

AVIS BUDGET GROUP, INC.
Form 10-Q
November 03, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 001-10308

Avis Budget Group, Inc.
(Exact name of registrant as specified in its charter)
Delaware
(State or other jurisdiction of incorporation or organization)
6 Sylvan Way
Parsippany, NJ
(Address of principal executive offices)

06-0918165
(I.R.S. Employer Identification Number)
07054
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the issuer's common stock was 87,889,621 shares as of October 31, 2016.

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FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q may be considered “forward-looking statements” as that term is defined in the Private Securities Litigation Reform Act of 1995. The forward-looking statements contained herein are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by any such forward-looking statements. Forward-looking statements include information concerning our future financial performance, business strategy, projected plans and objectives. These statements may be identified by the fact that they do not relate to historical or current facts and may use words such as “believes,” “expects,” “anticipates,” “will,” “should,” “could,” “may,” “would,” “intends,” “projects,” “estimates,” “plans,” and similar words, expressions or phrases. The following important factors and assumptions could affect our future results and could cause actual results to differ materially from those expressed in such forward-looking statements:

- the high level of competition in the vehicle rental industry and the impact such competition may have on pricing and rental volume;

- a change in travel demand, including changes in airline passenger traffic;

- a change in our fleet costs as a result of a change in the cost of new vehicles, manufacturer recalls, disruption in the supply of new vehicles, and/or a change in the price at which we dispose of used vehicles either in the used vehicle market or under repurchase or guaranteed depreciation programs;

- the results of operations or financial condition of the manufacturers of our cars, which could impact their ability to perform their payment obligations under our agreements with them, including repurchase and/or guaranteed depreciation arrangements, and/or their willingness or ability to make cars available to us or the rental car industry as a whole on commercially reasonable terms or at all;

- any change in economic conditions generally, particularly during our peak season or in key market segments;

- our ability to continue to achieve and maintain cost savings and successfully implement our business strategies;

- our ability to obtain financing for our global operations, including the funding of our vehicle fleet through the issuance of asset-backed securities and use of the global lending markets;

- an occurrence or threat of terrorism, pandemic disease, natural disasters, military conflict or civil unrest in the locations in which we operate;

- our dependence on third-party distribution channels, third-party suppliers of other services and co-marketing arrangements with third parties;

- our ability to utilize derivative instruments, and the impact of derivative instruments we utilize, which can be affected by fluctuations in interest rates, gasoline prices and exchange rates, changes in government regulations and other factors;

- our ability to accurately estimate our future results;

- any major disruptions in our communication networks or information systems;

our exposure to uninsured or unpaid claims in excess of historical levels;

risks associated with litigation, governmental or regulatory inquiries, or any failure or inability to comply with laws, regulations or contractual obligations or any changes in laws, regulations or contractual obligations, including with respect to personally identifiable information and taxes;

any impact on us from the actions of our licensees, dealers and independent contractors;

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any substantial changes in the cost or supply of fuel, vehicle parts, energy, labor or other resources on which we depend to operate our business;

risks related to our indebtedness, including our substantial outstanding debt obligations and our ability to incur substantially more debt;

our ability to meet the financial and other covenants contained in the agreements governing our indebtedness;

risks related to tax obligations and the effect of future changes in accounting standards;

risks related to completed or future acquisitions or investments that we may pursue, including any incurrence of incremental indebtedness to help fund such transactions and our ability to promptly and effectively integrate any acquired businesses;

risks related to protecting the integrity of our information technology systems and the confidential information of our employees and customers against security breaches, including cyber-security breaches; and

other business, economic, competitive, governmental, regulatory, political or technological factors affecting our operations, pricing or services, including uncertainty and instability in Europe related to the potential withdrawal of countries from the European Union.

We operate in a continuously changing business environment and new risk factors emerge from time to time. New risk factors, factors beyond our control, or changes in the impact of identified risk factors may cause actual results to differ materially from those set forth in any forward-looking statements. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. Moreover, we do not assume responsibility for the accuracy and completeness of those statements. Other factors and assumptions not identified above, including those discussed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Risk Factors” and other portions of our 2015 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 24, 2016 (the “2015 Form 10-K”), could cause actual results to differ materially from those projected in any forward-looking statements.

Although we believe that our assumptions are reasonable, any or all of our forward-looking statements may prove to be inaccurate and we can make no guarantees about our future performance. Should unknown risks or uncertainties materialize or underlying assumptions prove inaccurate, actual results could differ materially from past results and/or those anticipated, estimated or projected. Except to the extent of our obligations under the federal securities laws, we undertake no obligation to release any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Avis Budget Group, Inc.

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(In millions, except per share data)

(Unaudited)

| | Three Months Ended September 30, 2016 | | Nine Months Ended September 30, 2015 | |
|---------------------------------------------------|------------------------------------------------|---------|-----------------------------------------------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| Revenues | | | | |
| Vehicle rental | \$1,871 | \$1,832 | \$4,772 | \$4,684 |
| Other | 785 | 745 | 2,008 | 1,916 |
| Net revenues | 2,656 | 2,577 | 6,780 | 6,600 |
| Expenses | | | | |
| Operating | 1,219 | 1,202 | 3,381 | 3,279 |
| Vehicle depreciation and lease charges, net | 576 | 555 | 1,571 | 1,485 |
| Selling, general and administrative | 315 | 314 | 896 | 843 |
| Vehicle interest, net | 77 | 75 | 215 | 218 |
| Non-vehicle related depreciation and amortization | 63 | 56 | 189 | 161 |
| Interest expense related to corporate debt, net: | | | | |
| Interest expense | 51 | 49 | 157 | 146 |
| Early extinguishment of debt | — | — | 10 | 23 |
| Restructuring expense | 6 | 6 | 26 | 10 |
| Transaction-related costs, net | 4 | 8 | 13 | 57 |
| Total expenses | 2,311 | 2,265 | 6,458 | 6,222 |
| Income before income taxes | 345 | 312 | 322 | 378 |
| Provision for income taxes | 136 | 128 | 128 | 60 |
| Net income | \$209 | \$184 | \$194 | \$318 |

| | | | | |
|----------------------|-------|-------|-------|-------|
| Comprehensive income | \$235 | \$150 | \$294 | \$198 |
|----------------------|-------|-------|-------|-------|

Earnings per share

| | | | | |
|---------|--------|--------|--------|--------|
| Basic | \$2.32 | \$1.80 | \$2.07 | \$3.04 |
| Diluted | \$2.28 | \$1.77 | \$2.05 | \$3.00 |

See Notes to Consolidated Condensed Financial Statements (Unaudited).

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Avis Budget Group, Inc.
 CONSOLIDATED CONDENSED BALANCE SHEETS
 (In millions, except par value)
 (Unaudited)

| | September 30, 2016 | December 31, 2015 |
|-------------------------------------------------------------------------------------|--------------------------|-------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 985 | \$ 452 |
| Receivables, net | 822 | 668 |
| Other current assets | 635 | 507 |
| Total current assets | 2,442 | 1,627 |
| Property and equipment, net | 671 | 681 |
| Deferred income taxes | 1,443 | 1,488 |
| Goodwill | 1,013 | 973 |
| Other intangibles, net | 885 | 917 |
| Other non-current assets | 224 | 232 |
| Total assets exclusive of assets under vehicle programs | 6,678 | 5,918 |
| Assets under vehicle programs: | | |
| Program cash | 126 | 258 |
| Vehicles, net | 11,724 | 10,658 |
| Receivables from vehicle manufacturers and other | 586 | 438 |
| Investment in Avis Budget Rental Car Funding (AESOP) LLC—related party | 361 | 362 |
| | 12,797 | 11,716 |
| Total assets | \$ 19,475 | \$ 17,634 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable and other current liabilities | \$ 1,713 | \$ 1,485 |
| Short-term debt and current portion of long-term debt | 338 | 26 |
| Total current liabilities | 2,051 | 1,511 |
| Long-term debt | 3,528 | 3,435 |
| Other non-current liabilities | 763 | 734 |
| Total liabilities exclusive of liabilities under vehicle programs | 6,342 | 5,680 |
| Liabilities under vehicle programs: | | |
| Debt | 2,966 | 2,064 |
| Debt due to Avis Budget Rental Car Funding (AESOP) LLC—related party | 7,134 | 6,796 |
| Deferred income taxes | 2,370 | 2,367 |
| Other | 189 | 288 |
| | 12,659 | 11,515 |
| Commitments and contingencies (Note 10) | | |
| Stockholders' equity: | | |
| Preferred stock, \$0.01 par value—authorized 10 shares; none issued and outstanding | — | — |

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| | | |
|---------------------------------------------------------------------------------------|-----------|-----------|
| Common stock, \$0.01 par value—authorized 250 shares; issued 137 shares, at each date | 1 | |
| Additional paid-in capital | 6,940 | 7,010 |
| Accumulated deficit | (1,608) | (1,802) |
| Accumulated other comprehensive loss | (47) | (147) |
| Treasury stock, at cost—48 and 39 shares, respectively | (4,812) | (4,623) |
| Total stockholders' equity | 474 | 439 |
| Total liabilities and stockholders' equity | \$ 19,475 | \$ 17,634 |

See Notes to Consolidated Condensed Financial Statements (Unaudited).

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Avis Budget Group, Inc.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

| | Nine Months Ended September 30, | |
|-------------------------------------------------------------------------------------------------|------------------------------------------|---------|
| | 2016 | 2015 |
| Operating activities | | |
| Net income | \$194 | \$318 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Vehicle depreciation | 1,453 | 1,423 |
| Gain on sale of vehicles, net | (15) | (58) |
| Non-vehicle related depreciation and amortization | 189 | 161 |
| Stock-based compensation | 21 | 22 |
| Amortization of debt financing fees | 29 | 31 |
| Early extinguishment of debt costs | 10 | 23 |
| Net change in assets and liabilities, excluding the impact of acquisitions and dispositions: | | |
| Receivables | (149) | (131) |
| Income taxes and deferred income taxes | 80 | 43 |
| Accounts payable and other current liabilities | 33 | (28) |
| Other, net | 256 | 234 |
| Net cash provided by operating activities | 2,101 | 2,038 |
| Investing activities | | |
| Property and equipment additions | (125) | (126) |
| Proceeds received on asset sales | 10 | 8 |
| Net assets acquired (net of cash acquired) | (4) | (225) |
| Other, net | 4 | 3 |
| Net cash used in investing activities exclusive of vehicle programs | (115) | (340) |
| Vehicle programs: | | |
| Decrease (increase) in program cash | 138 | (71) |
| Investment in vehicles | (10,151) | (9,762) |
| Proceeds received on disposition of vehicles | 7,373 | 6,756 |
| | (2,640) | (3,077) |
| Net cash used in investing activities | (2,755) | (3,417) |

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Avis Budget Group, Inc.
 CONSOLIDATED CONDENSED
 STATEMENTS OF CASH FLOWS
 (Continued)
 (In millions)
 (Unaudited)

| | Nine Months Ended September 30, 2016 2015 | |
|-----------------------------------------------------------------------------------|-------------------------------------------------------|---------|
| Financing activities | | |
| Proceeds from long-term borrowings | 896 | 377 |
| Payments on long-term borrowings | (527) | (290) |
| Net change in short-term borrowings | 1 | (23) |
| Repurchases of common stock | (289) | (270) |
| Debt financing fees | (15) | (7) |
| Net cash provided by (used in) financing activities exclusive of vehicle programs | 66 | (213) |
| Vehicle programs: | | |
| Proceeds from borrowings | 11,879 | 11,532 |
| Payments on borrowings | (10,752) | (9,933) |
| Debt financing fees | (20) | (17) |
| | 1,107 | 1,582 |
| Net cash provided by financing activities | 1,173 | 1,369 |
| Effect of changes in exchange rates on cash and cash equivalents | 14 | (29) |
| Net increase (decrease) in cash and cash equivalents | 533 | (39) |
| Cash and cash equivalents, beginning of period | 452 | 624 |
| Cash and cash equivalents, end of period | \$985 | \$585 |

See Notes to Consolidated Condensed Financial Statements (Unaudited).

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Avis Budget Group, Inc.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

(Unless otherwise noted, all dollar amounts in tables are in millions, except per share amounts)

1. Basis of Presentation

Avis Budget Group, Inc. provides car and truck rentals, car sharing services and ancillary services to businesses and consumers worldwide. The accompanying unaudited Consolidated Condensed Financial Statements include the accounts and transactions of Avis Budget Group, Inc. and its subsidiaries, as well as entities in which Avis Budget Group, Inc. directly or indirectly has a controlling financial interest (collectively, the “Company”), and have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission for interim financial reporting.

The Company operates the following reportable business segments:

Americas—provides and licenses the Company’s brands to third parties for vehicle rentals and ancillary products and services in North America, South America, Central America and the Caribbean, and operates the Company’s car sharing business in certain of these markets.

International—provides and licenses the Company’s brands to third parties for vehicle rentals and ancillary products and services in Europe, the Middle East, Africa, Asia, Australia and New Zealand, and operates the Company’s car sharing business in certain of these markets.

The operating results of acquired businesses are included in the accompanying Consolidated Condensed Financial Statements from the dates of acquisition. During the nine months ended September 30, 2016, the Company completed the purchase price allocation for the acquisition of its Avis and Budget licensees in Norway, Sweden and Denmark, its Avis and Budget licensee in Brazil and Maggiore Group. There were no material adjustments to the preliminary allocation. The fair value of the assets acquired and liabilities assumed in connection with the Company’s fourth quarter 2015 acquisition of its Avis licensee in Poland has not yet been finalized; however, there have been no significant changes to the preliminary allocation of the purchase price during the nine months ended September 30, 2016.

In presenting the Consolidated Condensed Financial Statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”), management makes estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgment and available information. Accordingly, actual results could differ from those estimates. In management’s opinion, the Consolidated Condensed Financial Statements contain all adjustments necessary for a fair presentation of interim results reported. The results of operations reported for interim periods are not necessarily indicative of the results of operations for the entire year or any subsequent interim period. These financial statements should be read in conjunction with the Company’s 2015 Form 10-K.

Vehicle Programs. The Company presents separately the financial data of its vehicle programs. These programs are distinct from the Company’s other activities since the assets under vehicle programs are generally funded through the issuance of debt that is collateralized by such assets. The income generated by these assets is used, in part, to repay the principal and interest associated with the debt. Cash inflows and outflows relating to the acquisition of such assets and the principal debt repayment or financing of such assets are classified as activities of the Company’s vehicle programs. The Company believes it is appropriate to segregate the financial data of its vehicle programs because, ultimately, the source of repayment of such debt is the realization of such assets.

Transaction-related costs, net. Transaction-related costs, net are classified separately in the Consolidated Condensed Statements of Comprehensive Income. These costs are comprised of expenses related to acquisition-related activities such as due-diligence and other advisory costs, expenses related to the integration of the acquiree's operations with those of the Company, including the implementation of best practices and process improvements, non-cash gains and losses related to re-acquired rights, expenses related to pre-acquisition contingencies and contingent consideration related to acquisitions.

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Currency Transactions. The Company records the gain or loss on foreign-currency transactions on certain intercompany loans and the gain or loss on intercompany loan hedges within interest expense related to corporate debt, net. During the three months ended September 30, 2016 and 2015, the Company recorded losses on such items of \$1 million in each period, and during the nine months ended September 30, 2016 and 2015, the Company recorded losses of \$8 million and \$10 million, respectively.

Adoption of New Accounting Standards

On January 1, 2016, as a result of the issuance of a new accounting pronouncement, the Company adopted Accounting Standards Update (“ASU”) 2015-16, “Simplifying the Accounting for Measurement-Period Adjustments,” which eliminates the requirement to retrospectively account for adjustments made to provisional amounts recognized in a business combination at the acquisition date. Instead, the cumulative impact of any adjustment will be recognized in the reporting period in which the adjustment is identified. The adoption of this accounting pronouncement did not have a material impact on the Company’s Consolidated Financial Statements.

On January 1, 2016, as a result of the issuance of a new accounting pronouncement, the Company adopted ASU 2015-05, “Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement,” which provides guidance for determining whether a cloud computing arrangement contains a software license that should be accounted for as internal-use software, rather than as a service contract. The adoption of this accounting pronouncement did not have a material impact on the Company’s Consolidated Financial Statements.

On January 1, 2016, as a result of the issuance of a new accounting pronouncement, the Company adopted ASU 2014-15, “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern,” which requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year of the date the financial statements are issued and to provide related footnote disclosures in certain circumstances. The adoption of this accounting pronouncement did not have an impact on the Company’s Consolidated Financial Statements.

Recently Issued Accounting Standards

In August 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-15, “Classification of Certain Cash Receipts and Cash Payments,” which clarifies guidance on the classification of certain cash receipts and cash payments in the statement of cash flow. ASU 2016-15 becomes effective for the Company on January 1, 2018. The adoption of this accounting pronouncement is not expected to have a material impact on the Company’s Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting,” which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, minimum statutory withholding requirements and classification in the statement of cash flow. ASU 2016-09 becomes effective for the Company on January 1, 2017. The Company is currently evaluating the effect of this accounting pronouncement on its Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02, “Leases,” which requires a lessee to recognize all long-term leases on its balance sheet as a liability for its lease obligation, measured at the present value of lease payments not yet paid, and a corresponding asset representing its right to use the underlying asset over the lease term. ASU 2016-02 becomes effective for the Company on January 1, 2019. Early adoption is permitted. The Company is currently evaluating the effect of this accounting pronouncement on its Consolidated Financial Statements.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities," which makes limited amendments to the classification and measurement of financial instruments. The new standard amends certain disclosure requirements associated with the fair value of financial instruments. ASU 2016-01 becomes effective for the Company on January 1, 2018. The adoption of this accounting pronouncement is not expected to have a material impact on the Company's Consolidated Financial Statements.

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In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers,” which outlines a single model for entities to use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance. ASU 2014-09 becomes effective for the Company on January 1, 2018. The Company is currently evaluating the effect of this accounting pronouncement on its Consolidated Financial Statements.

2. Restructuring

In 2014, the Company committed to various strategic initiatives to identify best practices and drive efficiency throughout its organization, by reducing headcount, improving processes and consolidating functions (the “T15 restructuring”). In first quarter 2016, the Company expanded the T15 restructuring to take advantage of additional efficiency opportunities. The expanded T15 restructuring fits within the initiative’s focus areas to identify best practices and drive efficiency throughout the organization, including the consolidation of rental locations. During the nine months ended September 30, 2016, as part of this process, the Company formally communicated the termination of employment to approximately 565 employees, and as of September 30, 2016, the Company had terminated approximately 425 of these employees. The costs associated with this initiative primarily represent severance, outplacement services and other costs associated with employee terminations, the majority of which have been or are expected to be settled in cash. The Company expects further restructuring expense of approximately \$2 million related to this initiative to be incurred in 2016.

In conjunction with previous acquisitions, the Company identified opportunities to integrate and streamline its operations, primarily in Europe (the “Acquisition integration”). During the nine months ended September 30, 2016, as part of this process, the Company formally communicated the termination of employment to approximately 125 employees, and as of September 30, 2016, the Company had terminated approximately 110 of these employees. The Company expects further restructuring expense of approximately \$2 million related to this initiative to be incurred in 2016.

The following tables summarize the activity related to our restructuring liabilities:

| | Americas | International | Total |
|---------------------------------------|----------|---------------|-------|
| Balance as of January 1, 2016 | \$ 1 | \$ 10 | \$11 |
| T15 restructuring expense | 10 | 8 | 18 |
| Acquisition integration expense | — | 9 | 9 |
| Avis Europe restructuring expense | — | (1) | (1) |
| T15 restructuring payment/utilization | (9) | (4) | (13) |
| Acquisition integration payment | (1) | (13) | (14) |
| Avis Europe restructuring payment | — | (1) | (1) |
| Balance as of September 30, 2016 | \$ 1 | \$ 8 | \$9 |

| | Personnel Related | Facility Related | Other ^(a) | Total |
|---------------------------------------|-------------------|------------------|----------------------|-------|
| Balance as of January 1, 2016 | \$ 10 | \$ 1 | \$ — | \$11 |
| T15 restructuring expense | 13 | 1 | 4 | 18 |
| Acquisition integration expense | 9 | — | — | 9 |
| Avis Europe restructuring expense | — | (1) | — | (1) |
| T15 restructuring payment/utilization | (9) | — | (4) | (13) |
| Acquisition integration payment | (14) | — | — | (14) |
| Avis Europe restructuring payment | (1) | — | — | (1) |
| Balance as of September 30, 2016 | \$ 8 | \$ 1 | \$ — | \$9 |

(a) Includes expense related primarily to the write-down of certain vehicle assets.

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3. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share ("EPS") (shares in millions):

| | Three Months Ended September 30, 2016 | | Nine Months Ended September 30, 2015 | |
|---------------------------------------------------------|------------------------------------------------------|--------|-----------------------------------------------------|--------|
| Net income for basic and diluted EPS | \$209 | \$184 | \$194 | \$318 |
| Basic weighted average shares outstanding | 90.4 | 102.7 | 93.5 | 104.7 |
| Options and non-vested stock ^(a) | 1.4 | 1.3 | 1.3 | 1.4 |
| Diluted weighted average shares outstanding | 91.8 | 104.0 | 94.8 | 106.1 |
| Earnings per share: | | | | |
| Basic | \$2.32 | \$1.80 | \$2.07 | \$3.04 |
| Diluted | \$2.28 | \$1.77 | \$2.05 | \$3.00 |

For the three months ended September 30, 2016 and 2015, 0.2 million and 0.3 million non-vested stock awards, respectively, have an anti-dilutive effect and therefore are excluded from the computation of diluted weighted average shares outstanding. For the nine months ended September 30, 2016 and 2015, 0.2 million and 0.1 million, respectively, non-vested stock awards have an anti-dilutive effect and therefore are excluded from the computation of diluted weighted average shares outstanding.

4. Other Current Assets

Other current assets consisted of:

| | As of | As of |
|--|-----------|----------|
| | September | December |

| | | |
|----------------------|----------|----------|
| | 30, 2016 | 31, 2015 |
| Sales and use taxes | \$ 280 | \$ 159 |
| Prepaid expenses | 216 | 192 |
| Other | 139 | 156 |
| Other current assets | \$ 635 | \$ 507 |

5. Intangible Assets

Intangible assets consisted of:

| | As of September 30, 2016 | | | As of December 31, 2015 | | |
|--------------------------------------|--------------------------|--------------------------|---------------------|-------------------------|--------------------------|---------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Amortized Intangible Assets | | | | | | |
| License agreements | \$269 | \$ 104 | \$ 165 | \$263 | \$ 81 | \$ 182 |
| Customer relationships | 226 | 86 | 140 | 222 | 68 | 154 |
| Other | 39 | 11 | 28 | 41 | 8 | 33 |
| Total | \$534 | \$ 201 | \$ 333 | \$526 | \$ 157 | \$ 369 |
| Unamortized Intangible Assets | | | | | | |
| Goodwill ^(a) | \$1,013 | | | \$973 | | |
| Trademarks ^(a) | \$552 | | | \$548 | | |

^(a) The increase in the carrying amount since December 31, 2015 primarily reflects currency translation.

For the three months ended September 30, 2016 and 2015, amortization expense related to amortizable intangible assets was approximately \$15 million and \$16 million, respectively. For the nine months ended September 30, 2016 and 2015, amortization expense related to amortizable intangible assets was approximately \$48 million and \$43 million, respectively. Based on the Company's amortizable intangible assets at September 30, 2016, the Company expects amortization expense of approximately \$16 million for

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the remainder of 2016, \$56 million for 2017, \$42 million for 2018, \$39 million for 2019, \$39 million for 2020 and \$24 million for 2021, excluding effects of currency exchange rates.

6. Vehicle Rental Activities

The components of vehicles, net within assets under vehicle programs were as follows:

| | As of September 30, 2016 | As of December 31, 2015 |
|--------------------------------|-----------------------------------|----------------------------------|
| Rental vehicles | \$ 12,403 | \$ 11,195 |
| Less: Accumulated depreciation | (1,521) | (1,500) |
| | 10,882 | 9,695 |
| Vehicles held for sale | 842 | 963 |
| Vehicles, net | \$ 11,724 | \$ 10,658 |

The components of vehicle depreciation and lease charges, net are summarized below:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------------------------------------|----------------------------------------------|-------|---------------------------------------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| Depreciation expense | \$523 | \$510 | \$1,453 | \$1,423 |
| Lease charges | 57 | 52 | 133 | 120 |
| Gain on sale of vehicles, net | (4) | (7) | (15) | (58) |
| Vehicle depreciation and lease charges, net | \$576 | \$555 | \$1,571 | \$1,485 |

At September 30, 2016 and 2015, the Company had payables related to vehicle purchases included in liabilities under vehicle programs - other of \$164 million and \$183 million, respectively, and receivables related to vehicle sales included in assets under vehicle programs - receivables from vehicle manufacturers and other of \$586 million and \$635 million, respectively.

7. Income Taxes

The Company's effective tax rate for the nine months ended September 30, 2016 is a provision of 39.8%. Such rate differed from the Federal statutory rate of 35.0% primarily due to state and foreign income taxes.

The Company's effective tax rate for the nine months ended September 30, 2015 was a provision of 15.9%. Such rate differed from the Federal statutory rate of 35.0% primarily due to a \$98 million income tax benefit related to resolution of a prior-year tax matter.

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8. Long-term Debt and Borrowing Arrangements

Long-term and other borrowing arrangements consisted of:

| | Maturity Dates | As of September 30, 2016 | As of December 31, 2015 |
|-------------------------------------------------------------|-------------------|-----------------------------------|----------------------------------|
| 4 % Senior Notes | November 2017 | \$ — | \$ 300 |
| Floating Rate Senior Notes ^(a) | December 2017 | 249 | 249 |
| Floating Rate Term Loan ^(b) | March 2019 | 144 | 970 |
| 6% Euro-denominated Senior Notes ^(c) | March 2021 | 517 | 502 |
| Floating Rate Term Loan ^(d) | March 2022 | 818 | — |
| 5 % Senior Notes | June 2022 | 400 | 400 |
| 5½% Senior Notes | April 2023 | 674 | 674 |
| 6 % Senior Notes | April 2024 | 350 | — |
| 4 % Euro-denominated Senior Notes | November 2024 | 337 | — |
| 5¼% Senior Notes | March 2025 | 375 | 375 |
| Other ^(e) | | 58 | 46 |
| Deferred financing fees | | (56) | (55) |
| Total | | 3,866 | 3,461 |
| Less: Short-term debt and current portion of long-term debt | | 338 | 26 |
| Long-term debt | | \$ 3,528 | \$ 3,435 |

The interest rate on these notes is equal to three-month LIBOR plus 275 basis points, for an aggregate rate of 3.39% at September 30, 2016; the Company has entered into an interest rate swap to hedge its interest rate exposure related to these notes at an aggregate rate of 3.58%.

The floating rate term loan is part of the Company's senior credit facility, which is secured by pledges of capital stock of certain subsidiaries of the Company, and liens on substantially all of the Company's intellectual property and certain other real and personal property. As of September 30, 2016, the floating rate term loan due 2019 bears interest at the greater of three-month LIBOR or 0.75%, plus 225 basis points, for an aggregate rate of 3.09%.

A portion of these notes have been called for redemption.

The floating rate term loan is part of the Company's senior credit facility, which is secured by pledges of capital stock of certain subsidiaries of the Company, and liens on substantially all of the Company's intellectual property and certain other real and personal property. As of September 30, 2016, the floating rate term loan due 2022 bears interest at the greater of three-month LIBOR or 0.75%, plus 250 basis points, for an aggregate rate of 3.34%. The Company has entered into a swap to hedge \$600 million of its interest rate exposure related to the floating rate term loan at an aggregate rate of 4.21%.

Primarily includes capital leases which are secured by liens on the related assets.

In March 2016, the Company issued \$350 million of 6 % Senior Notes due 2024 at par. In May 2016, the Company used the net proceeds from the offering to redeem \$300 million principal amount of its 4 % Senior Notes due 2017 for \$304 million plus accrued interest and for general corporate purposes.

In May 2016, the Company extended the maturity date for \$825 million of its \$970 million existing corporate floating rate term loan borrowings by three years to March 2022. The extended portion now bears interest at LIBOR plus 2.50%, subject to a LIBOR floor of 0.75%.

In September 2016, the Company issued €300 million of 4 % Euro-denominated Senior Notes due 2024 at par. In October 2016, the Company used the net proceeds from the offering primarily to redeem €275 million of its

outstanding 6% Euro-denominated Senior Notes due 2021 (see Note 16 - Subsequent Events).

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Committed Credit Facilities and Available Funding Arrangements

At September 30, 2016, the committed corporate credit facilities available to the Company and/or its subsidiaries were as follows:

| | Total Capacity | Outstanding Borrowings | Letters of Credit Issued | Available Capacity |
|---------------------------------------------------------------|-------------------|---------------------------|-----------------------------|-----------------------|
| Senior revolving credit facility maturing 2019 ^(a) | \$ 1,800 | \$ — | \$ 907 | \$ 893 |
| Other facilities ^(b) | 5 | 5 | — | — |

The senior revolving credit facility bears interest at one-month LIBOR plus 200 basis points and is part of the Company's senior credit facility, which is secured by pledges of capital stock of certain subsidiaries of the Company, and liens on substantially all of the Company's intellectual property and certain other real and personal property.

^(b) These facilities encompass bank overdraft lines of credit, bearing interest of 1.50% to 3.00%.

At September 30, 2016, the Company had various uncommitted credit facilities available, under which it had drawn approximately \$4 million, which bear interest at rates between 0.85% and 4.00%.

Debt Covenants

The agreements governing the Company's indebtedness contain restrictive covenants, including restrictions on dividends paid to the Company by certain of its subsidiaries, the incurrence of additional indebtedness by the Company and certain of its subsidiaries, acquisitions, mergers, liquidations, and sale and leaseback transactions. The Company's senior credit facility also contains a maximum leverage ratio requirement. As of September 30, 2016, the Company is in compliance with the financial covenants governing its indebtedness.

9. Debt Under Vehicle Programs and Borrowing Arrangements

Debt under vehicle programs, including related party debt due to Avis Budget Rental Car Funding (AESOP) LLC ("Avis Budget Rental Car Funding"), consisted of:

| | As of September 30, 2016 | As of December 31, 2015 |
|----------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Americas - Debt due to Avis Budget Rental Car Funding ^(a) | \$ 7,171 | \$ 6,837 |
| Americas - Debt borrowings ^(a) | 747 | 643 |
| International - Debt borrowings ^(a) | 2,065 | 1,187 |
| International - Capital leases | 168 | 238 |
| Other | 1 | 8 |
| Deferred financing fees ^(b) | (52) | (53) |
| Total | \$ 10,100 | \$ 8,860 |

^(a) The increase reflects additional borrowings principally to fund increases in the Company's car rental fleet.

^(b) Deferred financing fees related to Debt due to Avis Budget Rental Car Funding as of September 30, 2016 and December 31, 2015 were \$37 million and \$41 million, respectively.

During March 2016 and June 2016, the Company's Avis Budget Rental Car Funding subsidiary issued approximately \$450 million in asset-backed notes with an expected final payment date of June 2021 and approximately \$500 million in asset-backed notes with an expected final payment date of November 2021, respectively. The weighted average interest rate for these borrowings was 3%.

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Debt Maturities

The following table provides the contractual maturities of the Company's debt under vehicle programs, including related party debt due to Avis Budget Rental Car Funding, at September 30, 2016.

| | Debt under Vehicle Programs |
|------------------------------|--------------------------------------|
| Within 1 year ^(a) | \$ 1,365 |
| Between 1 and 2 years | 2,526 |
| Between 2 and 3 years | 3,166 |
| Between 3 and 4 years | 1,666 |
| Between 4 and 5 years | 1,058 |
| Thereafter | 371 |
| Total | \$ 10,152 |

^(a) Vehicle backed debt maturing within one year primarily represents term asset-backed securities.

Committed Credit Facilities and Available Funding Arrangements

As of September 30, 2016, available funding under the Company's vehicle programs, including related party debt due to Avis Budget Rental Car Funding, consisted of:

| | Total Capacity ^(a) | Outstanding Borrowings | Available Capacity |
|----------------------------------------------------------------------|----------------------------------|---------------------------|-----------------------|
| Americas - Debt due to Avis Budget Rental Car Funding ^(b) | \$ 9,556 | \$ 7,171 | \$ 2,385 |
| Americas - Debt borrowings ^(c) | 962 | 747 | 215 |
| International - Debt borrowings ^(d) | 2,671 | 2,065 | 606 |
| International - Capital leases ^(e) | 208 | 168 | 40 |
| Other | 1 | 1 | — |
| Total | \$ 13,398 | \$ 10,152 | \$ 3,246 |

^(a) Capacity is subject to maintaining sufficient assets to collateralize debt.

^(b) The outstanding debt is collateralized by approximately \$8.7 billion of underlying vehicles and related assets.

^(c) The outstanding debt is collateralized by approximately \$1.1 billion of underlying vehicles and related assets.

^(d) The outstanding debt is collateralized by approximately \$2.4 billion of underlying vehicles and related assets.

^(e) The outstanding debt is collateralized by approximately \$0.2 billion of underlying vehicles and related assets.

Debt Covenants

The agreements under the Company's vehicle-backed funding programs contain restrictive covenants, including restrictions on dividends paid to the Company by certain of its subsidiaries and restrictions on indebtedness, mergers, liens, liquidations and sale and leaseback transactions and in some cases also require compliance with certain financial requirements. As of September 30, 2016, the Company is not aware of any instances of non-compliance with any of the financial covenants contained in the debt agreements under its vehicle-backed funding programs.

10. Commitments and Contingencies

Contingencies

In 2006, the Company completed the spin-offs of its Realogy and Wyndham subsidiaries. The Company does not believe that the impact of any resolution of pre-existing contingent liabilities in connection with the spin-offs should result in a material liability to the Company in relation to its consolidated financial position or liquidity, as Realogy and Wyndham each have agreed to assume responsibility for these liabilities. The Company is also named in litigation that is primarily related to the businesses of its former subsidiaries, including Realogy and Wyndham. The Company is entitled to indemnification from such entities for any liability resulting from such litigation.

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In February 2015, the French Competition Authority issued a statement of objections alleging that several car rental companies, including the Company and two of its European subsidiaries, engaged with (i) twelve French airports, the majority of which are controlled by public administrative bodies or the French state, and violated competition law through the distribution by airports of company-specific statistics to car rental companies operating at those airports and (ii) two other international car rental companies in a concerted practice relating to train station surcharges. In May 2016, the French Competition authority issued a second statement of objections reiterating the allegations that it raised in its first statement of objections. The Company believes that it has valid defenses and intends to vigorously defend against the allegations, but it is currently unable to predict the outcome of the proceedings or range of reasonably possible losses, which may be material.

In March 2015, the Canadian Competition Bureau filed an application with the Competition Tribunal alleging that the Company and two of its Canadian subsidiaries engaged in deceptive marketing practices with regard to certain charges that consumers are invoiced related to renting a vehicle and associated products in Canada. The application sought penalties against the Company and its subsidiaries totaling approximately \$25 million as well as reimbursements to current and former customers of amounts collected and retained by the Company related to the alleged deceptive marketing practices. In June 2016, the Company and its subsidiaries reached an agreement to settle this application for an immaterial amount and to adopt a competition law compliance program.

The Company is involved in claims, legal proceedings and governmental inquiries related, among other things, to its vehicle rental operations, including contract and licensee disputes, competition matters, employment matters, insurance claims, intellectual property claims, business practice disputes and other regulatory, environmental, commercial and tax matters. Litigation is inherently unpredictable and, although the Company believes that its accruals are adequate and/or that it has valid defenses in these matters, unfavorable resolutions could occur. Excluding the French competition matter discussed above, the Company estimates that the potential exposure resulting from adverse outcomes of legal proceedings in which it is reasonably possible that a loss may be incurred could, in the aggregate, be up to approximately \$30 million in excess of amounts accrued as of September 30, 2016; however, the Company does not believe that the impact should result in a material liability to the Company in relation to its consolidated financial condition or results of operations.

Commitments to Purchase Vehicles

The Company maintains agreements with vehicle manufacturers under which the Company has agreed to purchase approximately \$7.3 billion of vehicles from manufacturers over the next 12 months. The majority of these commitments are subject to the vehicle manufacturers' satisfying their obligations under their respective repurchase and guaranteed depreciation agreements. The purchase of such vehicles is financed primarily through the issuance of vehicle-backed debt and cash received upon the disposition of vehicles.

Concentrations

Concentrations of credit risk at September 30, 2016 include (i) risks related to the Company's repurchase and guaranteed depreciation agreements with domestic and foreign car manufacturers, including Ford, General Motors, Chrysler, Peugeot, Volkswagen, Fiat, Kia, Toyota, Mercedes, Renault, Hyundai and BMW, and primarily with respect to receivables for program cars that have been disposed but for which the Company has not yet received payment from the manufacturers and (ii) risks related to Realogy and Wyndham, including receivables of \$40 million and \$25 million, respectively, related to certain contingent, income tax and other corporate liabilities assumed by Realogy and Wyndham in connection with their disposition.

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11. Stockholders' Equity

Share Repurchases

The Company's Board of Directors has authorized the repurchase of up to approximately \$1.2 billion of its common stock under a plan originally approved in 2013 and subsequently expanded, most recently in 2016. During the nine months ended September 30, 2016, the Company repurchased approximately 9.5 million shares of common stock at a cost of approximately \$290 million under the program. During the nine months ended September 30, 2015, the Company repurchased approximately 5.9 million shares of common stock at a cost of approximately \$277 million under the program. As of September 30, 2016, approximately \$150 million of authorization remains available to repurchase common stock under this plan.

Total Comprehensive Income

Comprehensive income consists of net income and other gains and losses affecting stockholders' equity that, under GAAP, are excluded from net income.

The components of other comprehensive income (loss) were as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-----------------------------------------------------------------------------------------------------------------|----------------------------------------------|-------|------------------------------------------|--------|
| | 2016 | 2015 | 2016 | 2015 |
| Net income | \$209 | \$184 | \$194 | \$318 |
| Other comprehensive income (loss): | | | | |
| Currency translation adjustments (net of tax of \$3, \$1, \$7 and \$(16), respectively) | 20 | (34) | 100 | (118) |
| Net unrealized gain (loss) on available-for-sale securities (net of tax of \$0, \$1, \$0 and \$1, respectively) | 1 | (1) | 1 | (2) |
| Net unrealized gain (loss) on cash flow hedges (net of tax of \$(3), \$1, \$2 and \$3, respectively) | 4 | (1) | (4) | (4) |
| Minimum pension liability adjustment (net of tax of \$0, \$0, \$(1) and \$(1), respectively) | 1 | 2 | 3 | 4 |
| | 26 | (34) | 100 | (120) |
| Comprehensive income | \$235 | \$150 | \$294 | \$198 |

Currency translation adjustments exclude income taxes related to indefinite investments in foreign subsidiaries.

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Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) were as follows:

| | Currency Translation Adjustments | Net Unrealized Gains (Losses) on Cash Flow Hedges ^(a) | Net Unrealized Gains (Losses) on Available-for- Sale Securities ^(b) | Minimum Pension Liability Adjustment ^(c) | Accumulated Other Comprehensive Income (Loss) |
|-------------------------------------------------------------------------|----------------------------------------|------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------------|
| Balance, January 1, 2016 | \$ (80) | \$ (2) | \$ — | \$ (65) | \$ (147) |
| Other comprehensive income (loss) before reclassifications | 100 | (7) | — | — | 93 |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | 3 | 1 | 3 | 7 |
| Net current-period other comprehensive income (loss) | 100 | (4) | 1 | 3 | 100 |
| Balance, September 30, 2016 | \$ 20 | \$ (6) | \$ 1 | \$ (62) | \$ (47) |
| Balance, January 1, 2015 | \$ 51 | \$ (1) | \$ 2 | \$ (74) | \$ (22) |
| Other comprehensive income (loss) before reclassifications | (118) | (8) | (2) | 1 | (127) |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | 4 | — | 3 | 7 |
| Net current-period other comprehensive income (loss) | (118) | (4) | (2) | 4 | (120) |
| Balance, September 30, 2015 | \$ (67) | \$ (5) | \$ — | \$ (70) | \$ (142) |

All components of accumulated other comprehensive income (loss) are net of tax, except currency translation adjustments, which exclude income taxes related to indefinite investments in foreign subsidiaries and include a \$58 million gain, net of tax, as of September 30, 2016 related to the Company's hedge of its net investment in Euro-denominated foreign operations (see Note 13 - Financial Instruments).

For the three and nine months ended September 30, 2016, amounts reclassified from accumulated other comprehensive income (loss) into corporate interest expense were \$2 million (\$1 million, net of tax) and \$6 million (\$3 million, net of tax), respectively. During the three and nine months ended September 30, 2016, amounts reclassified from accumulated other comprehensive income (loss) into vehicle interest expense were \$1 million (\$0 million, net of tax) in each period. For the three and nine months ended September 30, 2015, amounts reclassified from accumulated other comprehensive income (loss) into corporate interest expense were \$2 million (\$1 million, net of tax) and \$5 million (\$3 million, net of tax), respectively. During the three months ended September 30, 2015, amounts reclassified from accumulated other comprehensive income (loss) into vehicle interest expense were immaterial and during the nine months ended September 30, 2015, amounts reclassified from accumulated other comprehensive income (loss) into vehicle interest expense were \$1 million (\$1 million, net of tax).

For the three and nine months ended September 30, 2016, amounts reclassified from accumulated other comprehensive income (loss) into operating expenses were \$1 million (\$1 million, net of tax) in each period. For the three and nine months ended September 30, 2015, amounts reclassified from accumulated other comprehensive income (loss) into operating expenses were immaterial.

For the three and nine months ended September 30, 2016, amounts reclassified from accumulated other comprehensive income (loss) into selling, general and administrative expenses were \$1 million (\$1 million), net of tax) and \$4 million (\$3 million), net of tax), respectively. For the three and nine months ended September 30, 2015, amounts reclassified from accumulated other comprehensive income (loss) into selling, general and administrative expenses were \$3 million (\$2 million, net of tax) and \$5 million (\$3 million, net of tax), respectively.

12. Stock-Based Compensation

The Company recorded stock-based compensation expense of \$7 million and \$8 million (\$5 million and \$5 million, net of tax) during the three months ended September 30, 2016 and 2015, respectively, and \$21 million and \$19 million (\$14 million and \$12 million, net of tax) during the nine months ended September 30, 2016 and 2015, respectively. In jurisdictions with net operating loss carryforwards, exercises and/or vestings of stock-based awards have generated \$96 million of total tax deductions at September 30, 2016. Approximately \$38 million of tax benefits will be recorded in additional paid-in capital when these tax deductions are realized in these jurisdictions.

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The weighted average assumptions used in the Monte Carlo simulation model to calculate the fair value of the Company's stock unit awards containing a market condition were as follows:

| | Nine Months Ended September 30, | |
|------------------------------------|---------------------------------------|---------|
| | 2016 | 2015 |
| Expected volatility of stock price | 46% | 37% |
| Risk-free interest rate | 0.98% | 0.74% |
| Valuation period | 3 years | 3 years |
| Dividend yield | 0.0% | 0.0% |

The activity related to the Company's restricted stock units ("RSUs") and cash units, consisted of (in thousands of shares):

| | Time-Based RSUs | | Performance-Based and Market-Based RSUs | | Cash Unit Awards | |
|---------------------------------------------|------------------------|-------------------------------------------------------|-----------------------------------------------|-------------------------------------------------------|-----------------------|-------------------------------------------------------|
| | Number of Shares | Weighted Average Grant Date Fair Value | Number of Shares | Weighted Average Grant Date Fair Value | Number of Units | Weighted Average Grant Date Fair Value |
| Outstanding at January 1, 2016 (a) | 819 | \$ 43.34 | 941 | \$ 35.18 | 111 | \$ 18.04 |
| Granted | 587 | 25.92 | 528 | 23.33 | — | — |
| Vested (b) | (422) | 36.06 | (488) | 25.13 | (111) | 18.04 |
| Forfeited/expired (25) | (25) | 38.34 | (51) | 27.16 | — | — |
| Outstanding at September 30, 2016 (c) | 959 | \$ 36.01 | 930 | \$ 34.14 | — | \$ — |

(a) Reflects the maximum number of stock units assuming achievement of all time-, performance- and market-vesting criteria and does not include those for non-employee directors. The weighted-average fair value of time-based RSUs and performance-based and market-based RSUs granted during the nine months ended September 30, 2015 was \$54.72 and \$55.51, respectively.

(b) The total grant date fair value of RSUs vested during the nine months ended September 30, 2016 and 2015 was \$27 million and \$24 million, respectively. The total grant date fair value of cash units vested during the nine months ended September 30, 2016 and 2015 was \$2 million, in each period.

The Company's outstanding time-based RSUs and performance-based and market-based RSUs had aggregate intrinsic values of \$33 million and \$32 million, respectively. Aggregate unrecognized compensation expense (c) related to time-based RSUs and performance-based and market-based RSUs amounted to \$34 million and will be recognized over a weighted average vesting period of 1.3 years. The Company assumes that substantially all outstanding awards will vest over time.

The stock option activity consisted of (in thousands of shares):

| Number of Options | Weighted Average Exercise | Aggregate Intrinsic Value (in | Weighted Average Remaining | Contractual Term (years) |
|-------------------------|---------------------------------|-------------------------------------|----------------------------------|--------------------------|
|-------------------------|---------------------------------|-------------------------------------|----------------------------------|--------------------------|

| | | Price | millions) | |
|------------------------------------------------------------|-------|---------|-----------|-----|
| Outstanding at January 1, 2016 | 827 | \$ 2.87 | \$ 28 | 3.3 |
| Granted | — | — | | |
| Exercised | (13) | 0.79 | — | |
| Forfeited/expired | — | — | | |
| Outstanding and exercisable at September 30, 2016 | 814 | \$ 2.90 | \$ 25 | 2.5 |

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13. Financial Instruments

Derivative Instruments and Hedging Activities

Currency Risk. The Company uses currency exchange contracts to manage its exposure to changes in currency exchange rates associated with its non-U.S.-dollar denominated receivables and forecasted royalties, forecasted earnings of non-U.S. subsidiaries and forecasted non-U.S.-dollar denominated acquisitions. The Company primarily hedges a portion of its current-year currency exposure to the Australian, Canadian and New Zealand dollars, the Euro and the British pound sterling. The majority of forward contracts do not qualify for hedge accounting treatment. The fluctuations in the value of these forward contracts do, however, largely offset the impact of changes in the value of the underlying risk they economically hedge. Forward contracts used to hedge forecasted third-party receipts and disbursements up to 12 months are designated and do qualify as cash flow hedges. The Company has designated its Euro-denominated notes as a hedge of its investment in Euro-denominated foreign operations.

The amount of gains or losses reclassified from other comprehensive income (loss) to earnings resulting from ineffectiveness or from excluding a component of the hedges' gain or loss from the effectiveness calculation for cash flow and net investment hedges during the three and nine months ended September 30, 2016 and 2015, was not material, nor is the amount of gains or losses the Company expects to reclassify from accumulated other comprehensive income (loss) to earnings over the next 12 months.

Interest Rate Risk. The Company uses various hedging strategies including interest rate swaps and interest rate caps to create an appropriate mix of fixed and floating rate assets and liabilities. The Company uses interest rate swaps and interest rate caps to manage the risk related to its floating rate corporate debt and its floating rate vehicle-backed debt. The Company records the effective portion of changes in the fair value of its cash flow hedges to other comprehensive income (loss), net of tax, and subsequently reclassifies these amounts into earnings in the period during which the hedged transaction is recognized. The Company records the gains or losses related to freestanding derivatives, which are not designated as a hedge for accounting purposes, in its consolidated results of operations. The changes in fair values of hedges that are determined to be ineffective are immediately reclassified from accumulated other comprehensive income (loss) into earnings. The amount of gains or losses reclassified from other comprehensive income (loss) to earnings resulting from ineffectiveness related to the Company's cash flow hedges was not material during the three and nine months ended September 30, 2016 and 2015. The Company estimates that \$6 million of losses currently recorded in accumulated other comprehensive income (loss) will be recognized in earnings over the next 12 months.

The Company enters into derivative commodity contracts to manage its exposure to changes in the price of unleaded gasoline. Changes in the fair value of these derivatives are recorded within operating expenses.

The Company held derivative instruments with absolute notional values as follows:

| | |
|-----------------------------------|-----------|
| | As of |
| | September |
| | 30, 2016 |
| Interest rate caps ^(a) | \$ 10,152 |
| Interest rate swaps | 2,000 |
| Foreign exchange contracts | 885 |

Commodity contracts (millions of gallons of unleaded gasoline) 6

^(a) Represents \$7.6 billion of interest rate caps sold, partially offset by approximately \$2.6 billion of interest rate caps purchased. These amounts exclude \$5.0 billion of interest rate caps purchased by the Company's Avis Budget Rental Car Funding subsidiary as it is not consolidated by the Company.

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Estimated fair values (Level 2) of derivative instruments were as follows:

| | As of September 30, 2016 | | As of December 31, 2015 | |
|------------------------------------------------------|-----------------------------|--------------------------|----------------------------|--------------------------|
| | Fair Value, Asset | Fair Value, Liability | Fair Value, Asset | Fair Value, Liability |
| | Derivatives | | Derivatives | |
| Derivatives designated as hedging instruments | | | | |
| Interest rate swaps ^(a) | \$ — | \$ 9 | \$ 1 | \$ 5 |
| Derivatives not designated as hedging instruments | | | | |
| Interest rate caps ^(b) | 1 | 1 | 1 | 5 |
| Foreign exchange contracts ^(c) | 5 | 15 | 16 | 2 |
| Commodity contracts ^(c) | — | — | — | 1 |
| Total | \$ 6 | \$ 25 | \$ 18 | \$ 13 |

Amounts in this table exclude derivatives issued by Avis Budget Rental Car Funding; however, certain amounts related to the derivatives held by Avis Budget Rental Car Funding are included within accumulated other comprehensive income (loss).

^(a) Included in other non-current assets or other non-current liabilities.

^(b) Included in assets under vehicle programs or liabilities under vehicle programs.

^(c) Included in other current assets or other current liabilities.

The effects of derivatives recognized in the Company's Consolidated Condensed Financial Statements were as follows:

| | Three Months Ended September 30, 2016 | | Nine Months Ended September 30, 2015 | |
|---------------------------------------------------------------------|------------------------------------------------------|---------|-----------------------------------------------------|---------|
| Derivatives designated as hedging instruments ^(a) | | | | |
| Interest rate swaps | \$ 4 | \$ (1) | \$ (4) | \$ (4) |
| Euro-denominated notes | (3) | (1) | (11) | 25 |
| Derivatives not designated as hedging instruments ^(b) | | | | |
| Interest rate caps ^(c) | — | (1) | (1) | (1) |
| Foreign exchange contracts ^(d) | 5 | 21 | 17 | 37 |
| Commodity contracts ^(e) | — | (4) | — | — |
| Total | \$ 6 | \$ 14 | \$ 1 | \$ 57 |

^(a) Recognized, net of tax, as a component of other comprehensive income (loss) within stockholders' equity.

^(b) Gains (losses) related to derivative instruments are expected to be largely offset by (losses) gains on the underlying exposures being hedged.

^(c) For the three and nine months ended September 30, 2016, included in operating expense.

^(d) For the three months ended September 30, 2016, included a \$8 million gain in interest expense and a \$3 million loss in operating expense and for the nine months ended September 30, 2016, included a \$43 million gain in interest expense and a \$26 million loss in operating expense. For the three months ended September 30, 2015,

included a \$19 million gain in interest expense and a \$2 million gain in operating expense and for the nine months ended September 30, 2015, included a \$21 million gain in interest expense and a \$16 million gain in operating expense.

(e) Included in operating expense.

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Debt Instruments

The carrying amounts and estimated fair values (Level 2) of debt instruments were as follows:

| | As of September 30, 2016 | | As of December 31, 2015 | |
|-----------------------------------------------------------|-----------------------------|----------------------------|----------------------------|----------------------------|
| | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| Corporate debt | | | | |
| Short-term debt and current portion of long-term debt | \$338 | \$ 338 | \$26 | \$ 26 |
| Long-term debt | 3,528 | 3,593 | 3,435 | 3,478 |
| Debt under vehicle programs | | | | |
| Vehicle-backed debt due to Avis Budget Rental Car Funding | \$7,134 | \$ 7,218 | \$6,796 | \$ 6,836 |
| Vehicle-backed debt | 2,965 | 2,979 | 2,060 | 2,071 |
| Interest rate swaps and interest rate caps ^(a) | 1 | 1 | 4 | 4 |

^(a) Derivatives in a liability position.

14. Segment Information

The Company's chief operating decision maker assesses performance and allocates resources based upon the separate financial information from the Company's operating segments. In identifying its reportable segments, the Company considered the nature of services provided, the geographical areas in which the segments operated and other relevant factors. The Company aggregates certain of its operating segments into its reportable segments.

Management evaluates the operating results of each of its reportable segments based upon revenue and "Adjusted EBITDA," which the Company defines as income from continuing operations before non-vehicle related depreciation and amortization, any impairment charge, restructuring expense, early extinguishment of debt costs, non-vehicle related interest, transaction-related costs and income taxes. The Company's presentation of Adjusted EBITDA may not be comparable to similarly-titled measures used by other companies.

| | Three Months Ended September 30, 2016 | | 2015 | |
|------------------------------------------------------------|------------------------------------------|--------------------|----------|--------------------|
| | Revenues | Adjusted EBITDA | Revenues | Adjusted EBITDA |
| Americas | \$ 1,821 | \$ 306 | \$1,776 | \$ 279 |
| International | 835 | 179 | 801 | 168 |
| Corporate and Other ^(a) | — | (16) | — | (16) |
| Total Company | \$ 2,656 | 469 | \$2,577 | 431 |
| Less: | | | | |
| Non-vehicle related depreciation and amortization | | 63 | | 56 |
| Interest expense related to corporate debt, net | | | | 49 |

| | | |
|--------------------------------|--------|--------|
| Restructuring expense | 6 | 6 |
| Transaction-related costs, net | 4 | 8 |
| Income before income taxes | \$ 345 | \$ 312 |

^(a) Includes unallocated corporate overhead which is not attributable to a particular segment.

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| | Nine Months Ended September 30, | | 2015 | |
|---------------------------------------|---------------------------------|--------------------|----------|--------------------|
| | 2016 | Adjusted EBITDA | Revenues | Adjusted EBITDA |
| Americas | \$ 4,778 | \$ 532 | \$4,707 | \$ 572 |
| International | 2,002 | 237 | 1,893 | 245 |
| Corporate and Other ^(a) | — | (52) | — | (42) |
| Total Company | \$ 6,780 | 717 | \$6,600 | 775 |

| | | | | |
|------------------------------------------------------------------|--------|--------|--|--|
| Less: Non-vehicle related depreciation and amortization | 189 | 161 | | |
| Interest expense related to corporate debt, net: | | | | |
| Interest expense | 157 | 146 | | |
| Early extinguishment of debt | 10 | 23 | | |
| Restructuring expense | 26 | 10 | | |
| Transaction-related costs, net | 13 | 57 | | |
| Income before income taxes | \$ 322 | \$ 378 | | |

^(a) Includes unallocated corporate overhead which is not attributable to a particular segment.

Since December 31, 2015, there have been no significant changes in segment assets other than the Company's International segment assets exclusive of assets under vehicle programs and assets under vehicle programs. As of September 30, 2016 and December 31, 2015, International segment assets exclusive of assets under vehicle programs were approximately \$2.3 billion and \$1.9 billion, respectively; and International segment assets under vehicle programs were approximately \$2.9 billion and \$2.3 billion, respectively.

15. Guarantor and Non-Guarantor Consolidating Condensed Financial Statements

The following consolidating financial information presents Consolidating Condensed Statements of Comprehensive Income for the three and nine months ended September 30, 2016 and 2015, Consolidating Condensed Balance Sheets as of September 30, 2016 and December 31, 2015, and Consolidating Condensed Statements of Cash Flows for the nine months ended September 30, 2016 and 2015 for: (i) Avis Budget Group, Inc. (the "Parent"); (ii) ABCR and Avis Budget Finance, Inc. (the "Subsidiary Issuers"); (iii) the guarantor subsidiaries; (iv) the non-guarantor subsidiaries; (v) elimination entries necessary to consolidate the Parent with the Subsidiary Issuers, and the guarantor and non-guarantor subsidiaries; and (vi) the Company on a consolidated basis. The Subsidiary Issuers and the guarantor

and non-guarantor subsidiaries are 100% owned by the Parent, either directly or indirectly. All guarantees are full and unconditional and joint and several. This financial information is being presented in relation to the Company's guarantee of the payment of principal, premium (if any) and interest on the notes issued by the Subsidiary Issuers. See Note 8 - Long-term Debt and Borrowing Arrangements for additional description of these guaranteed notes. The Senior Notes are guaranteed by the Parent and certain subsidiaries.

Investments in subsidiaries are accounted for using the equity method of accounting for purposes of the consolidating presentation. The principal elimination entries relate to investments in subsidiaries and intercompany balances and transactions. For purposes of the accompanying Consolidating Condensed Statements of Comprehensive Income, certain expenses incurred by the Subsidiary Issuers are allocated to the guarantor and non-guarantor subsidiaries.

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Consolidating Condensed Statements of Comprehensive Income

Three Months Ended September 30, 2016

| | Parent | Subsidiary Issuers | Guarantor Subsidiaries | Non- Guarantor Subsidiaries | Eliminations | Total |
|-----------------------------------------------------------------------------|--------|-----------------------|---------------------------|-----------------------------------|--------------|---------|
| Revenues | | | | | | |
| Vehicle rental | \$— | \$ — | \$ 1,216 | \$ 655 | \$ — | \$1,871 |
| Other | — | — | 344 | 1,021 | (580) | 785 |
| Net revenues | — | — | 1,560 | 1,676 | (580) | 2,656 |
| Expenses | | | | | | |
| Operating | 1 | 3 | 719 | 496 | — | 1,219 |
| Vehicle depreciation and lease charges, net | — | — | 525 | 575 | (524) | 576 |
| Selling, general and administrative | 10 | 4 | 173 | 128 | — | 315 |
| Vehicle interest, net | — | — | 55 | 78 | (56) | 77 |
| Non-vehicle related depreciation and amortization | — | — | 38 | 25 | — | 63 |
| Interest expense related to corporate debt, net: | | | | | | |
| Interest expense | — | 41 | 1 | 9 | — | 51 |
| Intercompany interest expense (income) | (3) | (3) | 6 | — | — | — |
| Restructuring expense | — | — | 1 | 5 | — | 6 |
| Transaction-related costs, net | — | — | — | 4 | — | 4 |
| Total expenses | 8 | 45 | 1,518 | 1,320 | (580) | 2,311 |
| Income (loss) before income taxes and equity in earnings of subsidiaries | (8) | (45) | 42 | 356 | — | 345 |
| Provision for (benefit from) income taxes | (3) | (18) | 87 | 70 | — | 136 |
| Equity in earnings of subsidiaries | 214 | 241 | 286 | — | (741) | — |
| Net income | \$209 | \$ 214 | \$ 241 | \$ 286 | \$ (741) | \$209 |
| Comprehensive income | \$235 | \$ 239 | \$ 262 | \$ 307 | \$ (808) | \$235 |

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Nine Months Ended September 30, 2016

| | Parent | Subsidiary Issuers | Guarantor Subsidiaries | Non- Guarantor Subsidiaries | Eliminations | Total |
|-----------------------------------------------------------------------------|--------|-----------------------|---------------------------|-----------------------------------|--------------|---------|
| Revenues | | | | | | |
| Vehicle rental | \$— | \$ — | \$ 3,229 | \$ 1,543 | \$ — | \$4,772 |
| Other | — | — | 931 | 2,746 | (1,669 |) 2,008 |
| Net revenues | — | — | 4,160 | 4,289 | (1,669 |) 6,780 |
| Expenses | | | | | | |
| Operating | 3 | 14 | 2,013 | 1,351 | — | 3,381 |
| Vehicle depreciation and lease charges, net | — | — | 1,514 | 1,571 | (1,514 |) 1,571 |
| Selling, general and administrative | 29 | 14 | 492 | 361 | — | 896 |
| Vehicle interest, net | — | — | 149 | 221 | (155 |) 215 |
| Non-vehicle related depreciation and amortization | — | 1 | 115 | 73 | — | 189 |
| Interest expense related to corporate debt, net: | | | | | | |
| Interest expense | — | 122 | 3 | 32 | — | 157 |
| Intercompany interest expense (income) | (9 |) (8 |) 17 | — | — | — |
| Early extinguishment of debt | — | 10 | — | — | — | 10 |
| Restructuring expense | — | — | 8 | 18 | — | 26 |
| Transaction-related costs, net | — | 1 | 1 | 11 | — | 13 |
| Total expenses | 23 | 154 | 4,312 | 3,638 | (1,669 |) 6,458 |
| Income (loss) before income taxes and equity in earnings of subsidiaries | (23 |) (154 |) (152 |) 651 | — | 322 |
| Provision for (benefit from) income taxes | (9 |) (61 |) 119 | 79 | — | 128 |
| Equity in earnings of subsidiaries | 208 | 301 | 572 | — | (1,081 |) — |
| Net income | \$194 | \$ 208 | \$ 301 | \$ 572 | \$ (1,081 |) \$194 |
| Comprehensive income | \$294 | \$ 307 | \$ 403 | \$ 672 | \$ (1,382 |) \$294 |

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Three Months Ended September 30, 2015

| | Parent | Subsidiary Issuers | Guarantor Subsidiaries | Non- Guarantor Subsidiaries | Eliminations | Total |
|-----------------------------------------------------------------------------|--------|-----------------------|---------------------------|-----------------------------------|--------------|---------|
| Revenues | | | | | | |
| Vehicle rental | \$— | \$ — | \$ 1,196 | \$ 636 | \$ — | \$1,832 |
| Other | — | — | 336 | 951 | (542) | 745 |
| Net revenues | — | — | 1,532 | 1,587 | (542) | 2,577 |
| Expenses | | | | | | |
| Operating | — | 3 | 716 | 483 | — | 1,202 |
| Vehicle depreciation and lease charges, net | — | 1 | 485 | 556 | (487) | 555 |
| Selling, general and administrative | 7 | 5 | 175 | 127 | — | 314 |
| Vehicle interest, net | — | — | 53 | 77 | (55) | 75 |
| Non-vehicle related depreciation and amortization | — | — | 33 | 23 | — | 56 |
| Interest expense related to corporate debt, net: | | | | | | |
| Interest expense | — | 39 | 1 | 9 | — | 49 |
| Intercompany interest expense (income) | (3) | (3) | 5 | 1 | — | — |
| Transaction-related costs, net | — | 2 | 2 | 4 | — | 8 |
| Restructuring expense | — | — | 4 | 2 | — | 6 |
| Total expenses | 4 | 47 | 1,474 | 1,282 | (542) | 2,265 |
| Income (loss) before income taxes and equity in earnings of subsidiaries | (4) | (47) | 58 | 305 | — | 312 |
| Provision for (benefit from) income taxes | (1) | (18) | 101 | 46 | — | 128 |
| Equity in earnings of subsidiaries | 187 | 216 | 259 | — | (662) | — |
| Net income | \$184 | \$ 187 | \$ 216 | \$ 259 | \$ (662) | \$184 |
| Comprehensive income | \$150 | \$ 155 | \$ 186 | \$ 228 | \$ (569) | \$150 |

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Nine Months Ended September 30, 2015

| | Parent | Subsidiary Issuers | Guarantor Subsidiaries | Non- Guarantor Subsidiaries | Eliminations | Total |
|-----------------------------------------------------------------------------|--------|-----------------------|---------------------------|-----------------------------------|--------------|---------|
| Revenues | | | | | | |
| Vehicle rental | \$— | \$ — | \$ 3,193 | \$ 1,491 | \$ — | \$4,684 |
| Other | — | — | 910 | 2,570 | (1,564) |) 1,916 |
| Net revenues | — | — | 4,103 | 4,061 | (1,564) |) 6,600 |
| Expenses | | | | | | |
| Operating | 1 | 12 | 1,978 | 1,288 | — | 3,279 |
| Vehicle depreciation and lease charges, net | — | 1 | 1,397 | 1,487 | (1,400) |) 1,485 |
| Selling, general and administrative | 24 | 11 | 477 | 331 | — | 843 |
| Vehicle interest, net | — | — | 154 | 228 | (164) |) 218 |
| Non-vehicle related depreciation and amortization | — | 1 | 99 | 61 | — | 161 |
| Interest expense related to corporate debt, net: | | | | | | |
| Interest expense | — | 121 | (6 |) 31 | — | 146 |
| Intercompany interest expense (income) | (9 |) (8 |) 11 | 6 | — | — |
| Early extinguishment of debt | — | 23 | — | — | — | 23 |
| Transaction-related costs, net | — | 20 | 3 | 34 | — | 57 |
| Restructuring expense | — | — | 5 | 5 | — | 10 |
| Total expenses | 16 | 181 | 4,118 | 3,471 | (1,564) |) 6,222 |
| Income (loss) before income taxes and equity in earnings of subsidiaries | (16 |) (181 |) (15 |) 590 | — | 378 |
| Provision for (benefit from) income taxes | (6 |) (165 |) 162 | 69 | — | 60 |
| Equity in earnings of subsidiaries | 328 | 344 | 521 | — | (1,193) |) — |
| Net income | \$318 | \$ 328 | \$ 344 | \$ 521 | \$ (1,193) |) \$318 |
| Comprehensive income | \$198 | \$ 210 | \$ 230 | \$ 406 | \$ (846) |) \$198 |

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Consolidating Condensed Balance Sheets

As of September 30, 2016

| | Parent | Subsidiary Issuers | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
|---------------------------------------------------------|--------|--------------------|------------------------|----------------------------|--------------|--------|
| Assets | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 3 | \$ 526 | \$ — | \$ 456 | \$ — | \$ 985 |
| Receivables, net | — | 1 | 242 | 579 | — | 822 |
| Other current assets | 2 | 94 | 84 | 455 | — | 635 |
| Total current assets | 5 | 621 | 326 | 1,490 | — | 2,442 |
| Property and equipment, net | — | 139 | 338 | 194 | — | 671 |
| Deferred income taxes | 20 | 1,183 | 256 | — | (16) | 1,443 |
| Goodwill | — | — | 489 | 524 | — | 1,013 |
| Other intangibles, net | — | 29 | 506 | 350 | — | 885 |
| Other non-current assets | 72 | 17 | 19 | 116 | — | 224 |
| Intercompany receivables | 169 | 353 | 1,298 | 1,131 | (2,951) | — |
| Investment in subsidiaries | 295 | 3,837 | 3,939 | — | (8,071) | — |
| Total assets exclusive of assets under vehicle programs | 561 | 6,179 | 7,171 | 3,805 | (11,038) | 6,678 |
| Assets under vehicle programs: | | | | | | |
| Program cash | — | — | — | 126 | — | 126 |
| Vehicles, net | — | 15 | 71 | 11,638 | — | 11,724 |
| Receivables from vehicle manufacturers and other | — | 1 | — | 585 | — | 586 |
| Investment in Avis Budget Rental Car | — | — | — | 361 | — | 361 |

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| | | | | | | |
|----------------------------------------------------------------------------------|--------|----------|----------|-----------|--------------|-----------|
| Funding (AESOP) LLC-related party | — | 16 | 71 | 12,710 | — | 12,797 |
| Total assets | \$ 561 | \$ 6,195 | \$ 7,242 | \$ 16,515 | \$ (11,038) | \$ 19,475 |
| Liabilities and stockholders' equity | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and other current liabilities | \$ 19 | \$ 211 | \$ 541 | \$ 942 | \$ — | \$ 1,713 |
| Short-term debt and current portion of long-term debt | — | 16 | 4 | 318 | — | 338 |
| Total current liabilities | 19 | 227 | 545 | 1,260 | — | 2,051 |
| Long-term debt | — | 2,985 | 2 | 541 | — | 3,528 |
| Other non-current liabilities | 68 | 90 | 243 | 378 | (16) | 763 |
| Intercompany payables | — | 2,597 | 353 | 1 | (2,951) | — |
| Total liabilities exclusive of liabilities under 87 vehicle programs | — | 5,899 | 1,143 | 2,180 | (2,967) | 6,342 |
| Liabilities under vehicle programs: | | | | | | |
| Debt | — | 1 | 68 | 2,897 | — | 2,966 |
| Due to Avis Budget Rental Car Funding (AESOP) LLC-related party | — | — | — | 7,134 | — | 7,134 |
| Deferred income taxes | — | — | 2,194 | 176 | — | 2,370 |
| Other | — | — | — | 189 | — | 189 |
| | — | 1 | 2,262 | 10,396 | — | 12,659 |
| | 474 | 295 | 3,837 | 3,939 | (8,071) | 474 |

| | | | | | | |
|-----------------------------------------------------|--------|----------|----------|-----------|-------------|-----------|
| Total stockholders' equity | | | | | | |
| Total liabilities and stockholders' equity | \$ 561 | \$ 6,195 | \$ 7,242 | \$ 16,515 | \$(11,038) | \$ 19,475 |

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As of December 31, 2015

| | Parent | Subsidiary Issuers | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
|---------------------------------------------------------|--------|--------------------|------------------------|----------------------------|--------------|--------|
| Assets | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 4 | \$ 70 | \$ — | \$ 378 | \$ — | \$452 |
| Receivables, net | — | — | 212 | 456 | — | 668 |
| Other current assets | 2 | 78 | 83 | 344 | — | 507 |
| Total current assets | 6 | 148 | 295 | 1,178 | — | 1,627 |
| Property and equipment, net | — | 134 | 345 | 202 | — | 681 |
| Deferred income taxes | 20 | 1,246 | 253 | — | (31) | 1,488 |
| Goodwill | — | — | 487 | 486 | — | 973 |
| Other intangibles, net | — | 30 | 525 | 362 | — | 917 |
| Other non-current assets | 93 | 15 | 17 | 107 | — | 232 |
| Intercompany receivables | 160 | 367 | 1,070 | 696 | (2,293) | — |
| Investment in subsidiaries | 272 | 3,426 | 3,680 | — | (7,378) | — |
| Total assets exclusive of assets under vehicle programs | 551 | 5,366 | 6,672 | 3,031 | (9,702) | 5,918 |
| Assets under vehicle programs: | | | | | | |
| Program cash | — | — | — | 258 | — | 258 |
| Vehicles, net | — | 18 | 78 | 10,562 | — | 10,658 |
| Receivables from vehicle manufacturers and other | — | — | — | 438 | — | 438 |
| Investment in Avis Budget Rental Car Funding (AESOP) | — | — | — | 362 | — | 362 |

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| | | | | | | |
|-----------------------------------------------------------------------|--------|----------|----------|-----------|-------------|-----------|
| LLC-related party | — | 18 | 78 | 11,620 | — | 11,716 |
| Total assets | \$ 551 | \$ 5,384 | \$ 6,750 | \$ 14,651 | \$ (9,702) | \$ 17,634 |
| Liabilities and stockholders' equity | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and other current liabilities | \$ 24 | \$ 180 | \$ 471 | \$ 810 | \$ — | \$ 1,485 |
| Short-term debt and current portion of long-term debt | — | 14 | 5 | 7 | — | 26 |
| Total current liabilities | 24 | 194 | 476 | 817 | — | 1,511 |
| Long-term debt | — | 2,932 | 2 | 501 | — | 3,435 |
| Other non-current liabilities | 88 | 85 | 237 | 355 | (31) | 734 |
| Intercompany payables | — | 1,897 | 336 | 60 | (2,293) | — |
| Total liabilities exclusive of liabilities under 112 vehicle programs | 112 | 5,108 | 1,051 | 1,733 | (2,324) | 5,680 |
| Liabilities under vehicle programs: | | | | | | |
| Debt | — | 4 | 74 | 1,986 | — | 2,064 |
| Due to Avis Budget Rental Car Funding (AESOP) | — | — | — | 6,796 | — | 6,796 |
| LLC-related party | | | | | | |
| Deferred income taxes | — | — | 2,199 | 168 | — | 2,367 |
| Other | — | — | — | 288 | — | 288 |
| | — | 4 | 2,273 | 9,238 | — | 11,515 |
| Total stockholders' equity | 439 | 272 | 3,426 | 3,680 | (7,378) | 439 |

Total liabilities
and
stockholders'
equity

| | | | | | |
|--------|----------|----------|-----------|-------------|-----------|
| \$ 551 | \$ 5,384 | \$ 6,750 | \$ 14,651 | \$ (9,702) | \$ 17,634 |
|--------|----------|----------|-----------|-------------|-----------|

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Consolidating Condensed Statements of Cash Flows

Nine Months Ended September 30, 2016

| | Parent | Subsidiary Issuers | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
|--------------------------------------------------------------------------------------|--------|-----------------------|---------------------------|-------------------------------|--------------|----------|
| Net cash provided by operating activities | \$ 195 | \$ 372 | \$ 50 | \$ 1,679 | \$ (195) | \$ 2,101 |
| Investing activities | | | | | | |
| Property and equipment additions | — | (15) | (63) | (47) | — | (125) |
| Proceeds received on asset sales | — | 5 | 1 | 4 | — | 10 |
| Net assets acquired (net of cash acquired) | — | — | (1) | (3) | — | (4) |
| Intercompany loan receipts (advances) | — | — | 28 | (337) | 309 | — |
| Other, net | 93 | (1) | — | 5 | (93) | 4 |
| Net cash provided by (used in) investing activities exclusive of vehicle programs | 93 | (11) | (35) | (378) | 216 | (115) |
| Vehicle programs: | | | | | | |
| Decrease in program cash | — | — | — | 138 | — | 138 |
| Investment in vehicles | — | (3) | (4) | (10,144) | — | (10,151) |
| Proceeds received on disposition of vehicles | — | 25 | — | 7,348 | — | 7,373 |
| | — | 22 | (4) | (2,658) | — | (2,640) |
| Net cash provided by (used in) investing activities | 93 | 11 | (39) | (3,036) | 216 | (2,755) |
| Financing activities | | | | | | |
| Proceeds from long-term borrowings | — | 557 | — | 339 | — | 896 |
| Payments on long-term borrowings | — | (523) | (3) | (1) | — | (527) |
| Net change in short-term borrowings | — | — | — | 1 | — | 1 |
| Intercompany loan borrowings (payments) | — | 337 | — | (28) | (309) | — |
| Repurchases of common stock | (289) | — | — | — | — | (289) |
| Debt financing fees | — | (10) | — | (5) | — | (15) |
| Other, net | — | (288) | — | — | 288 | — |
| Net cash provided by (used in) financing activities exclusive of vehicle programs | (289) | 73 | (3) | 306 | (21) | 66 |
| Vehicle programs: | | | | | | |
| Proceeds from borrowings | — | — | — | 11,879 | — | 11,879 |
| Payments on borrowings | — | — | (7) | (10,745) | — | (10,752) |
| Debt financing fees | — | — | (1) | (19) | — | (20) |
| | — | — | (8) | 1,115 | — | 1,107 |
| Net cash provided by (used in) financing activities | (289) | 73 | (11) | 1,421 | (21) | 1,173 |
| Effect of changes in exchange rates on cash and cash equivalents | — | — | — | 14 | — | 14 |
| Net increase (decrease) in cash and cash equivalents | (1) | 456 | — | 78 | — | 533 |
| Cash and cash equivalents, beginning of period | 4 | 70 | — | 378 | — | 452 |
| Cash and cash equivalents, end of period | \$ 3 | \$ 526 | \$ — | \$ 456 | \$ — | \$ 985 |

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Nine Months Ended September 30, 2015

| | Parent | Subsidiary Issuers | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Elimination | Total |
|--------------------------------------------------------------------------------------|--------|-----------------------|---------------------------|-------------------------------|-------------|----------|
| Net cash provided by operating activities | \$ 60 | \$ 270 | \$ 104 | \$ 1,604 | \$ — | \$ 2,038 |
| Investing activities | | | | | | |
| Property and equipment additions | — | (17) | (64) | (45) | — | (126) |
| Proceeds received on asset sales | — | 4 | — | 4 | — | 8 |
| Net assets acquired (net of cash acquired) | — | (8) | (3) | (214) | — | (225) |
| Intercompany loan receipts (advances) | — | (30) | (94) | — | 124 | — |
| Other, net | 212 | (107) | 1 | 3 | (106) | 3 |
| Net cash provided by (used in) investing activities exclusive of vehicle programs | 212 | (158) | (160) | (252) | 18 | (340) |
| Vehicle programs: | | | | | | |
| Increase in program cash | — | — | — | (71) | — | (71) |
| Investment in vehicles | — | (1) | (3) | (9,758) | — | (9,762) |
| Proceeds received on disposition of vehicles | — | 15 | — | 6,741 | — | 6,756 |
| | — | 14 | (3) | (3,088) | — | (3,077) |
| Net cash provided by (used in) investing activities | 212 | (144) | (163) | (3,340) | 18 | (3,417) |
| Financing activities | | | | | | |
| Proceeds from long-term borrowings | — | 375 | — | 2 | — | 377 |
| Payments on long-term borrowings | — | (253) | (4) | (33) | — | (290) |
| Net change in short-term borrowings | — | — | — | (23) | — | (23) |
| Intercompany loan borrowings (payments) | — | — | — | 124 | (124) | — |
| Repurchases of common stock | (270) | — | — | — | — | (270) |
| Debt financing fees | — | (7) | — | — | — | (7) |
| Other, net | — | (212) | 70 | 36 | 106 | — |
| Net cash provided by (used in) financing activities exclusive of vehicle programs | (270) | (97) | 66 | 106 | (18) | (213) |
| Vehicle programs: | | | | | | |
| Proceeds from borrowings | — | — | — | 11,532 | — | 11,532 |
| Payments on borrowings | — | — | (7) | (9,926) | — | (9,933) |
| Debt financing fees | — | — | — | (17) | — | (17) |
| | — | — | (7) | 1,589 | — | 1,582 |
| Net cash provided by (used in) financing activities | (270) | (97) | 59 | 1,695 | (18) | 1,369 |
| Effect of changes in exchange rates on cash and cash equivalents | — | — | — | (29) | — | (29) |
| Net increase (decrease) in cash and cash equivalents | 2 | 29 | — | (70) | — | (39) |
| Cash and cash equivalents, beginning of period | 2 | 210 | — | 412 | — | 624 |
| Cash and cash equivalents, end of period | \$ 4 | \$ 239 | \$ — | \$ 342 | \$ — | \$ 585 |

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16. Subsequent Events

In October 2016, the Company amended its senior revolving credit facility and extended its maturity by two years, to 2021.

In October 2016, the Company redeemed €275 million principal amount of its 6% Euro-denominated Senior Notes due 2021 for €287 million plus accrued interest.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our Consolidated Condensed Financial Statements and accompanying Notes thereto included elsewhere herein and with our 2015 Form 10-K. Our actual results of operations may differ materially from those discussed in forward-looking statements as a result of various factors, including but not limited to those included elsewhere in this Quarterly Report on Form 10-Q and those included in the "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Risk Factors" and other portions of our 2015 Form 10-K. Unless otherwise noted, all dollar amounts in tables are in millions and those relating to our results of operations are presented before taxes.

OVERVIEW

Our Company

We operate three of the most recognized brands in the global vehicle rental and car sharing industry, Avis, Budget and Zipcar. We are a leading vehicle rental operator in North America, Europe, Australia, New Zealand and certain other regions we serve, with an average rental fleet of more than 580,000 vehicles. We also license the use of our trademarks to licensees in the areas in which we do not operate directly. We and our licensees operate our brands in approximately 180 countries throughout the world.

Our Segments

We categorize our operations into two reportable business segments: Americas, consisting primarily of our vehicle rental operations in North America, South America, Central America and the Caribbean, and our car sharing operations in certain of these markets; and International, consisting primarily of our vehicle rental operations in Europe, the Middle East, Africa, Asia, Australia and New Zealand, and our car sharing operations in certain of these markets.

Business and Trends

Our revenues are derived principally from vehicle rentals in our Company-owned operations and include:

- time and mileage ("T&M") fees charged to our customers for vehicle rentals;
- payments from our customers with respect to certain operating expenses we incur, including gasoline and vehicle licensing fees, as well as concession fees, which we pay in exchange for the right to operate at airports and other locations;
- sales of loss damage waivers and insurance and rentals of navigation units and other items in conjunction with vehicle rentals; and
- royalty revenue from our licensees in conjunction with their vehicle rental transactions.

Our operating results are subject to variability due to seasonality, macroeconomic conditions and other factors. Car rental volumes tend to be associated with the travel industry, particularly airline passenger volumes, or enplanements, which in turn tend to reflect general economic conditions. Our vehicle rental operations are also seasonal, with the third quarter of the year historically having been our strongest due to the increased level of leisure travel during such quarter. We have a partially variable cost structure and routinely adjust the size, and therefore the cost, of our rental fleet in response to fluctuations in demand.

We believe that the following factors, among others, may affect our financial condition and results of operations:

- general travel demand, including worldwide enplanements;

fleet, pricing, marketing and strategic decisions made by us and by our competitors;

• changes in fleet costs and in conditions in the used vehicle marketplace, as well as manufacturer recalls;

• changes in borrowing costs and in market willingness to purchase corporate and vehicle-related debt;

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•demand for truck rentals and car sharing services;

•changes in the price of gasoline; and

•changes in currency exchange rates.

Throughout 2016, we have operated in an uncertain and uneven economic environment marked by heightened geopolitical risks. Nonetheless, we continue to anticipate that worldwide demand for vehicle rental and car sharing services will increase in 2016, most likely against a backdrop of modest and uneven global economic growth. Our access to new fleet vehicles has been adequate to meet our needs for both replacement of existing vehicles in the normal course and for growth to meet incremental demand, and we expect that to continue to be the case. We will look to pursue opportunities for pricing increases in the remaining months of 2016 and in 2017 in order to enhance our returns on invested capital and profitability.

Our objective is to focus on strategically accelerating our growth, strengthening our global position as a leading provider of vehicle rental services, continuing to enhance our customers' rental experience, and controlling costs and driving efficiency throughout the organization. We operate in a highly competitive industry and we expect to continue to face challenges and risks. We seek to mitigate our exposure to risks in numerous ways, including delivering upon our core strategic initiatives and through continued optimization of fleet levels to match changes in demand for vehicle rentals, maintenance of liquidity to fund our fleet and our operations, appropriate investments in technology and adjustments in the size, nature and terms of our relationships with vehicle manufacturers.

During 2016:

• Our net revenues totaled \$6.8 billion in the first nine months of the year and grew 3% compared to the nine months ended September 30, 2015.

• In the nine months ended September 30, 2016, our net income was \$194 million, representing a \$124 million year-over-year decline in earnings, and our Adjusted EBITDA was \$717 million, representing a \$58 million year-over-year decline, due to lower pricing, higher per-unit fleet costs and a \$28 million (4%) negative impact from currency exchange rate movements, partially offset by increased rental volume.

• In the nine months ended September 30, 2016, we repurchased approximately \$290 million of our common stock, reducing our shares outstanding by approximately 9.5 million shares, or 10%.

• We issued \$350 million of 6 % Senior Notes due 2024, the proceeds of which were used primarily to redeem all \$300 million of our outstanding 4 % Senior Notes due 2017.

• We issued €300 million of 4 % Euro-denominated Senior Notes due 2024, the proceeds of which have been used in October primarily to redeem €275 million of our outstanding 6% Euro-denominated Senior Notes due 2021.

• We extended the maturity date for \$825 million of our existing \$970 million of corporate term loan borrowings by three years, to March 2022.

In the three months ended September 30, 2016, our net income was \$209 million, representing a \$25 million year-over-year increase in earnings, and our Adjusted EBITDA was \$469 million, representing a \$38 million year-over-year increase and the highest quarterly Adjusted EBITDA in our history as a stand-alone vehicle rental services company.

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RESULTS OF OPERATIONS

We measure performance principally using the following key operating statistics: (i) rental days, which represents the total number of days (or portion thereof) a vehicle was rented, and (ii) T&M revenue per rental day, which represents the average daily revenue we earned from rental and mileage fees charged to our customers, both of which exclude our U.S. truck rental and Zipcar car sharing operations. We also measure our ancillary revenues (rental-transaction revenue other than T&M revenue), such as from the sale of collision and loss damage waivers, insurance products, fuel service options and portable GPS navigation unit rentals. Our vehicle rental operating statistics (rental days and T&M revenue per rental day) are all calculated based on the actual rental of the vehicle during a 24-hour period. We believe that this methodology provides our management with the most relevant statistics in order to manage the business. Our calculation may not be comparable to other companies' calculation of similarly-titled statistics. In addition, per-unit fleet costs exclude our U.S. truck rental operations. We present currency exchange rate impacts to provide a method of assessing how our business performed excluding the effects of foreign currency rate fluctuations. Currency exchange rate impacts are calculated by translating the current-year results at the prior-period average exchange rate plus any related gains and losses on currency hedges.

We assess performance and allocate resources based upon the separate financial information of our operating segments. In identifying our reportable segments, we also consider the nature of services provided by our operating segments, the geographical areas in which our segments operate and other relevant factors. Management evaluates the operating results of each of our reportable segments based upon revenue and "Adjusted EBITDA," which we define as income from continuing operations before non-vehicle related depreciation and amortization, any impairment charges, restructuring expense, early extinguishment of debt costs, non-vehicle related interest, transaction-related costs and income taxes. We believe Adjusted EBITDA is useful as a supplemental measure in evaluating the aggregate performance of our operating businesses and in comparing our results from period to period. We believe that Adjusted EBITDA is useful to investors because it allows investors to assess our financial condition and results of operations on the same basis that management uses internally. Adjusted EBITDA is a non-GAAP measure and should not be considered in isolation or as a substitute for net income or other income statement data prepared in accordance with U.S. GAAP. Our presentation of Adjusted EBITDA may not be comparable to similarly-titled measures used by other companies.

Three Months Ended September 30, 2016 vs. Three Months Ended September 30, 2015

Our consolidated results of operations comprised the following:

| | Three Months Ended September 30, | | | | |
|---------------------------------------------------|----------------------------------------|---------|--------|-------------|---|
| | 2016 | 2015 | Change | % Change | |
| Revenues | | | | | |
| Vehicle rental | \$1,871 | \$1,832 | \$ 39 | 2 | % |
| Other | 785 | 745 | 40 | 5 | % |
| Net revenues | 2,656 | 2,577 | 79 | 3 | % |
| Expenses | | | | | |
| Operating | 1,219 | 1,202 | 17 | 1 | % |
| Vehicle depreciation and lease charges, net | 576 | 555 | 21 | 4 | % |
| | 315 | 314 | 1 | 0 | % |

| | | | | | |
|---------------------------------------------------|-------|-------|-------|------|---|
| Selling, general and administrative | | | | | |
| Vehicle interest, net | 77 | 75 | 2 | 3 | % |
| Non-vehicle related depreciation and amortization | 63 | 56 | 7 | 13 | % |
| Interest expense related to corporate debt, net | 51 | 49 | 2 | 4 | % |
| Restructuring expense | 6 | 6 | — | 0 | % |
| Transaction-related costs, net | 4 | 8 | (4) | (50) | % |
| Total expenses | 2,311 | 2,265 | 46 | 2 | % |
| Income before income taxes | 345 | 312 | 33 | 11 | % |
| Provision for income taxes | 136 | 128 | 8 | 6 | % |
| Net income | \$209 | \$184 | \$ 25 | 14 | % |

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During third quarter 2016, our net revenues increased as a result of a 2% increase in total rental days and a 1% increase in pricing, partially offset by a \$6 million negative impact from currency exchange rate movements.

Total expenses increased as a result of increased volumes, including a 2% increase in our car rental fleet, and a 2% increase in per-unit fleet costs. These increases were partially offset by an \$8 million favorable impact on expenses from currency exchange rate movements. Our effective tax rates were provisions of 39% and 41% for the three months ended September 30, 2016 and 2015, respectively. As a result of the increase in our net revenues and these items, our net income increased by \$25 million.

For the three months ended September 30, 2016, the Company reported earnings of \$2.28 per diluted share, which includes after-tax restructuring expense of (\$0.05) per share and after-tax transaction-related costs of (\$0.04) per share. For the three months ended September 30, 2015, the Company reported earnings of \$1.77 per diluted share, which includes after-tax transaction-related costs of (\$0.06) per share and after-tax restructuring expense of (\$0.05) per share.

In the three months ended September 30, 2016:

• Operating expenses decreased to 45.9% of revenue from 46.6% in third quarter 2015, due to increased rental volumes, higher pricing and efficiency initiatives.

• Vehicle depreciation and lease charges were 21.7% of revenue compared to 21.5% in third quarter 2015.

• Selling, general and administrative costs decreased to 11.9% of revenue from 12.2% in third quarter 2015.

• Vehicle interest costs, at 2.9% of revenue, remained level compared to the prior-year period.

Following is a more detailed discussion of the results of each of our reportable segments:

| | Revenues | | | Adjusted EBITDA | | |
|---------------------|----------|---------|----------|-----------------|-------|----------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| Americas | \$1,821 | \$1,776 | 3 % | \$306 | \$279 | 10 % |
| International | \$35 | 801 | 4 % | 179 | 168 | 7 % |
| Corporate and Other | — | — | * | (16) | (16) | * |
| (a) | | | | | | |
| Total Company | \$2,656 | \$2,577 | 3 % | 469 | 431 | 9 % |

| | | |
|---------------------------------------------------------|-------|-------|
| Less: Non-vehicle related depreciation and amortization | 63 | 56 |
| Interest expense related to corporate debt, net | 51 | 49 |
| Restructuring expense | 6 | 6 |
| Transaction-related costs, net ^(b) | 4 | 8 |
| Income before income taxes | \$345 | \$312 |

*Not meaningful.

(a) Includes unallocated corporate overhead which is not attributable to a particular segment.

(b) Primarily comprised of acquisition- and integration-related expenses.

Americas

| | 2016 | 2015 | % Change |
|-----------------|---------|---------|-------------|
| Revenue | \$1,821 | \$1,776 | 3 % |
| Adjusted EBITDA | 306 | 279 | 10 % |

Revenues increased 3% in third quarter 2016 compared with third quarter 2015, primarily due to a 2% increase in pricing and 2% growth in rental volumes.

Adjusted EBITDA increased 10% in third quarter 2016 compared with third quarter 2015, due to higher pricing, an increase in rental volumes and cost savings, partially offset by a 2% increase in per-unit fleet costs.

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In the three months ended September 30, 2016:

Operating expenses decreased to 46.2% of revenue from 46.9% in third quarter 2015, due to higher pricing and efficiency initiatives.

Vehicle depreciation and lease charges were 23.3% of revenue compared to 23.2% in the prior-year period.

Selling, general and administrative costs were 10.4% of revenue, a decrease from 10.9% in third quarter 2015, due to higher pricing and expense-reduction efforts.

Vehicle interest costs, at 3.4% of revenue, remained level compared to third quarter 2015.

International

| | 2016 | 2015 | % Change |
|-----------------|-------|-------|-------------|
| Revenue | \$835 | \$801 | 4 % |
| Adjusted EBITDA | 179 | 168 | 7 % |

Revenues increased 4% in third quarter 2016 compared to third quarter 2015, due to a 4% increase in rental volumes, partially offset by a 2% decrease in pricing and a \$5 million (1%) negative impact from currency exchange rate movements.

Adjusted EBITDA increased 7% in third quarter 2016 compared to third quarter 2015, due to increased rental volumes and a \$2 million (1%) favorable impact from currency exchange rate movements, partially offset by lower pricing and a 2% increase in per-unit fleet costs.

In the three months ended September 30, 2016:

Operating expenses decreased to 45.1% of revenue from 45.9% in the prior-year period, due to increased rental volumes and ancillary revenues and efficiency initiatives, partially offset by lower pricing.

Vehicle depreciation and lease charges increased to 18.2% of revenue from 17.8% in third quarter 2015, primarily due to higher per-unit fleet costs.

Selling, general and administrative costs were 13.5% of revenue compared to 13.6% in the prior-year period.

Vehicle interest costs were 1.8% of revenue compared to 1.9% in third quarter 2015.

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Nine Months Ended September 30, 2016 vs. Nine Months Ended September 30, 2015

Our consolidated results of operations comprised the following:

| | Nine Months Ended September 30, | | | | |
|---------------------------------------------------|---------------------------------------|---------|---------|-------------|---|
| | 2016 | 2015 | Change | % Change | |
| Revenues | | | | | |
| Vehicle rental | \$4,772 | \$4,684 | \$88 | 2 | % |
| Other | 2,008 | 1,916 | 92 | 5 | % |
| Net revenues | 6,780 | 6,600 | 180 | 3 | % |
| Expenses | | | | | |
| Operating | 3,381 | 3,279 | 102 | 3 | % |
| Vehicle depreciation and lease charges, net | 1,571 | 1,485 | 86 | 6 | % |
| Selling, general and administrative | 896 | 843 | 53 | 6 | % |
| Vehicle interest, net | 215 | 218 | (3) | (1) | % |
| Non-vehicle related depreciation and amortization | 189 | 161 | 28 | 17 | % |
| Interest expense related to corporate debt, net: | | | | | |
| Interest expense | 157 | 146 | 11 | 8 | % |
| Early extinguishment of debt | 10 | 23 | (13) | (57) | % |
| Restructuring expense | 26 | 10 | 16 | * | |
| Transaction-related costs, net | 13 | 57 | (44) | (77) | % |
| Total expenses | 6,458 | 6,222 | 236 | 4 | % |
| Income before income taxes | 322 | 378 | (56) | (15) | % |
| Provision for income taxes | 128 | 60 | 68 | * | |
| Net income | \$194 | \$318 | \$(124) | (39) | % |

*Not meaningful

During the nine months ended September 30, 2016, our net revenues increased as a result of a 4% increase in total rental days, partially offset by a 2% decrease in pricing (including a \$30 million (1%) negative impact from currency exchange rate movements).

Total expenses increased as a result of increased volumes, including a 3% increase in our car rental fleet, increased marketing costs and commissions and increased vehicle maintenance and damage expense, as well as a 2% increase in per-unit fleet costs (including a 1% favorable impact from currency exchange rates). These increases were partially offset by an approximately \$27 million favorable impact on expenses from currency exchange rate movements. Our effective tax rates were provisions of 40% and 16%, for the nine months ended September 30, 2016 and 2015, respectively, which included a \$98 million income tax benefit related to the resolution of a prior-year tax matter for the nine months ended September 30, 2015. As a result of the increase in our net revenues and these items, our net income decreased by \$124 million.

For the nine months ended September 30, 2016, the Company reported earnings of \$2.05 per diluted share, which includes after-tax restructuring expense of (\$0.20) per share, after-tax transaction-related costs of (\$0.11) per share and after-tax debt extinguishment costs of (\$0.07) per share. For the nine months ended September 30, 2015, the Company reported earnings of \$3.00 per diluted share, which includes after-tax transaction-related costs of (\$0.43) per share, after-tax debt extinguishment costs of (\$0.13) per share, after-tax restructuring expense of (\$0.07) per share and an income tax benefit related to resolution of a prior-year tax matter of \$0.92 per share.

In the nine months ended September 30, 2016:

Operating expenses were 49.9% of revenue compared to 49.7% in the prior-year period.

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Vehicle depreciation and lease charges increased to 23.2% of revenue from 22.5% in the nine months ended September 30, 2015, primarily due to higher per-unit fleet costs and lower pricing, partially offset by higher utilization.

Selling, general and administrative costs increased to 13.2% of revenue from 12.8% in the prior-year period, primarily due to increased marketing costs and commissions and lower pricing.

Vehicle interest costs were 3.2% of revenue compared to 3.3% in the prior-year period.

Following is a more detailed discussion of the results of each of our reportable segments:

| | Revenues | | | Adjusted EBITDA | | |
|---------------------|----------|---------|----------|-----------------|-------|----------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| Americas | \$4,778 | \$4,707 | 2 % | \$532 | \$572 | (7 %) |
| International | 1,002 | 1,893 | 6 % | 237 | 245 | (3 %) |
| Corporate and Other | — | — | * | (52) | (42) | * |
| (a) | | | | | | |
| Total Company | \$6,780 | \$6,600 | 3 % | 717 | 775 | (7 %) |

| | | |
|---------------------------------------------------------|-------|-------|
| Less: Non-vehicle related depreciation and amortization | 189 | 161 |
| Interest expense related to corporate debt, net: | | |
| Interest expense | 157 | 146 |
| Early extinguishment of debt | 10 | 23 |
| Restructuring expense | 26 | 10 |
| Transaction-related costs, net ^(b) | 13 | 57 |
| Income before income taxes | \$322 | \$378 |

*Not meaningful.

(a) Includes unallocated corporate overhead which is not attributable to a particular segment.

(b) Primarily comprised of acquisition- and integration-related expenses.

Americas

| | 2016 | 2015 | % Change |
|-----------------|---------|---------|----------|
| Revenue | \$4,778 | \$4,707 | 2 % |
| Adjusted EBITDA | 532 | 572 | (7 %) |

Revenues increased 2% in the nine months ended September 30, 2016 compared with the same period in 2015, primarily due to 2% growth in rental volumes, partially offset by a \$14 million negative impact from currency exchange rate movements.

Adjusted EBITDA decreased 7% in the nine months ended September 30, 2016 compared with the same period in 2015, due to a 5% increase in per-unit fleet costs and a \$5 million (1%) negative impact from currency exchange rate movements, partially offset by increased rental volumes.

In the nine months ended September 30, 2016:

Operating expenses were 48.9% of revenue compared to 48.8% in the prior-year period.

- Vehicle depreciation and lease charges increased to 25.1% of revenue from 24.2% in the nine months ended September 30, 2015, principally due to higher per-unit fleet costs, partially offset by higher utilization.

Selling, general and administrative costs were 11.3% of revenue, an increase from 11.1% in the prior-year period.

Vehicle interest costs were 3.6% of revenue compared to 3.8% in the nine months ended September 30, 2015.

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International

| | 2016 | 2015 | % Change |
|-----------------|---------|---------|-------------|
| Revenue | \$2,002 | \$1,893 | 6 % |
| Adjusted EBITDA | 237 | 245 | (3 %) |

Revenues increased 6% in the nine months ended September 30, 2016 compared with the same period in 2015, primarily due to a 9% increase in rental volumes, partially offset by a 5% decrease in pricing (including a 2% negative impact from currency exchange rate changes). Currency movements negatively impacted revenues by \$36 million year-over-year.

Adjusted EBITDA decreased 3% in the nine months ended September 30, 2016 compared with the same period in 2015, due to lower pricing, a \$23 million (9%) negative impact from currency exchange rate movements and increased marketing costs and commissions, partially offset by increased rental volumes.

In the nine months ended September 30, 2016:

Operating expenses were 51.7% of revenue compared to 51.6% in the prior-year period.

Vehicle depreciation and lease charges were 18.6% of revenue compared to 18.4% of revenue in the nine months ended September 30, 2015.

Selling, general and administrative costs increased to 15.7% of revenue compared to 15.0% in the prior-year period, primarily due to increased marketing costs and commissions.

Vehicle interest costs, at 2.2% of revenue, remained level compared to the nine months ended September 30, 2015.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

We present separately the financial data of our vehicle programs. These programs are distinct from our other activities as the assets under vehicle programs are generally funded through the issuance of debt that is collateralized by such assets. The income generated by these assets is used, in part, to repay the principal and interest associated with the debt. Cash inflows and outflows relating to the generation or acquisition of such assets and the principal debt repayment or financing of such assets are classified as activities of our vehicle programs. We believe it is appropriate to segregate the financial data of our vehicle programs because, ultimately, the source of repayment of such debt is the realization of such assets.

FINANCIAL CONDITION

| | September 30, 2016 | December 31, 2015 | Change |
|-------------------------------------------------------------------|--------------------------|-------------------------|--------|
| Total assets exclusive of assets under vehicle programs | \$ 6,678 | \$ 5,918 | \$ 760 |
| Total liabilities exclusive of liabilities under vehicle programs | 6,342 | 5,680 | 662 |
| Assets under vehicle programs | 12,797 | 11,716 | 1,081 |
| Liabilities under vehicle programs | 12,659 | 11,515 | 1,144 |
| Stockholders' equity | 474 | 439 | 35 |

Total assets exclusive of assets under vehicle programs increased primarily due to a temporary increase in cash from the issuance of 4 % Euro-denominated Senior Notes due 2024 and a seasonal increase in value-added tax receivables, which are recoverable from government agencies. Total liabilities exclusive of liabilities under vehicle programs

increased primarily due to a temporary increase in corporate debt and a seasonal increase in accounts payable (See “Liquidity and Capital Resources” regarding the changes in our corporate financings).

The increases in assets under vehicle programs and liabilities under vehicle programs are principally related to the seasonal increase in the size of our vehicle rental fleet. The increase in stockholders’ equity is primarily due to our net income and currency translation adjustments, largely offset by repurchases of our common stock.

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LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are cash on hand and our ability to generate cash through operations and financing activities, as well as available funding arrangements and committed credit facilities, each of which is discussed below.

During the nine months ended September 30, 2016, we issued \$350 million of 6 % Senior Notes due 2024 at par. The proceeds from these borrowings were used to redeem \$300 million principal amount of our 4 % Senior Notes due 2017 during second quarter 2016 and for general corporate purposes. We also issued €300 million of 4 % Euro-denominated Senior Notes due 2024, the proceeds of which have been used in October 2016 primarily to redeem a portion of our outstanding 6% Euro-denominated Senior Notes due 2021. In addition, we repurchased approximately 9.5 million shares of our outstanding common stock for approximately \$290 million during the nine months ended September 30, 2016.

CASH FLOWS

The following table summarizes our cash flows:

| | Nine Months Ended | | |
|------------------------------------------------------------|-------------------|----------|--------|
| | September 30, | | |
| | 2016 | 2015 | Change |
| Cash provided by (used in): | | | |
| Operating activities | \$2,101 | \$2,038 | \$ 63 |
| Investing activities | (2,755) | (3,417) | 662 |
| Financing activities | 1,173 | 1,369 | (196) |
| Effect of exchange rate changes | 14 | (29) | 43 |
| Net increase (decrease) in cash and cash equivalents | 533 | (39) | 572 |
| Cash and cash equivalents, beginning of period | 452 | 624 | (172) |
| Cash and cash equivalents, end of period | \$985 | \$585 | \$ 400 |

Cash provided by operating activities during the nine months ended September 30, 2016 increased 3% compared with the same period in 2015.

The decrease in cash used in investing activities during the nine months ended September 30, 2016 compared with the same period in 2015 is primarily due to a net increase in proceeds received from the sale and purchase of vehicles and reduced business acquisition activity.

The decrease in cash provided by financing activities during the nine months ended September 30, 2016 compared with the same period in 2015 is primarily due to a decrease in net borrowings under vehicle programs, partially offset by a temporary increase in net corporate borrowings.

DEBT AND FINANCING ARRANGEMENTS

At September 30, 2016, we had approximately \$14 billion of indebtedness, including corporate indebtedness of approximately \$4 billion and debt under vehicle programs of approximately \$10 billion.

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Corporate indebtedness consisted of:

| | Maturity Dates | As of September 30, 2016 | As of December 31, 2015 |
|-------------------------------------------------|-------------------|-----------------------------------|----------------------------------|
| 4 % Senior Notes | November 2017 | \$ — | \$ 300 |
| Floating Rate Senior Notes ^(a) | December 2017 | 249 | 249 |
| Floating Rate Term Loan ^(b) | March 2019 | 144 | 970 |
| 6% Euro-denominated Senior Notes ^(c) | March 2021 | 517 | 502 |
| Floating Rate Term Loan ^(d) | March 2022 | 818 | — |
| 5 % Senior Notes | June 2022 | 400 | 400 |
| 5½% Senior Notes | April 2023 | 674 | 674 |
| 6 % Senior Notes | April 2024 | 350 | — |
| 4 % Euro-denominated Senior Notes | November 2024 | 337 | — |
| 5¼% Senior Notes | March 2025 | 375 | 375 |
| Other ^(e) | | 58 | 46 |
| Deferred financing fees | | (56) | (55) |
| Total | | \$ 3,866 | \$ 3,461 |

The interest rate on these notes is equal to three-month LIBOR plus 275 basis points, for an aggregate rate of 3.39% at September 30, 2016; the Company has entered into an interest rate swap to hedge its interest rate exposure related to these notes at an aggregate rate of 3.58%.

The floating rate term loan is part of the Company's senior credit facility, which is secured by pledges of capital stock of certain subsidiaries of the Company, and liens on substantially all of the Company's intellectual property and certain other real and personal property. As of September 30, 2016, the floating rate term loan due 2019 bears interest at the greater of three-month LIBOR or 0.75%, plus 225 basis points, for an aggregate rate of 3.09%.

A portion of these notes have been called for redemption.

The floating rate term loan is part of the Company's senior credit facility, which is secured by pledges of capital stock of certain subsidiaries of the Company, and liens on substantially all of the Company's intellectual property and certain other real and personal property. As of September 30, 2016, the floating rate term loan due 2022 bears interest at the greater of three-month LIBOR or 0.75%, plus 250 basis points, for an aggregate rate of 3.34%. The Company has entered into a swap to hedge \$600 million of its interest rate exposure related to the floating rate term loan at an aggregate rate of 4.21%.

Primarily includes capital leases which are secured by liens on the related assets.

The following table summarizes the components of our debt under vehicle programs, including related party debt due to Avis Budget Rental Car Funding (AESOP) LLC ("Avis Budget Rental Car Funding"):

| | As of September 30, 2016 | As of December 31, 2015 |
|----------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Americas - Debt due to Avis Budget Rental Car Funding ^(a) | \$ 7,171 | \$ 6,837 |
| Americas - Debt borrowings ^(a) | 747 | 643 |
| International - Debt borrowings ^(a) | 2,065 | 1,187 |
| International - Capital leases | 168 | 238 |
| Other | 1 | 8 |
| Deferred financing fees ^(b) | (52) | (53) |
| Total | \$ 10,100 | \$ 8,860 |

- (a) The increase reflects additional borrowings principally to fund increases in the Company's car rental fleet.
- (b) Deferred financing fees related to Debt due to Avis Budget Rental Car Funding as of September 30, 2016 and December 31, 2015 were \$37 million and \$41 million, respectively.

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As of September 30, 2016, the committed corporate credit facilities available to us and/or our subsidiaries included:

| | Total Capacity | Outstanding Borrowings | Letters of Credit Issued | Available Capacity |
|---------------------------------------------------------------|-------------------|---------------------------|-----------------------------|-----------------------|
| Senior revolving credit facility maturing 2019 ^(a) | \$ 1,800 | \$ — | \$ 907 | \$ 893 |
| Other facilities ^(b) | 5 | 5 | — | — |

The senior revolving credit facility bears interest at one-month LIBOR plus 200 basis points and is part of the Company's senior credit facility, which is secured by pledges of capital stock of certain subsidiaries of the Company, and liens on substantially all of the Company's intellectual property and certain other real and personal property.

^(b) These facilities encompass bank overdraft lines of credit, bearing interest of 1.50% to 3.00%.

At September 30, 2016, we had various uncommitted credit facilities available, under which we had drawn approximately \$4 million, which bear interest at rates between 0.85% and 4.00%.

The following table presents available funding under our debt arrangements related to our vehicle programs at September 30, 2016:

| | Total Capacity ^(a) | Outstanding Borrowings | Available Capacity |
|----------------------------------------------------------------------|----------------------------------|---------------------------|-----------------------|
| Americas - Debt due to Avis Budget Rental Car Funding ^(b) | \$ 9,556 | \$ 7,171 | \$ 2,385 |
| Americas - Debt borrowings ^(c) | 962 | 747 | 215 |
| International - Debt borrowings ^(d) | 2,671 | 2,065 | 606 |
| International - Capital leases ^(e) | 208 | 168 | 40 |
| Other | 1 | 1 | — |
| Total | \$ 13,398 | \$ 10,152 | \$ 3,246 |

^(a) Capacity is subject to maintaining sufficient assets to collateralize debt.

^(b) The outstanding debt is collateralized by approximately \$8.7 billion of underlying vehicles and related assets.

^(c) The outstanding debt is collateralized by approximately \$1.1 billion of underlying vehicles and related assets.

^(d) The outstanding debt is collateralized by approximately \$2.4 billion of underlying vehicles and related assets.

^(e) The outstanding debt is collateralized by approximately \$0.2 billion of underlying vehicles and related assets.

LIQUIDITY RISK

Our primary liquidity needs include the payment of operating expenses, servicing of corporate and vehicle related debt and procurement of rental vehicles to be used in our operations. The present intention of management is to reinvest the undistributed earnings of our foreign subsidiaries indefinitely into our foreign operations. We do not anticipate the need to repatriate foreign earnings to the United States to service corporate debt or for other U.S. needs. Our primary sources of funding are operating revenue, cash received upon the sale of vehicles, borrowings under our vehicle-backed borrowing arrangements and our senior revolving credit facility, and other financing activities.

As discussed above, as of September 30, 2016, we have cash and cash equivalents of \$985 million, available borrowing capacity under our committed credit facilities of approximately \$0.9 billion and available capacity under our vehicle programs of approximately \$3.2 billion.

Our liquidity position could be negatively affected by financial market disruptions or a downturn in the U.S. and worldwide economies, which may result in unfavorable conditions in the vehicle rental industry, in the asset-backed financing market, and in the credit markets generally. We believe these factors have in the past affected and could in the future affect the debt ratings assigned to us by credit rating agencies and the cost of our borrowings. Additionally, a downturn in the worldwide economy or a disruption in the credit markets could impact our liquidity due to

(i) decreased demand and pricing for vehicles in the used-vehicle market, (ii) increased costs associated with, and/or reduced capacity or increased collateral needs under, our financings, (iii) the adverse impact of vehicle manufacturers, including Ford, General Motors, Chrysler, Peugeot, Volkswagen, Fiat, Kia, Toyota, Mercedes, Renault, Hyundai and BMW, being unable or unwilling to honor their obligations to repurchase or guarantee the depreciation on the related program vehicles and (iv) disruption in our ability to obtain financing due to negative credit events specific to us or affecting the overall debt market.

Our liquidity position could also be negatively impacted if we are unable to remain in compliance with the financial and other covenants associated with our senior credit facility and other borrowings, including a maximum

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leverage ratio. As of September 30, 2016, we were in compliance with the financial covenants governing our indebtedness. For additional information regarding our liquidity risks, see Part I, Item 1A, “Risk Factors” of our 2015 Form 10-K.

CONTRACTUAL OBLIGATIONS

Our future contractual obligations have not changed significantly from the amounts reported within our 2015 Form 10-K. Changes to our obligations related to corporate indebtedness and debt under vehicle programs are presented above within the section titled “Liquidity and Capital Resources—Debt and Financing Arrangements” and also within Notes 8 and 9 to our Consolidated Condensed Financial Statements.

ACCOUNTING POLICIES

The results of the majority of our recurring operations are recorded in our financial statements using accounting policies that are not particularly subjective, nor complex. However, in presenting our financial statements in conformity with generally accepted accounting principles, we are required to make estimates and assumptions that affect the amounts reported therein. Several of the estimates and assumptions that we are required to make pertain to matters that are inherently uncertain as they relate to future events. Presented within the section titled “Critical Accounting Policies” of our 2015 Form 10-K are the accounting policies (related to goodwill and other indefinite-lived intangible assets, vehicles, income taxes and public liability, property damage and other insurance liabilities) that we believe require subjective and/or complex judgments that could potentially affect 2016 reported results. There have been no significant changes to those accounting policies or our assessment of which accounting policies we would consider to be critical accounting policies.

New Accounting Standards

For detailed information regarding new accounting standards and their impact on our business, see Note 1 to our Consolidated Condensed Financial Statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to a variety of market risks, including changes in currency exchange rates, interest rates and gasoline prices. We assess our market risks based on changes in interest and currency exchange rates utilizing a sensitivity analysis that measures the potential impact on earnings, fair values and cash flows based on a hypothetical 10% change (increase and decrease) in interest and foreign currency exchange rates. We used September 30, 2016 market rates to perform a sensitivity analysis separately for each of these market risk exposures. We have determined, through such analyses, that the impact of a 10% change in interest or currency exchange rates on our results of operations, balance sheet and cash flows would not be material. Additionally, we have commodity price exposure related to fluctuations in the price of unleaded gasoline. We anticipate that such commodity risk will remain a market risk exposure for the foreseeable future. We determined that a 10% change in the price of unleaded gasoline would not have a material impact on our earnings for the period ended September 30, 2016. For additional information regarding our long-term borrowings and financial instruments, see Notes 8, 9 and 13 to our Consolidated Condensed Financial Statements.

Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures. Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange

Act of 1934, as amended (the “Exchange Act”). Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 30, 2016.

- (b) Changes in Internal Control Over Financial Reporting. During the fiscal quarter to which this report relates, there has been no change in the Company’s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings

During the quarter ended September 30, 2016 the Company had no material developments to report with respect to its legal proceedings. For additional information regarding the Company's legal proceedings, please refer to the Company's 2015 Form 10-K and Quarterly Report on Form 10-Q for the quarter ended June 30, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following is a summary of the Company's common stock repurchases by month for the quarter ended September 30, 2016:

| | Total Number of Shares Purchased ^(a) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs |
|----------------|----------------------------------------------------------|---------------------------------------|----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| July 2016 | 1,134,000 | \$ 35.27 | 1,134,000 | \$ 220,474,977 |
| August 2016 | 679,033 | 36.30 | 679,033 | 195,825,347 |
| September 2016 | 1,247,321 | 36.36 | 1,247,321 | 150,474,558 |
| Total | 3,060,354 | \$ 35.94 | 3,060,354 | 150,474,558 |

^(a) Excludes, for the three months ended September 30, 2016, 23,209 shares which were withheld by the Company to satisfy employees' income tax liabilities attributable to the vesting of restricted stock unit awards.

The Company's Board of Directors has authorized the repurchase of up to approximately \$1.2 billion of its common stock under a plan originally approved in 2013 and subsequently expanded, most recently in 2016. The Company's stock repurchases may occur through open market purchases or trading plans pursuant to Rule 10b5-1 of the Securities Exchange Act of 1934. The amount and timing of specific repurchases are subject to market conditions, applicable legal requirements and other factors. The repurchase program may be suspended, modified or discontinued at any time without prior notice. The repurchase program has no set expiration or termination date.

Item 6. Exhibits

See Exhibit Index.

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SIGNATURES

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 thereunto duly authorized.

AVIS BUDGET GROUP, INC.

Date: November 3, 2016

/s/ David B. Wyshner
David B. Wyshner
President and
Chief Financial Officer

Date: November 3, 2016

/s/ David T. Calabria
David T. Calabria
Senior Vice President and
Chief Accounting Officer

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Exhibit Index

| Exhibit No. | Description |
|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4.1 | Indenture dated as of September 26, 2016 among Avis Budget Finance, plc, as Issuer, the Guarantors from time to time parties thereto, Deutsche Bank Trust Company Americas, as Trustee, Deutsche Bank AG, London Branch, as paying agent and Deutsche Bank Luxembourg S.A., as registrar. |
| 4.2 | Form of 4.125% Senior Notes Due 2024. |
| 10.1 | Avis Budget Car Rental 2017 Model Year Program Letter dated August 26, 2016 between Avis Budget Car Rental, LLC and Ford Motor Company (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 31, 2016).* |
| 12 | Statement re: Computation of Ratio of Earnings to Fixed Charges. |
| 31.1 | Certification of Chief Executive Officer pursuant to Rules 13(a)-14(a) and 15(d)-14(a) promulgated under the Securities Exchange Act of 1934, as amended. |
| 31.2 | Certification of Chief Financial Officer pursuant to Rules 13(a)-14(a) and 15(d)-14(a) promulgated under the Securities Exchange Act of 1934, as amended. |
| 32 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document. |
| 101.SCH | XBRL Taxonomy Extension Schema. |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase. |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase. |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase. |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase. |

*Confidential treatment has been requested for certain portions of this Exhibit pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, which portions have been omitted and filed separately with the Securities and Exchange Commission.