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+++ presentation

Operator^ Greetings. Welcome to the Avis Budget Group Q4 earnings call. (Operator Instructions) Please note this conference is being recorded.

I will now turn the conference over to David Calabria, Senior Vice President, Corporate Finance and Treasurer. Thank you, David. You may begin.

David Calabria^ Good morning, everyone, and thank you for joining us. On the call with me are Brian Choi, our Chief Executive Officer; and Daniel Cunha, our Chief Financial Officer.

Before we begin, I would like to remind everyone that we will be discussing forward-looking information, including potential future financial performance which is subject to risks, uncertainties, and assumptions that could cause actual results to differ materially from such forward-looking statements and information. Such risks and assumptions, uncertainties, and other factors are identified in our earnings release and other periodic filings with the SEC as well as the Investor Relations section of our website.

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

GAAP financial measures. Please refer to our earnings press release, which is available on our website, for how we define these measures and reconciliations to the closest comparable GAAP measures.

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

Brian Choi^ Thanks, David, and thank you to everyone joining us today for our fourth quarter and full year 2025 earnings call. If you reviewed our earnings release and financial supplement, you'll have seen that this was a difficult quarter. I've said before that delivering on quarterly results is foundational. And when operational performance speaks for itself, we earn the right to focus on the bigger picture. This quarter, we didn't earn that right. We fell significantly short of guidance that's unacceptable and have no excuses to offer. What I will say is that the decisions we made were grounded in the information we had at the time.

The outcomes were not what we expected but the process was disciplined, and I think that distinction matters as we look forward. What I owe you today is a clear fact-based explanation of what happened, how we're now responding, and where this means we're headed as a company. I'm going to structure my remarks around three horizons. Horizon 1 is a backward-looking view focused on what drove our fourth quarter miss. Horizon 2 is the present, the actions we're taking now to position the business for 2026. Horizon 3 looks briefly at how this all fits into our longer-term strategy. I'll get into a fair bit of detail on Horizon 1 because that's what this quarter demands.

Let's start with what we're bridging. On our October earnings call, we guided to full year adjusted EBITDA of \$900 million, implying roughly \$157 million in the fourth quarter. Yesterday, we reported full year adjusted EBITDA of \$748 million. That means we missed our fourth quarter forecast by approximately \$150 million inside the span of three months.

I'll walk you through the specific drivers of how that happened. But first, it's important to note that this miss was entirely in our Americas segment. Our International business executed a meaningful turnaround in 2025 and performed as expected in the fourth quarter. The issues we're discussing today are concentrated in the Americas.

In October, we expected Americas rental days to grow about 3% in the fourth quarter. That was consistent with third quarter trends and supported by TSA passenger growth of roughly 3% year over year in the month of October. So while government travel immediately declined sharply following the shutdown, overall commercial demand initially held up. That changed abruptly in November.

FAA flight reductions, air traffic control disruptions, and extended TSA wait times materially reduced discretionary travel as it increased both uncertainty and inconvenience. Commercial rental days went from mildly down in October to down 11% in November.

December stabilized, but by then, the damage to the quarter was done. As a result, instead of growing rental days by 3%, we delivered flat volume for the quarter. That whipsaw demand created our second challenge, fleet size. When demand weakens, the right response is to reduce fleet. The problem was timing.

The fourth quarter is the most difficult period to sell used vehicles as dealers focus on clearing new model year inventory. Aggressive new car incentives, pressure used car pricing, which is why under normal circumstances, we defer meaningful defleeting until the first quarter of the following year.

This year, we couldn't wait. Given the speed and magnitude of the demand decline, we chose to defleet in November despite unfavorable market conditions. Used vehicle prices reflected that reality. The Manheim rental index price per vehicle declined nearly \$1,000 or 4.3% from October to November. That impacts us in two ways, lower gains on vehicles sold and a lower valuation mark on the fleet we retained. As a result, monthly net depreciation per unit in the Americas came in at \$338 in the fourth quarter.

Our initial estimate in October was slightly lower than \$300. The silver lining is that used vehicle prices stabilized in December, recovering most of the November decline. We believe selling fleet aggressively was still the correct decision from an asset management standpoint, even though it came at a cost, not acting and carrying excess fleet into a soft demand environment would have created greater operational and financial issues. This is the right call, even though the timing made it painful. But despite us taking decisive action, industry capacity remained elevated relative to demand in the fourth quarter, which leads us to our third unforeseen factor pricing.

Through the first three quarters of 2025, RPD on a two-year stack had been sequentially improving. Based on early fourth quarter trends, we expected that improvement to continue. Instead, November reversed that progress. Weakened demand and excess industry supply pressured pricing across the market. Length of rent restrictions were largely absent industry-wide, and RPD deteriorated more than expected.

In the Americas, RPD finished the quarter down 3.7%. When we guided in October, we

thought this would be closer to 2%. I don't believe this was an Avis-specific dynamic. Industry capacity remained elevated, and pricing pressure was evident across competitors as well throughout November and early December.

For how this all impacted our results, let me pass it over to Daniel.

Daniel Cunha^ Thank you, Brian. The financial results of our business are really driven by just a few key variables. As this quarter demonstrated, these variables are often interconnected and can be difficult to predict. When rental days, depreciation, and RPD all move off plan at the same time, the financial impact compounds quickly.

Here's the bridge. Lower rental days and weaker RPD drove approximately \$40 million of the adjusted EBITDA miss on the revenue side. Higher gross depreciation and lower gains on sale accounted for an additional \$60 million. The remaining approximately \$50 million relates to our insurance reserves for personal liability and property damage (or PLPD).

As part of our actuarial review for year-end, we increased our PLPD reserve in December. While new incident trends are improving, we chose to reset our reserve base line conservatively as we enter 2026. This was a deliberate decision as we do not want to carry additional risk. Taking this action now puts us in a stronger position, more stable for 2026.

When you step back and consider all these factors together, I find it useful to evaluate the puts and takes across two dimensions: macro versus micro and temporary versus structural.

In my view, the majority of our underperformance this quarter falls into the macro and short-term category. Demand softness and pricing pressure were industry-wide and appear transitory based on recent trends and forward bookings.

Depreciation is clearly macro driven, but the health of the used car market won't be fully known until the tax refund season later this spring. December and January trends suggest the market has stabilized, and we'll keep you updated as the months progress.

As far as the operations go, my key point is this. We call challenges aside. We do not believe the specific conditions that caused rental days, depreciation, and RPD to move against us simultaneously are present today, and we're operating the business to reduce the likelihood of that alignment recurring. Demand has stabilized. Fleet is better aligned with volume, and pricing is slowly improving.

Let's close out Horizon 1 by addressing the approximately \$500 million write-down we took on our EV fleet at year-end.

While write-down is never something we welcome, we view this action as a deliberate reset that strengthened our balance sheet and reduced future risk.

Following the passage of the Big Beautiful Bill in July, which made 100% bonus depreciation permanent, the outlook for tax position became much clearer. That prompted us to reassess how to best monetize the Federal EV tax credits that we had limited ability to utilize internally. As a result, we completed the transaction allowed us to monetize the majority of our EV tax credits and generate \$180 million of cash today.

Importantly, this also give us the opportunity to reassess the economic life of our EV vehicles. Based on market conditions and our operating experience, we concluded it was prudent to shorten their remaining useful life from 36 months to approximately 18 months. We've been depreciating these vehicles at roughly \$600 per month. So exiting them earlier meaningfully reduces our exposure to residual value risk and technology obsolescence while accelerating capital recycling.

More broadly, the automotive industry is recalibrating how it thinks about EV economics, and we're doing the same. The decisive action strengthens our balance sheet, pulls cash forward, and reduces future volatility and depreciation. I want to thank our tax and treasury teams for all the work they put in to allow us to take advantage of this opportunity.

With that, let me turn it back to Brian for Horizon 2 to discuss what actions we're taking from the learnings of the fourth quarter and how we're planning for 2026.

Brian Choi^ Thanks, Daniel. 2026 will be the first year in which this management team has had the opportunity to build an annual plan from the ground up. As a result, you will see some clear philosophical differences in how we operate the business. The most important shift I want to highlight is how we define operational success when it comes to fleet availability.

Coming out of the COVID recovery, the operational ambition in the Americas was to be the last provider with an available car on the lot. In a supply-constrained, high-demand environment, that strategy worked. Having the last car available meant you had pricing leverage on late rentals, and that was largely the reality in 2021 and 2022.

That approach does not work in a normalized environment. Carrying excess fleet requires holding more vehicles during shoulder periods, which pressures RPD. It also requires larger fleet purchases, often at less favorable economics. We've seen firsthand that prioritizing absolute availability over discipline introduces volatility into pricing, depreciation, and ultimately, into earnings and balance sheet health as well.

In 2026, we are prioritizing utilization over fleet growth in search of rental days. That shift is already underway. As I mentioned earlier, we sold a substantial number of vehicles in the fourth quarter into a thin buying market. Since then, buyers have returned. And in the first quarter of 2026, we are actively utilizing every disposition channel available to rightsize our fleet.

In January, we sold a record number of vehicles. That momentum continued into February, and we expect elevated disposition activity through the peak tax refund season in March and April.

The lesson from the fourth quarter is straightforward. While we don't control macro events like government shutdowns, we can control how nimble we choose to be as a company. Running a tighter fleet reduces the risk of being caught off footed when demand unexpectedly softens. And in scenarios where demand is stronger than expected, we will deploy fleet to the most profitable segments of the business and rely on operational execution to capture those opportunities.

We are asset managers and our focus is on sweating our assets. You should see this discipline reflected in lower fleet size and higher utilization as the year progresses.

Our fleet rightsizing strategy also prompted us to take a hard look at how we structure our OEM partnerships. Avis Budget Group is one of the largest vehicle purchasers in the world and replace a high value on the long-standing productive relationships we've built with our OEM partners. These relationships matter, especially in periods of stress. When our partners face challenges, we've worked through them constructively and in most cases, that approach has served both sides well.

In 2025, however, recalls became a more meaningful operational and financial headwind than we anticipated. We exited Q4 with approximately 14,000 vehicles still grounded as parts availability remain constrained. The impact of recalls in the fourth quarter alone, including only depreciation, interest parking and parking expenses even before factoring in

lost profits and gains on sale was nearly \$40 million.

We operate in an asset-intensive business, and returns depend on our ability to actively deploy and monetize those assets. When vehicles are sidelined for extended periods with no clear path to resolution, that directly undermines the economics of our business model. This experience has clarified something important for us going forward.

Reliability and execution matter just as much as price and volume when we determine fleet purchasing decisions. As part of our 2026 planning process, we are rebalancing our OEM exposure to reflect that principle. OEMs that demonstrate consistent execution, transparency, and responsiveness will continue to be core partners for us. Where those standards are not met, we will reduce exposure over time and reallocate volume accordingly.

This is not about short-term pressure or one-off issues. It is about aligning our fleet strategy with dependable partners who enable us to run a more predictable, capital-efficient business. Given the scale of our fleet purchases, even modest reallocations can have meaningful economic impact. As we look ahead, our OEM strategy will be guided by a simple objective, deploy capital with partners that allow us to reliably earn attractive returns across cycles.

The final strategic change I want to address for 2026 is how we think about costs. At this new Avis Budget Group, cost is not something to be cut for its own sake or simply managed quarter to quarter. Cost is capital. And like any capital allocator, our responsibility is to deploy that capital where it earns the highest possible return for our customers, our employees, and our shareholders.

Our job isn't to spend less. It's to be deliberate. When we treat costs as scarce capital, we rationalize in areas where returns are low so that we can invest with conviction in the areas that matter most. One action funds the other.

We put this philosophy into practice at the start of the year. In January, we implemented a global reduction in force to reset our organizational structure to what we believe is appropriate for the business we plan to run in 2026 and beyond. This was a deliberate onetime action. Separately, we have strengthened our performance management processes, which led to exits this January. This will be an ongoing discipline going forward.

The fourth quarter reinforced an important reality. This is a business with inherent volatility.

Rental demand, used vehicle pricing, and RPD are variables we don't fully control that makes it even more critical that we rigorously control what we can control. A lean, flexible cost base is essential to manage through uncertainty and improve earnings stability. This approach extends well beyond headcount. We are conducting a thorough review of our business portfolio to ensure each segment meets our capital return thresholds and strategic objectives.

In December, we made the difficult decision to exit Zipcar UK. In January, we restructured Zipcar's US operations to put that business on a more sustainable footing.

Throughout 2026, we will continue to evaluate non-core and adjacent businesses, including package delivery, ride hail, and certain franchise activities to ensure capital and management attention are allocated where they create the most value.

Let me be clear. This discipline does not mean we are pulling back from investment. It's not an either/or proposition. Cost rationalization is what enables investment. That capital comes from making tough, intentional choices elsewhere. That's exactly how we started 2026 and how we expect to manage the years going forward.

Taken together, these actions are designed to lower earnings volatility, improve margin durability, and sustainably increase free cash flow generation, which brings me to Horizon 3. I'll keep this brief because our long-term strategic direction remains consistent with what we've previously communicated. We remain intensely focused on the execution of several key initiatives.

Our top priority is customer experience. Over the past several years, the rental car industry has seen quality standards drift. It is not acceptable to Avis and it's something we are addressing head on. We are rearchitecting our customer experience organization from the ground up with clear ownership, defined metrics, and tight accountability.

Our objective is straightforward, consistently deliver the best product in the industry. It begins with our fleet. The average age of our US rental car fleet will be less than a year old by the end of the first quarter. We haven't been able to say that since before the pandemic.

We are also continuing to build out Avis First. What began as a leisure-focused offering will expand meaningfully into commercial accounts in 2026. Feedback from our early strategic accounts has been strong, and we see significant opportunity to deepen relationships by delivering a more differentiated premium experience.

Finally, our partnership with Waymo continues to progress as planned. Our Dallas launch remains on schedule, with real estate development, hiring and training, and compliance certification all tracking to plan. Waymo is currently offering employees fully autonomous rides in Dallas, which is a final step ahead of welcoming public riders soon.

As we announced last year, we do intend to explore additional cities with Waymo in the future and are in active conversations with them. We believe our core competencies are mission-critical to operating autonomous mobility at scale. We're working alongside Waymo to prove that in practice as additional markets come online.

To close, the fourth quarter was a setback, and we treated it as a catalyst for change. We've clearly diagnosed our challenges. We've been decisive about the actions we've taken and disciplined in how we're repositioning the business. The focus now is execution, running a tighter fleet, allocating capital deliberately, and raising the bar on customer experience. These actions better align the company with the operating environment and strengthen our ability to generate durable returns.

With that, Daniel, David, and I are happy to take your questions.

+++ q-and-a

Operator^ (Operator Instructions) Andrew Percoco, Morgan Stanley.

Andrew Percoco^ I want to start with your 2026 guidance. Obviously, a fairly wide range for adjusted EBITDA. And I'm just hoping that you can kind of walk us through what some of your working assumptions are on some of the key inputs like RPD and DPU. I see that you guys are guiding for DPU to be up in the first quarter and then a moderation thereafter. So just hoping to get a better explanation for what's embedded in the guidance relative to kind of where you exited 2025. Thank you.

Brian Choi^ It's pretty important saying that we're assuming that fleet size is going to decrease into 2026, something that hasn't been the case for the past few years. We're going to focus instead on utilization and making sure that we get the right business in terms of a contribution margin perspective.

Daniel, anything you want to add?

Daniel Cunha^ I'll just highlight that if you look at the 2025 results where we landed and you make two adjustments only, right, and you ignore \$100 million of recall impact and the one-off impact of PLPD, you're in the middle of the range, right, and how we perform better than the range or slightly below is going to be a function of how the marketing channel on the RPD and on the fleet side perform, believe we have a path for the top of the range, but coming out of Q4, we have some significant headwinds, we're being conservative.

Brian Choi^ Andrew, maybe just to add over there. I realize it's a wide range. We expect to narrow that range as the year progresses. But just given what we saw in the fourth quarter, which was a large miss in itself, we want to make sure that we retain flexibility.

So listen, the fourth quarter, it wasn't driven by a gradual deterioration in trends. Things happened very quickly, short term. It was a shock, and we can't eliminate volatility in the industry. But by materially tightening the fleet levels and adjusting our operating posture, I think we've reduced the probability of another compounding effect like that.

Andrew Percoco^ Got it. Okay. That's super helpful. And maybe just to follow up on, I mean, there's continuing to be a pretty big dispersion in some of the metrics between the Americas and your international segment. So just curious, as you talk about fleet resizing and some of the actions you're taking, is that more of an Americas comment? Or is that global? Just trying to get a better understanding of what the differences you're seeing across geographies and maybe how you're tackling those challenges.

Brian Choi^ Sure, I'll start. Andy, the comments that we made around OEM repositioning and the actions we're taking around depreciation, that's entirely in the Americas segment. So the used car market in 2025 in the US, it was unusually volatile. So Manheim values, if you recall, they were roughly flat year over year in the first quarter and then amid tariff uncertainty, really spiked into the second and third quarter. And then it exited the year essentially flat again. So by year-end, pricing normalized completely relative to where it began.

Given that environment, we're proactively adjusting depreciation in the fourth quarter to reflect current residual expectations rather than carrying forward prior assumptions. That's why you see that \$400 number in the fourth quarter -- in the first quarter of this year. So we expect depreciation to be elevated in the near term as we normalize fleet economics, but we do see a path towards a low 300 monthly run rate as we move throughout the year.

So the market today appears orderly in the US. Seasonal strength is building into tax refund

season. And we're -- our planning assumptions are not dependent on some sharp rebound in used car prices. So we're underwriting returns at levels that allow us to perform across a range of scenarios.

Daniel Cunha^ I'll add, Brian, a couple of things. In the Americas, we have made bigger strides in improving utilization, right? In spite of the point impact of the recall in the quarter, we managed to grow utilization by about half a point which is meaningful improvement. And that's why we also have the more flexibility in reducing the fleet and still serving customers in rental days, right?

On the international, if you think about the per unit cost, there is less volatility, as Brian described, the Manheim situation is American situation, but we also have a much higher share of program cars in international, which insulates them a little bit from this impact in the short term.

Operator^ John Healy, Northcoast Research.

John Healy^ I wanted to spend a couple of minutes on fleet cost. I think in the slides, you guys talked about \$400 million in Q1 and a full year, let's call it, \$325 million so at the midpoint. I'm just trying to understand the confidence in the full year because that -- to me, that first quarter number is awfully high, which would imply that the rest of the year is probably sub \$300 million.

I don't know if I'm looking at that in an incorrect way, but just trying to understand the confidence of why it steps down just so much when we've been in a period over the last two years where we've probably maybe underappreciated more relative to the -- underappreciated relative to the market rather than more. So just trying to understand that \$325 million number for the year. Thanks.

Brian Choi^ Hey, John. So like I said earlier, in terms of the volatility that we saw in the 2025, you'll see that our models, which we're forecasting when we sell these cars into the future. They're built off of future forecasts primarily in BlackBook and Moody's. Those forward-looking economic models assume the impact of tariffs to continue throughout the life of these vehicles. As we've seen in the fourth quarter, that isn't the case anymore. So we've adjusted our internal models accordingly as well.

So what you're seeing in the fourth quarter is kind of a catch-up to show up -- to show that reality and then normalizes over time. What we're seeing is for six months of that elevated

period where we saw tariff impacts, had we known it would evaporate, we probably wouldn't have been -- we probably would have been a little more conservative in our depreciation assumptions. What we're doing right now is we're just rectifying that in the first quarter to make sure that we reset to where we need to be.

John Healy^ Understood. And then just any commentary on just the pricing environment that you've seen kind of year-to-date and how you're seeing competitive pricing trends or your pricing trends into the spring season? Thanks.

Brian Choi^ Sure. So January reflected many of the same pressures we saw exiting the fourth quarter. So industry pricing remained competitive. Commercial demand was slower to ramp, given the calendar. But that said, the actions we've taken to reduce fleet are beginning to align supply more closely with demand, particularly as we move into February and March.

So we're not providing month-to-month guidance, John. But pricing has stabilized relative to where we exited in January and the rate of erosion that we saw post COVID has clearly moderated. So importantly, our 2026 plan, it doesn't assume aggressive pricing recovery. It's built around disciplined fleet sizing, utilization improvement, and cost control. So we're working towards achieving better RPD, but we're not dependent on it to hit our 2026 guidance.

Operator^ Chris Stathoulopoulos, SFG.

Christopher Stathoulopoulos^ So David, Avis has effectively missed the full year guide for three years now. Now I under -- this is under a different leadership here. You've only recently gotten into the practice of giving explicit guidance. So some of these to be fair, more on the soft guide side. But I guess how do we get comfortable with the full year guide here?

And maybe if you could -- and I think this was the lead-off question, but the line dropped or something, if there's an EBITDA bridge you could walk us through anything on the KPIs and then perhaps if you could quantify what could be described as lost revenue or embedded demand for last year. So the impact of tariff shutdowns, FAA cancellations, whether Zipcar, I don't think you gave any impact on what that looks like from a non-cash or comparable issue. But I just want to understand here your base case assumptions for the EBITDA bridge for this year and how we should think about what, I guess, was out of your control for last year. There are a lot of items there. And maybe if you could put some numbers around that

that would help us with the modeling.

Brian Choi^ Let me start and I'll pass it over to David and Daniel. But in our prepared remarks, we gave a bit of guidance in terms of what happened at least in the fourth quarter relative to what we were expecting. So on the revenue side of things, roughly \$100 million of impact. And from a balance sheet perspective, we took another \$50 million increase to our PLPD reserves.

Chris, let's be honest, like the market moves quickly over here. So anchoring on specific metrics, to say this is how we're going to plan for the entire year just really isn't feasible for us. So the metrics we gave you are the metrics we feel comfortable guiding to right now which is that depreciation will be in the range that we described. It's going to be elevated in the first quarter. It's going to come down after we have that catch-up in the low \$300 million level.

Utilization is going to be higher, and fleet is going to be lower. I understand that the past two years, they've been pretty volatile and consistency in delivering on guidance matters. This is the first outlook like built entirely under the current leadership framework. It reflects more conservative assumptions and a structurally tighter operating model. So our objective this year is to earn back confidence through consistent execution.

Christopher Stathoulopoulos^ Okay. On Zipcar, if there are any numbers you can give us for the UK segment?

Daniel Cunha^ That has not impacted the results. Those actions were taken at the very end of the year, beginning of this year (inaudible) has had no material impact.

Christopher Stathoulopoulos^ Okay. And then as a follow-up, Brian, I didn't hear any comments on your prepared on the -- your premium efforts, all the tech efforts. Is this on pause until you get the tactics around the fleet right? Or are you continuing to move forward with that initiative?

Brian Choi^ No, it's not taken on pause. And in fact, like a lot of the cost rationalization that's happening in the business is being used to fund those initiatives. So I think we said in our prepared remarks, Avis First is still a go. We're concentrated on making sure that the product is right and getting a lot more adoption in the airports it's in before we expand meaningfully, but it is going live now in Europe. I think Munich just came online. And we are going to start offering the product to our commercial customers. So we think that the Avis

First aligns tightly with our core philosophical tenant, which is tying Avis to a premium customer experience.

Christopher Stathoulopoulos^ Okay. If I could squeeze in one more. Does the base case EBITDA guide here for the full year assume Americas revenue up?

Daniel Cunha^ It does. (multiple speakers)

Christopher Stathoulopoulos^ So I'm guessing if the base case your EBITDA guide at the enterprise level, does that assume you're growing Americas revenue for the full year?

Brian Choi^ Yes. Let's assume that we're modestly growing revenue, Chris. You're right. We have been declining for the past few years, given the COVID boom. The question that's been on everyone's mind is what is normalized -- what does a normalized environment look like? I do think that we're entering into a normalized environment here.

Operator^ Dan Levy, Barclays.

Josh Young^ Josh Young on for Dan Levy. So I have one question and then a follow-up. Could you walk us through the puts and takes on the EV impairment and then just in terms of how we should think about sizing the potential benefit to DPU? I know you mentioned that it was previously around [600]. So how should we think about that into '26?

Daniel Cunha^ Yes. I'll maybe start from first principles and our strategic priorities. Then we've shared in the past how we feel about the capital structure and how deleveraging has been a key priority for us, right? And when the Big Beautiful Bill came along and made the 100% bonds depreciation permanent, it really reduced our expected tax liabilities going forward, right? And as a result of that, we had no clear path to using those tax credits, and we immediately started looking for ways of monetizing on those manual substantial amounts on our balance sheet.

So when we found a path here that allowed us to monetize on \$880 million of debt, we jumped on it, right? So with that, decisional to execute the deal. And I'll ask David here to share a little bit on the structure, which was a complex.

So we essentially committed to that path. And along the way, we evaluated EV strategy. I know there's a lot going on in this market, lots of OEMs rethinking how their own capital allocation, the home strategies are evolving in that space. And we thought it would be

prudent, right, and reduce risk overall to shorten the economic life of those vehicles, right? So operating them for a period of time, I think, will reduce the overall risk.

On the DPU front, it's essentially allowing us to also cut the depreciation in half, right? So you go from about \$600 with slightly north of \$300 a month. That should help in improve no depreciation as the year develops.

But David, do you want to share a bit on the structure? This was somewhat complex in the queue.

David Calabria^ Sure, Daniel. I just want to stress this we really view this. This was not an issue. This was an opportunity, and we took it. And so what we were able to do was take tax credits that had little to no value, as Daniel said, monetize that, use that against the cap cost of our vehicles to reduce the depreciation funded by a new securitization that we created. It's an incredibly complex transaction that I have to give my treasury team and the tax team a lot of credit for figuring that out and getting it done in such a short time.

Josh Young^ And then as a follow-up, just to circle back to the collaboration with Waymo. What are the key financial considerations there? And how soon might you see a material benefit from the partnership?

Brian Choi^ Yeah. Josh, we're not getting into the specifics of the economics here. Like I said, Dallas is gearing up to come online, and we think that we'll be taking riders from the public pretty soon. But other than that, we're not really getting into mention the financial details.

I think from our perspective, right now, near term, Waymo is about building operational capability and not deploying outsized capital. So I do want to mention that the vehicles in Dallas are on Waymo's balance sheet today, and that structure reflects the current phase of the partnership. So over time, if the economics justify it, we would consider owning vehicles ourselves, but only under the same return thresholds and balance sheet discipline that govern the rest of our fleet.

And we're focused on scaling this thoughtfully. We are looking at other cities. We're going to expand our capital involvement only where returns are clearly aligned.

Operator^ Stephanie Moore, Jefferies.

Stephanie Moore^ I was hoping you could talk a bit about your expectations for the first quarter. Admittedly, there's a lot of moving pieces as it relates to the impairment charge, higher fleet costs. I'm assuming probably weather is still -- whether it will be an impact as well. So maybe if you could talk about the first quarter as well as some of the underlying trends you're seeing. I think you noted that underlying trends from a volume and pricing standpoint did improve as 4Q progressed. So curious, obviously, taking into account seasonality, how underlying trends have been January through February. Thanks.

David Calabria^ So what I would just say is from our standpoint, when you think about where we were last year from a Q1 standpoint, we're sitting here talking about having a higher depreciation. Brian talked about how things are looking a little more stable from a revenue standpoint in February and March, but January did have some weather-related incidents there, too, a lot of flight cancellations. So we are looking at a lower number, lower EBITDA in the first quarter, but then easing back towards something that's more normalized in the second, third and then fourth quarter. So I would expect us to be lower in Q1.

Brian Choi^ Yeah. And Stephanie, that being lower is on an EBITDA basis. And the way that I would describe it is it's going to be kind of a tale of two cities situation. The actions that we're taking around the fleet rationalization, that is helping the revenue side of things.

So I do think that you'll see in the first quarter that revenue is stabilizing. It's becoming much more healthy. And yes, the January storms, that was a setback. But even though we couldn't predict it because the fleet was already being reduced, we were able to absorb that demand disruption without creating the same economic imbalance we saw in November.

So from our perspective, the work we're doing around the revenue side of things, I think you're going to see that materialize in the first quarter. But like we said earlier, there is a bit of a reset that we're trying to do on the fleet side of things. We're going to absorb it all in the first quarter with that \$400 DPU.

So what you'll see is a healthier on the revenue side, a reset in the first quarter on the depreciation side, which will result into lower year-over-year EBITDA in the first quarter. But we think that puts things where it should be, and you'll see things improve materially going forward.

Stephanie Moore^ Understood, very clear. So maybe once we get past the first quarter, maybe talk a little bit about your level of confidence in achieving the guide for the full year,

specifically as it relates to actions that are within your control. I think we all understand that this can be a very complex and dynamic industry. So maybe just speak to the actions specifically related to Avis and some of your operational improvements, productivity initiatives, and the like that you think can help potentially provide an offset if what we keep seeing is general volatility in the overall industry? Thanks.

Daniel Cunha^ Stephanie, I'll keep the bridge relatively simple, but I think if we anchor ourselves on the 2025 results, right (inaudible) impact of the recall of [over] \$100 million conservatively. And the one-off nature of the PLPD, the insurance reserve adjustment we had in Q4, you're already at the middle of the range, right?

One, I am the (inaudible) for 2026. One of the pillars of our plan is a continued improvement in utilizations in the Americas, right? An improvement that the team has already been delivering on during 2025. And that's worth about \$100 million for us next year. So that -- with those to one-off and usual, you're in the middle of the range. And just with one of the initiatives, we could potentially make it all the way to the top of the range. And that's already assuming, like Brian mentioned, some conservatism on the rate side of the house in the Americas.

So that's how we feel about it. We feel it's achievable. It's obviously a new high for the company on a non-COVID period.

Brian Choi^ Stephanie, I think we operate in a business with inherent volatility. So that's why it's very important to control those things that we can control, and that's reflected in how we're planning for this year. So the structural actions that we're implementing, which is tighter fleet discipline, cost rigor, capital allocation focus, that's all designed to reduce volatility and strengthen the earnings base over time.

So as we move through the year, our objective is to demonstrate that the business can sustainably generate EBITDA north of \$1 billion annually and then grow from that base through disciplined execution. As I said earlier, this is the first time that we're coming up with the plan that this leadership team is under this new operating philosophy. We have every intention of getting it.

Operator^ Thank you so much. Ladies and gentlemen, this does conclude today's question-and-answer session. And with that, the call will come to a close. We appreciate your participation. You may disconnect your lines at this time and enjoy the rest of your

day.