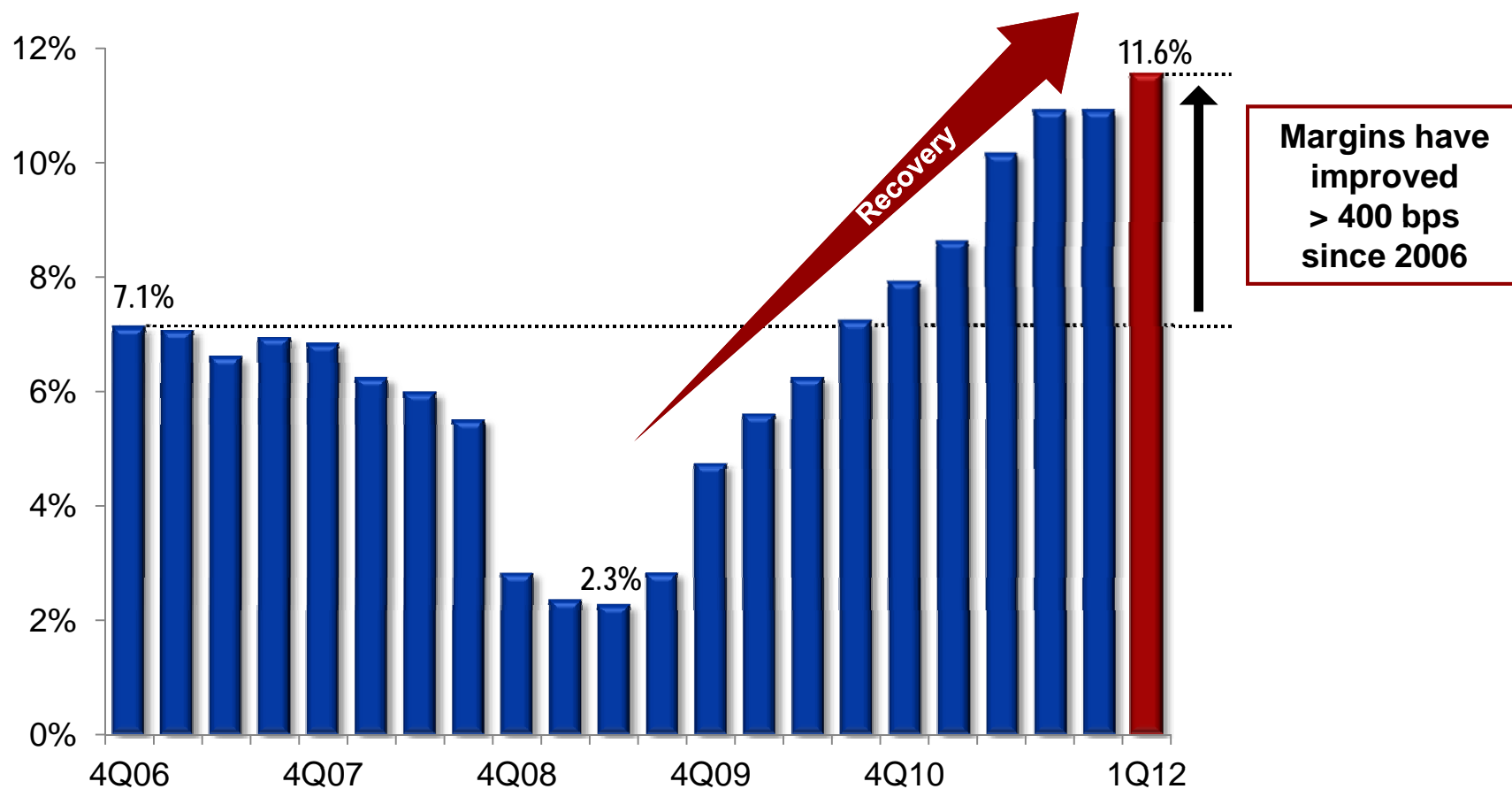
**Expect Performance Excellence (PEX) to Generate
More Than \$300 Million of Benefits in 2012**

(\$ in millions)



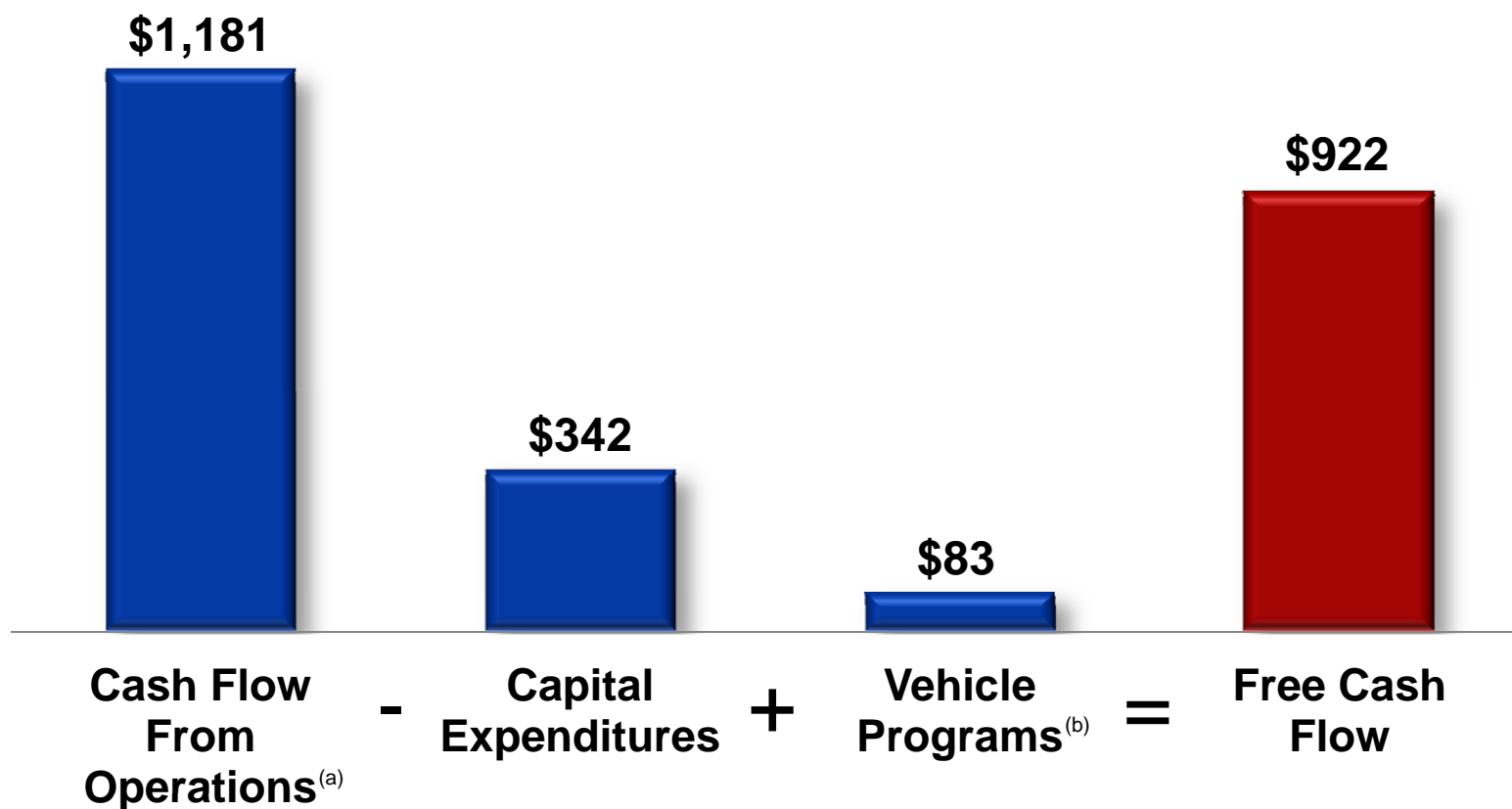
Drives Substantial Margin Improvement

LTM Adjusted EBITDA Margin^(a)



Free Cash Flow of More Than \$900 Million Since 2007

(\$ in millions)



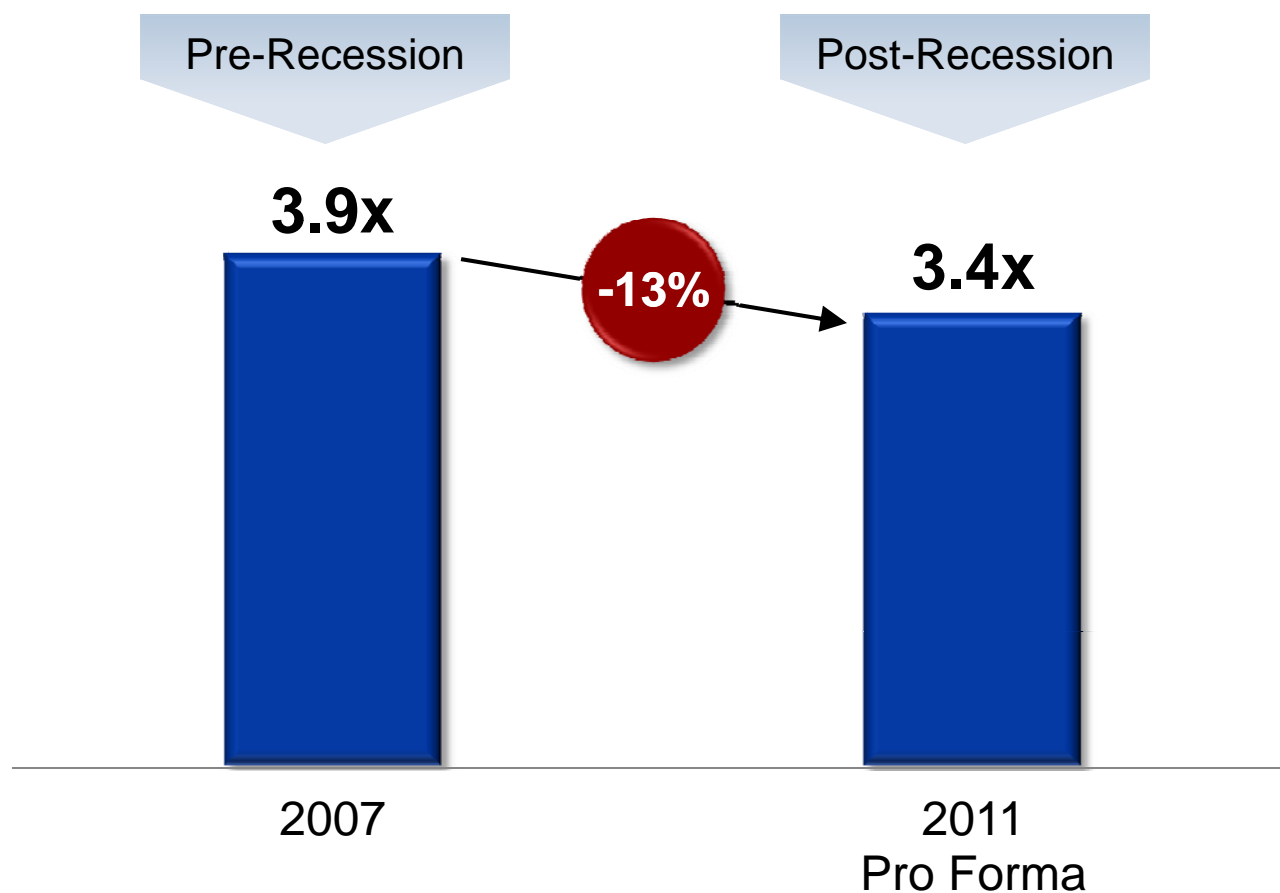
Note: Data is cumulative for years 2007-2011

(a) Excluding vehicle depreciation

(b) Including vehicle depreciation

Has Driven a Decline in Leverage

Adjusted EBITDA Leverage^(a)



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Four Underlying Strategies Drive Our Business Choices

Driving Sustained, Profitable Growth



***Strategically
Accelerate
Growth***



***Expand Our
Global
Footprint***



***Put the
Customer
First***

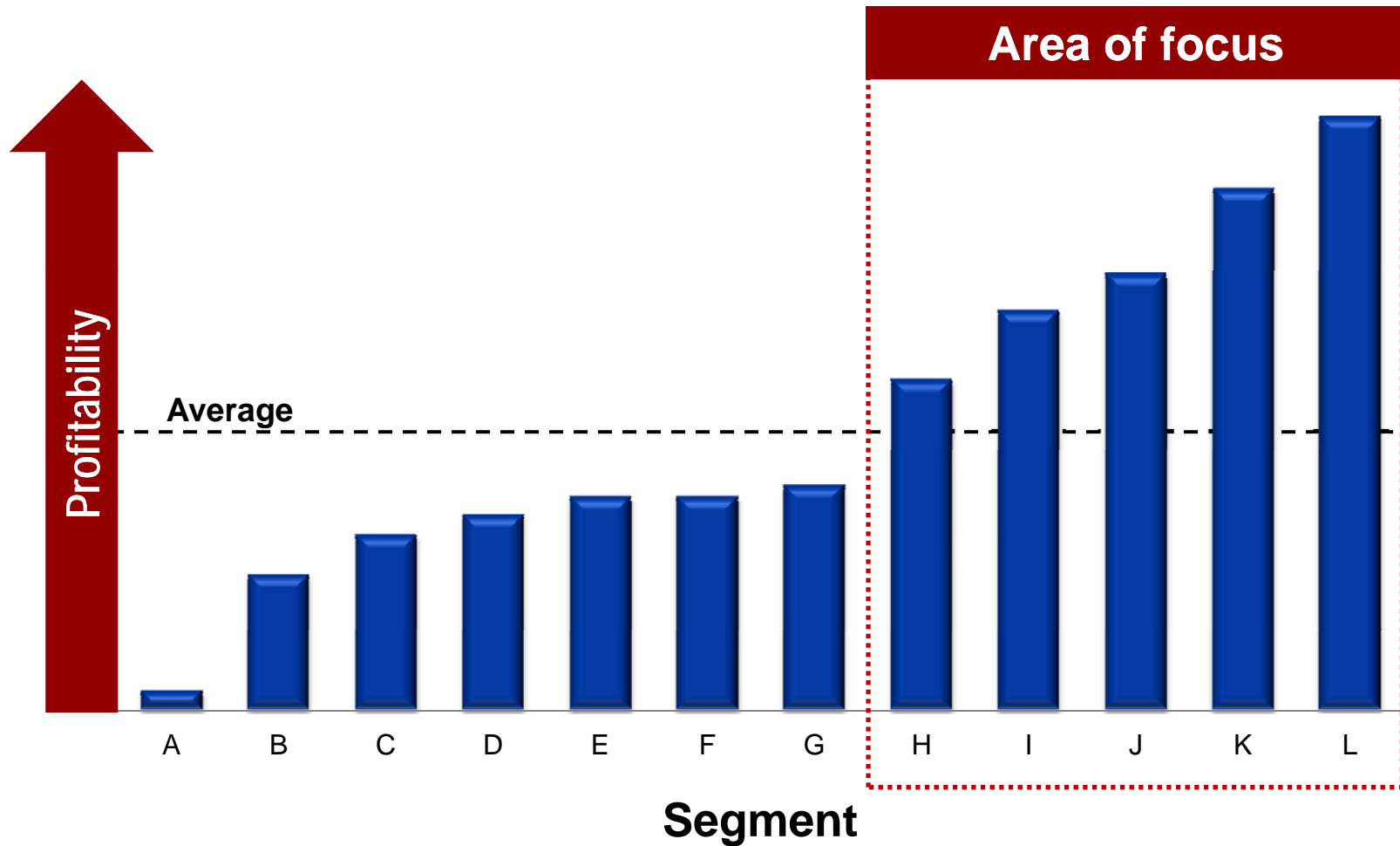


***Drive
Efficiency
Throughout
the
Organization***

Key Initiatives Drive Underlying Strategies



Grow in the Highest-Margin Segments

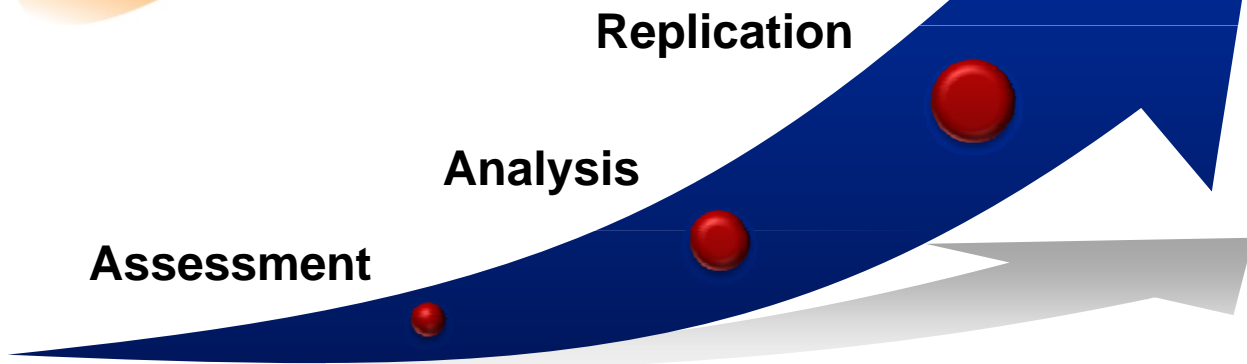


Focus on Cost Control and Increasing Productivity

Cumulative Benefits of \$600 Million Since Launch of Performance Excellence (PEX) Initiative in 2007

Drive Efficiency

Grow Revenue and Profits



Leverage Technology – Optimize Fleet Costs

Drive
Efficiency

Acquisition

- ▶ Program versus risk
- ▶ Seasonal needs
- ▶ Car class mix
- ▶ Customer preferences



Deployment

- ▶ Geographic allocation
- ▶ Mileage and usage
- ▶ On- versus off-airport
- ▶ “Cascading”



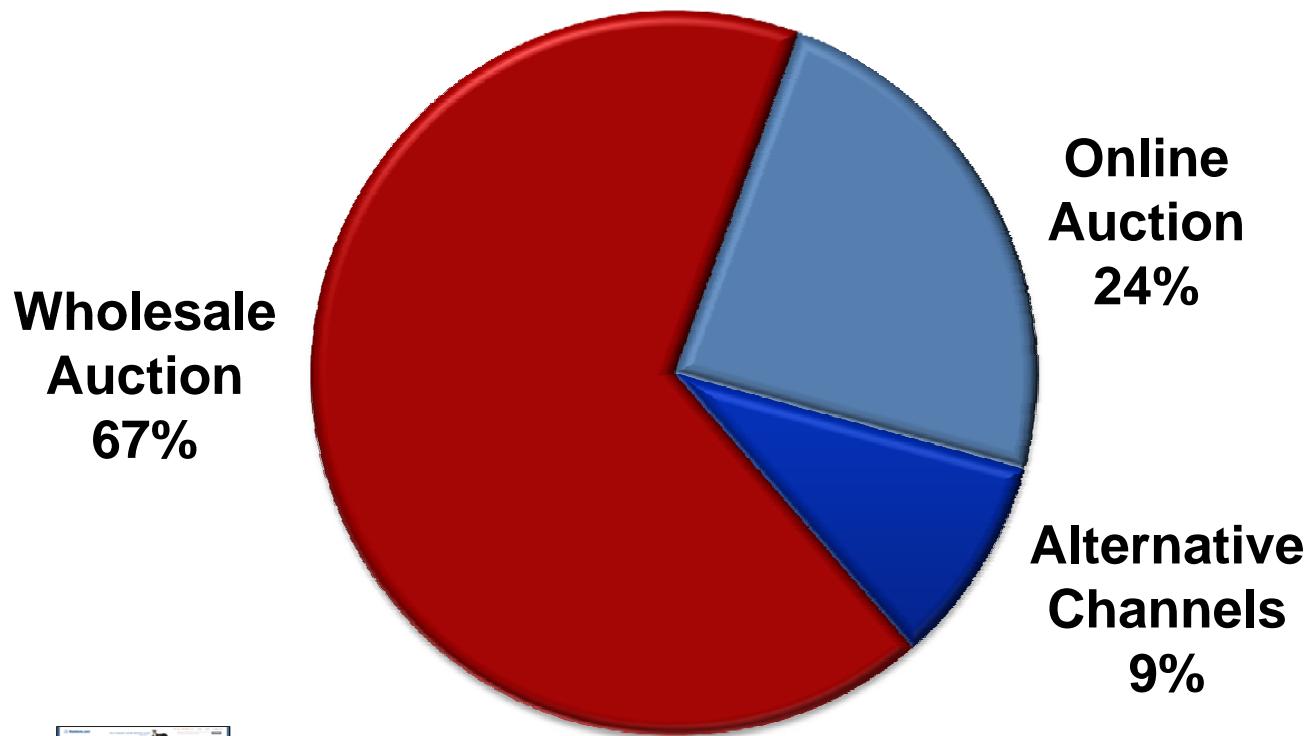
Disposition

- ▶ Timing
- ▶ Location
- ▶ Channel
- ▶ Vendor / selling partner



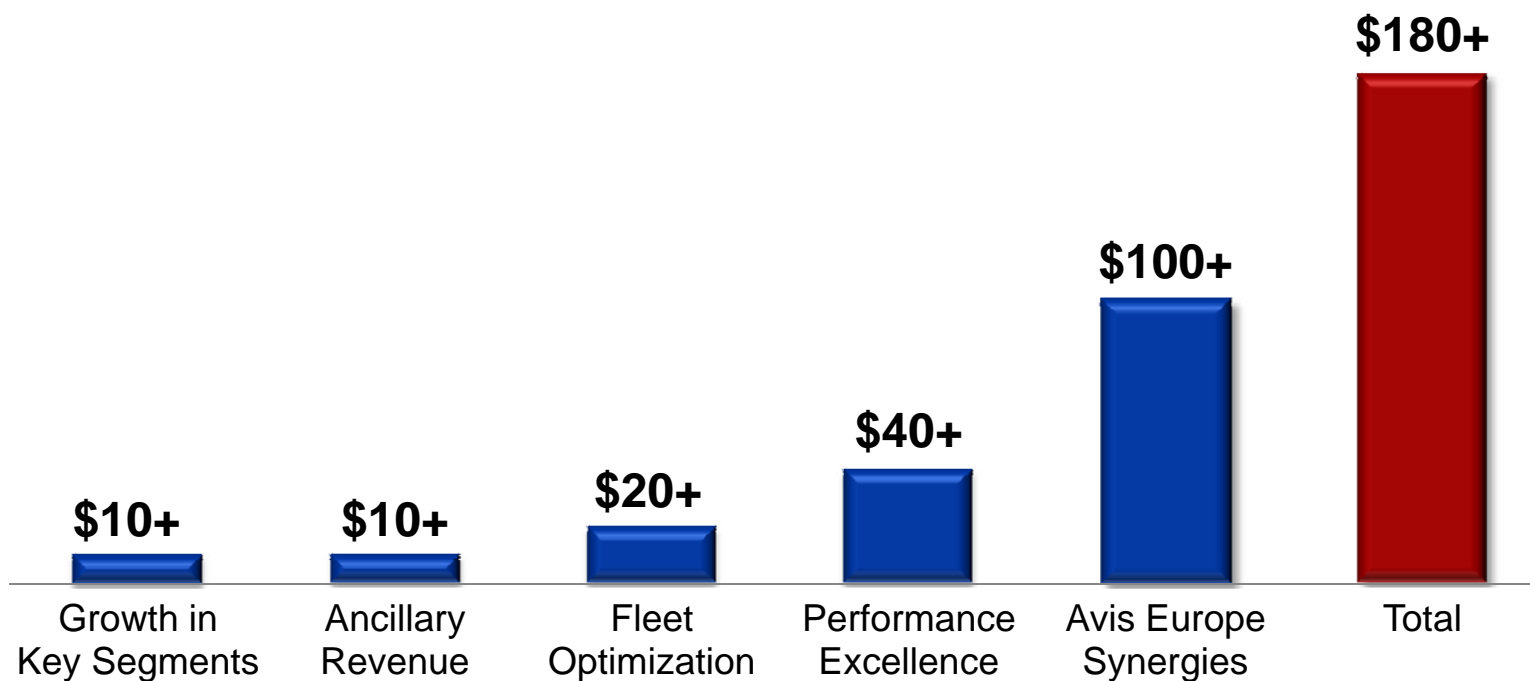
Utilizing Alternative Channels for Vehicle Disposition

Drive
Efficiency



These Strategic Initiatives Really Matter

Annual Earnings Opportunity (*\$ in millions*)

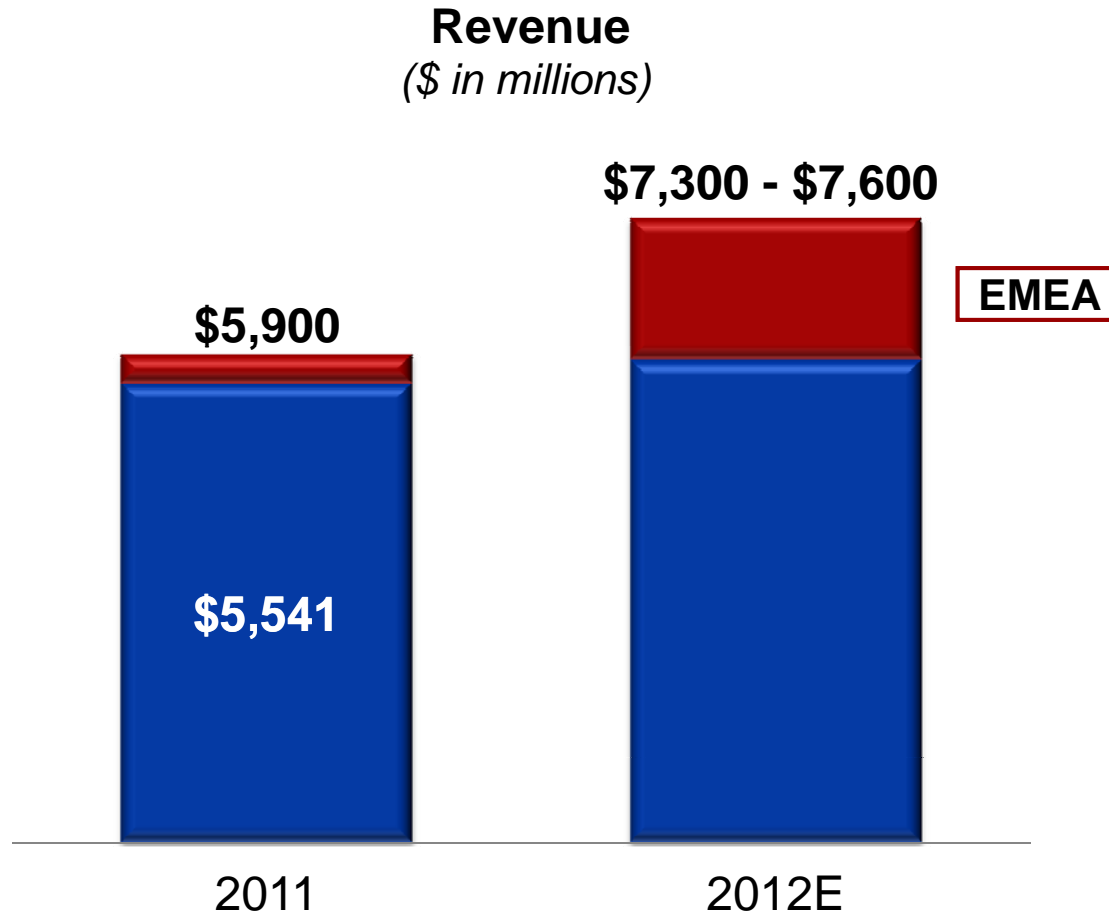


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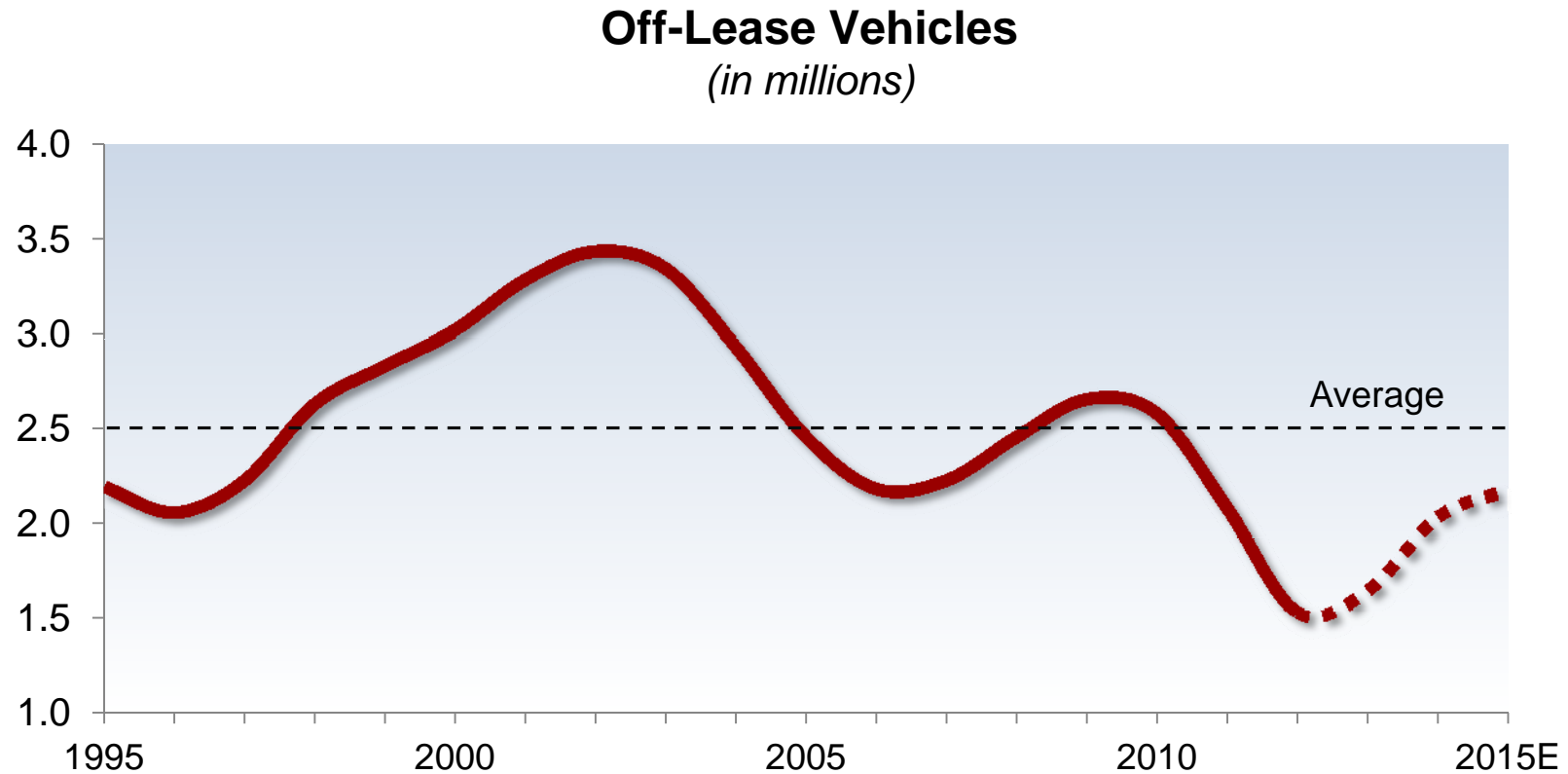


Revenue to Increase by Approximately 25-30%



- Combination of organic growth and acquisition of Avis Europe

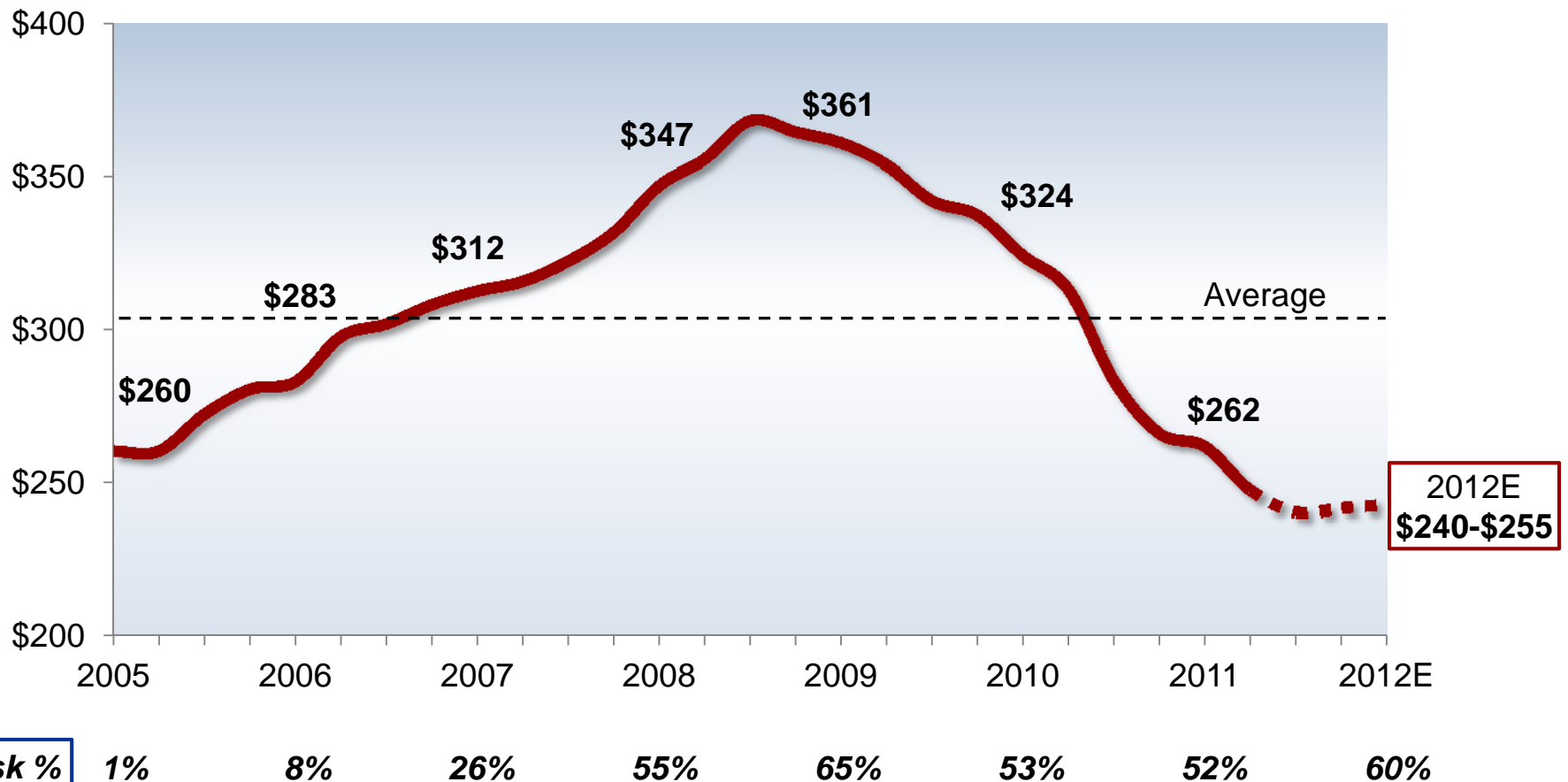
Expect the Used Car Market to Remain Strong . . .



**Reduced Supply of Off-Lease Vehicles
Supports Residuals**

... North American Per-Unit Fleet Costs to Decline 3-8%

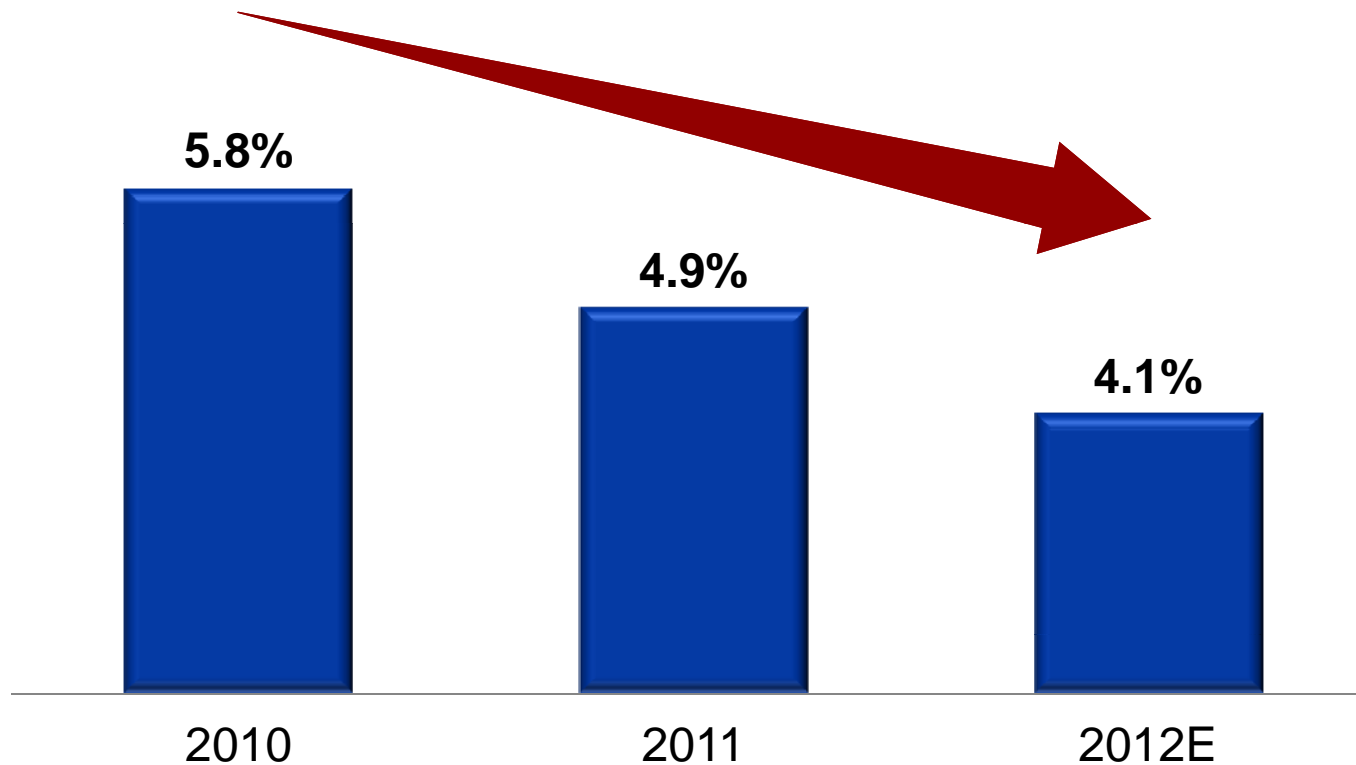
LTM Monthly Per-Unit Fleet Costs North America



Risk %

Lower Vehicle Borrowing Rates

ABS Term Debt Average Rates^(a)



- ▶ **Expect to generate more than \$25 million in interest savings year-over-year due to lower rates**

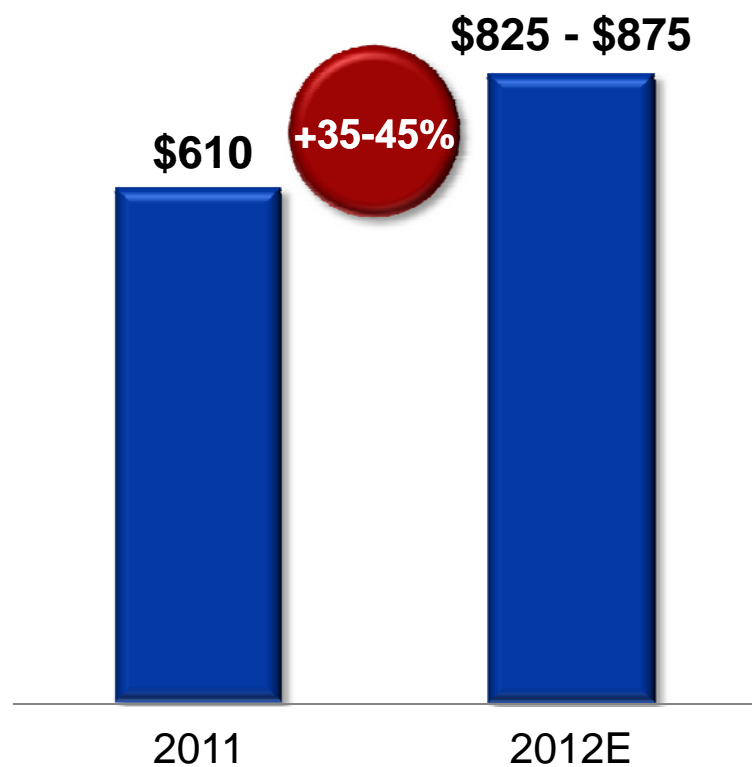
2012 Outlook Earnings Estimates

<i>(\$ in millions)</i>	2012 Estimate^(a)	Growth vs. 2011^(b)
Revenue	\$7,300 – \$7,600	26%
Adjusted EBITDA	825 – 875	39%
Non-vehicle D&A	110	
Interest expense	255	
Pretax income	460 – 510	50%
Income taxes	165 – 185	
Net income	\$295 – \$325	51%
Diluted EPS	\$2.35 – \$2.65	52%

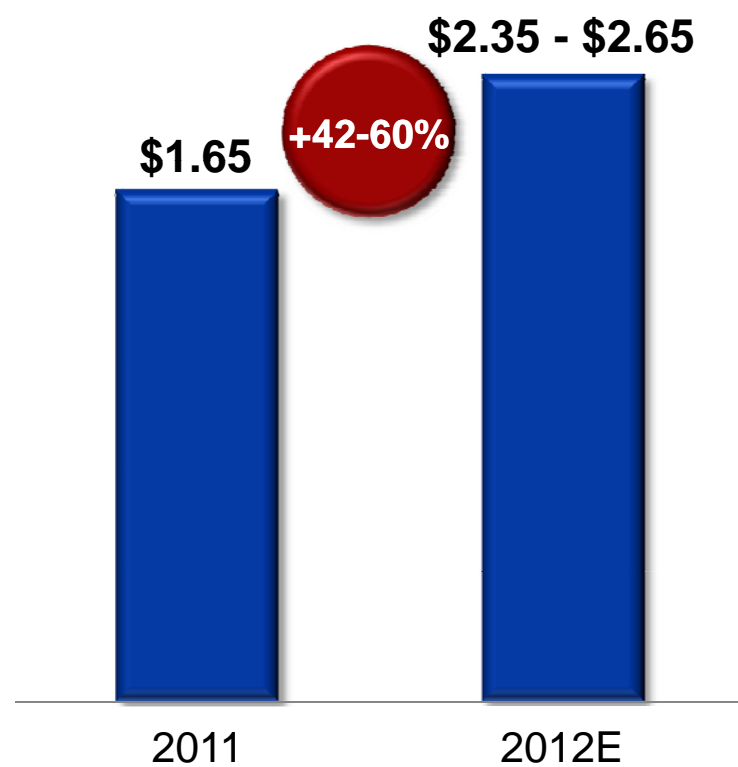


Strong Earnings Growth Expected

Adjusted EBITDA^(a)
(*\$ in millions*)



Earnings Per Share^(a)



Generating Free Cash Flow

(\$ in millions)

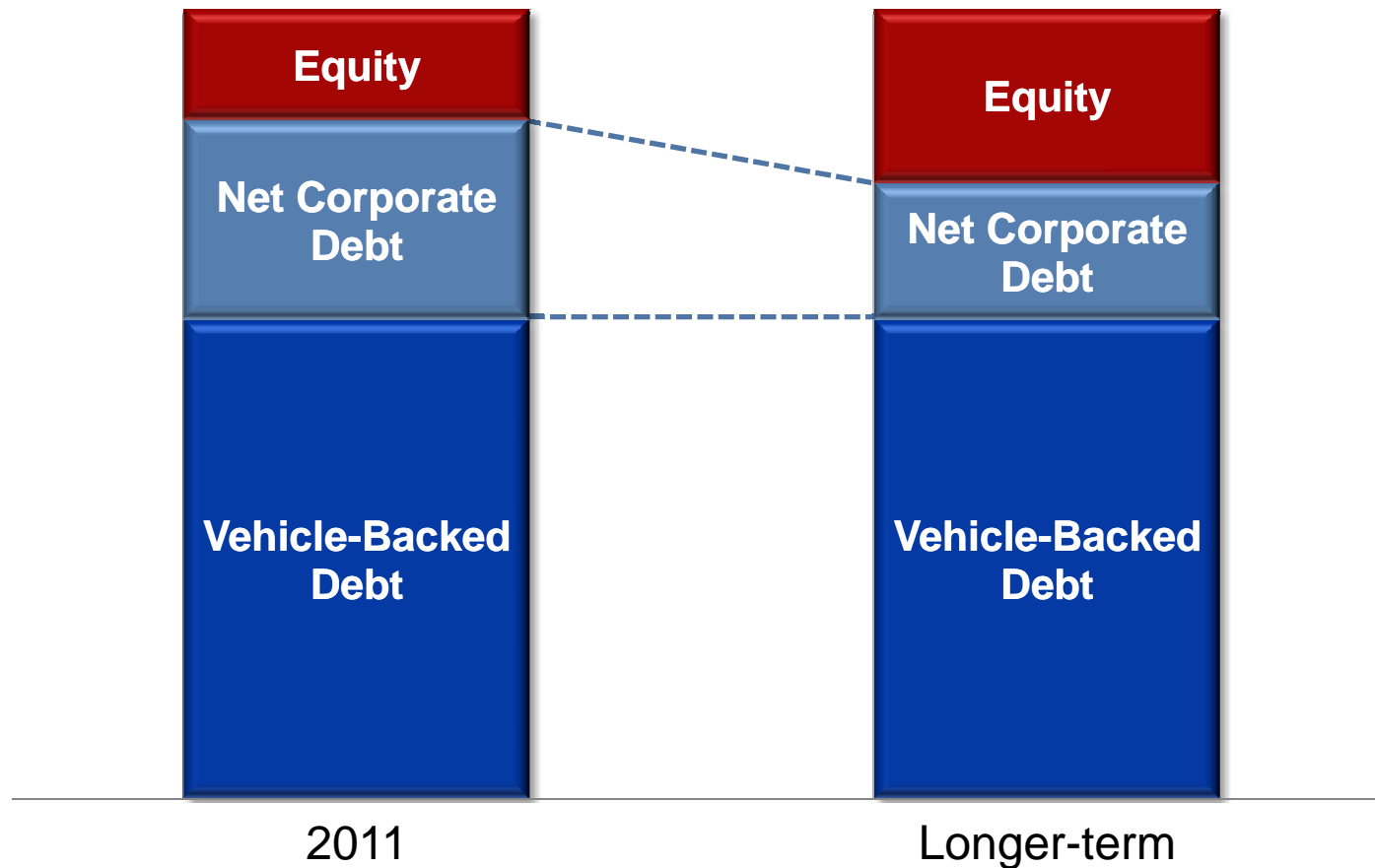
2012 Estimate^(a)

Pretax income	\$460 - \$510
Plus: Non-vehicle depreciation and amortization	110
Less: Capital expenditures	(125)
Working capital, fleet needs and other	(50) – 50
Cash taxes	(60) – (65)
Free cash flow	\$335 - \$485



Opportunity

Use of Free Cash Flow for Debt Reduction and Tuck-In Acquisitions



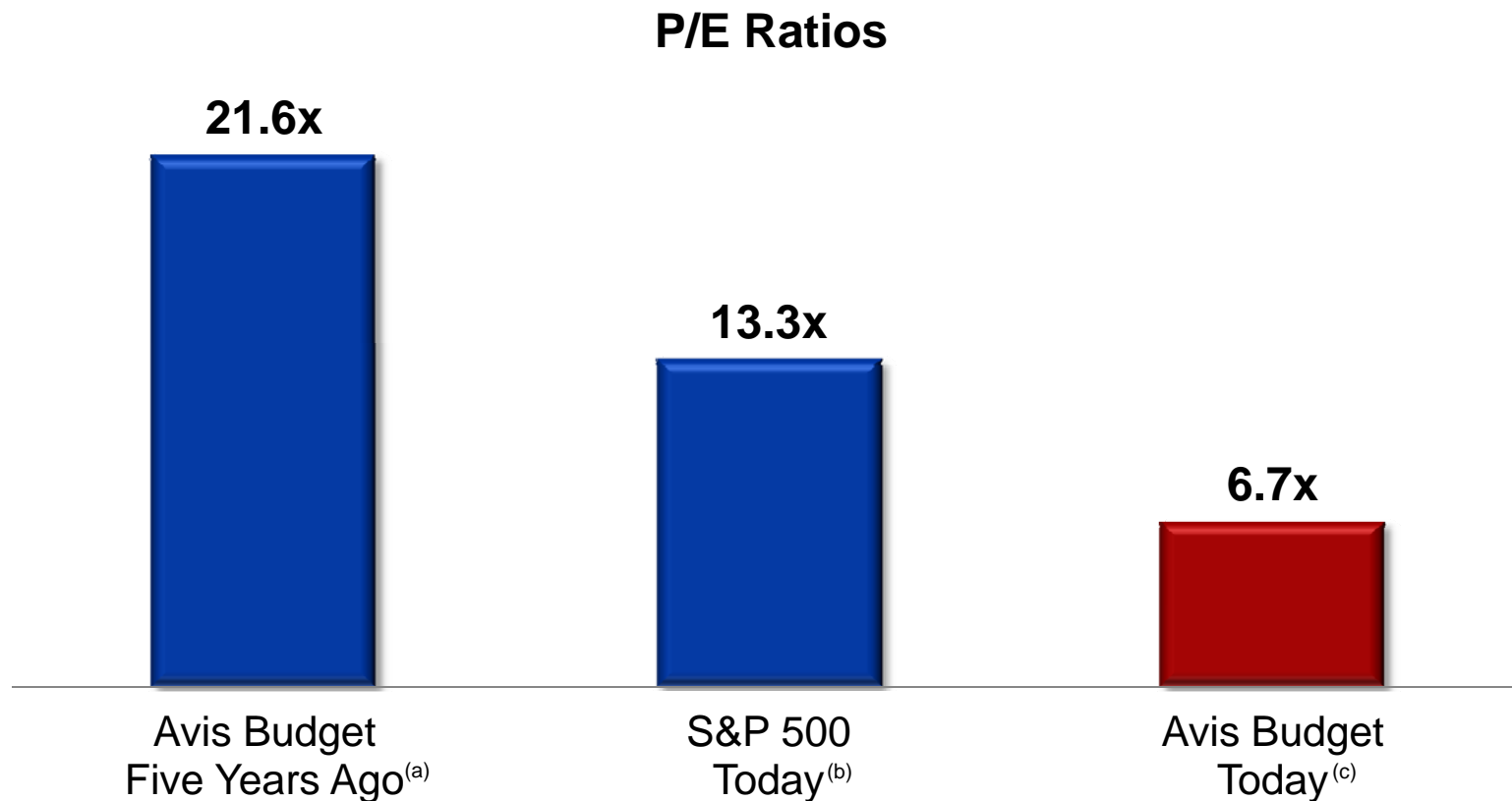
Targeting \$300+ million of corporate debt pay-down in 2012

Multiple Sources of Long-Term Earnings Growth

	Long-Term Earnings Growth Opportunity
Growth in developed markets	2% - 4%
Incremental growth from developing markets	1% - 3%
Ancillary revenues	1% - 2%
Fleet and yield optimization	1% - 3%
Productivity growth	2% - 4%
Other strategic initiatives	1% - 3%
Inflationary cost increases	(2%) – (4%)
Deployment of free cash flow	5% - 2%
	<hr/>
	11% - 17%
	<hr/> <hr/>



Opportunity Closing the Valuation Gap



- ▶ Trading at a 50% discount to the S&P 500
- ▶ Avis Budget P/E down 69% since 2007



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What's New

- ▶ **Launching Avis *Select & Go* this summer**
- ▶ **Pursuing substantial growth in China**
- ▶ **Piloting “virtual” rental, with plans to expand**
- ▶ **Using alternative channels for vehicle disposition**
- ▶ **Focused on the customer experience**
- ▶ **See large opportunities in Europe beyond initial integration**
- ▶ **Realizing substantial fleet cost savings**
- ▶ **Company generating significant cash flow and focused on debt reduction**



Key Messages

- ▶ **Industry leader with two global brands**
- ▶ **Strong financial performance**
- ▶ **Strategic initiatives focused on profitable growth**
- ▶ **Generating significant earnings and cash flow**





Investor Day 2012

Glossary

This presentation includes certain non-GAAP (generally accepted accounting principles) financial measures as defined under SEC rules. We have provided below reasons we present these non-GAAP financial measures, a description of what they represent and a reconciliation to the most comparable financial measure calculated and presented in accordance with GAAP.

Adjusted EBITDA

Adjusted EBITDA represents income (loss) before non-vehicle related depreciation and amortization, any impairment charge, transaction-related costs, non-vehicle related interest and income taxes. Adjusted EBITDA excluding certain items represents Adjusted EBITDA excluding restructuring-related expenses, costs related to early extinguishment of debt and other certain items as such items are not representative of the results of operations of our business. We believe that Adjusted EBITDA and Adjusted EBITDA excluding certain items are useful as supplemental measures in evaluating the aggregate performance of our operating businesses. Adjusted EBITDA is the measure that is used by our management, including our chief operating decision maker, to perform such evaluation. It is also a component of our financial covenant calculations under our credit facilities, subject to certain adjustments. Adjusted EBITDA should not be considered in isolation or as a substitute for net income (loss) 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. We believe that the measures referred to above are useful as supplemental measures in evaluating the aggregate performance of the Company.

Reconciliation of Adjusted EBITDA to income (loss) before income taxes (in millions):

	Year Ended December 31,						Quarter Ended March 31,	
	2006 ^(a)	2007	2008	2009	2010	2011	2011	2012
Total Revenue	\$ 5,628	\$ 5,986	\$ 5,984	\$ 5,131	\$ 5,185	\$ 5,900	\$ 1,235	\$ 1,623
Adjusted EBITDA excluding certain items	\$ 405	\$ 409	\$ 169	\$ 243	\$ 410	\$ 610	\$ 83	\$ 119
Less: Non-vehicle related depreciation and amortization	96	84	88	96	90	91	23	27
Interest expense related to corporate debt, net (excluding pre-closing interest related to acquisition financing)	137	127	129	153	162	195	40	73
Income (loss) before income taxes, excluding certain items	\$ 172	\$ 198	\$ (48)	\$ (6)	\$ 158	\$ 324	\$ 20	\$ 19
Less certain items:								
Transaction-related costs	-	-	-	-	14	255	2	6
Acquisition-related interest	-	-	-	-	8	24	7	-
Restructuring charges	10	-	28	20	11	5	-	7
Acquisition-related amortization expense	-	-	-	-	-	4	-	5
Early extinguishment of debt	-	-	-	-	52	-	-	27
Litigation costs	-	-	5	18	1	-	-	-
Impairment	-	1,195	1,262	33	-	-	-	-
Separation-related costs, net	23	(5)	-	-	-	-	-	-
Vehicle and intercompany interest, net	8	-	-	-	-	-	-	-
Public company costs	(6)	-	-	-	-	-	-	-
Non-vehicle depreciation and amortization	9	-	-	-	-	-	-	-
Interest expense related to corporate debt	412	-	-	-	-	-	-	-
Corporate and other EBITDA	393	-	-	-	-	-	-	-
Avis Budget Group, Inc. income (loss) before income taxes	\$ (677)	\$ (992)	\$ (1,343)	\$ (77)	\$ 72	\$ 36	\$ 11	\$ (26)

Glossary

Reconciliation of Net Corporate Debt (in millions):

	Year Ended December 31,						Quarter Ended March 31,
	2006	2007	2008	2009	2010	2011	2012
Net corporate debt	\$ 1,670	\$ 1,583	\$ 1,531	\$ 1,649	\$ 1,591	\$ 2,671	\$ 2,695
Plus: Cash and cash equivalents	172	214	258	482	911	534	606
Corporate debt	<u>\$ 1,842</u>	<u>\$ 1,797</u>	<u>\$ 1,789</u>	<u>\$ 2,131</u>	<u>\$ 2,502</u>	<u>\$ 3,205</u>	<u>\$ 3,301</u>

Reconciliation of Adjusted EBITDA excluding certain items, amortization of deferred financing fees and stock-based compensation (in millions):

	Year Ended December 31,	LTM Ended March 31,
	2011	2012
Pro forma Adjusted EBITDA excluding certain items	\$ 781	\$ 810
Avis Europe pro forma EBITDA	171	164
Adjusted EBITDA excluding certain items	\$ 610	\$ 646
Less: Non-vehicle related depreciation and amortization	91	95
Interest expense related to corporate debt, net (excluding pre-closing interest related to acquisition financing)	195	228
Income (loss) before income taxes, excluding certain items	<u>\$ 324</u>	<u>\$ 323</u>
Less certain items:		
Transaction-related expenses	255	259
Acquisition-related interest	24	17
Restructuring charges	5	12
Acquisition-related amortization expense	4	9
Early extinguishment of debt	-	27
Litigation costs	-	-
Impairment	-	-
Income (loss) before income taxes	<u>\$ 36</u>	<u>\$ (1)</u>

Reconciliation of net income, excluding certain items to net income (loss):

	Year Ended December 31,	
	2010	2011
Earnings per share, excluding certain items (diluted)	\$ 0.90	\$ 1.65
Shares used to calculate Earnings per share, excluding certain items (diluted)	126.7	128.9
Net income (loss), excluding certain items	\$ 107	\$ 206
Less certain items, net of tax:		
Transaction-related expenses	8	215
Acquisition-related interest	5	14
Restructuring charges	7	3
Acquisition-related amortization expense	-	3
Early extinguishment of debt	32	-
Litigation costs	1	-
Net income (loss)	<u>\$ 54</u>	<u>\$ (29)</u>