Spring 5-11-2018

Avis Budget Group: A Financial Analysis

Tralonie Perkins
perkinstr@mnstate.edu

Avis Budget Group: A Financial Analysis

A Project Presented to
the Graduate Faculty of
Minnesota State University Moorhead

By

Tralonie Levelle Perkins

In Partial Fulfillment of the
Requirements for the Degree of
Master of Science in
Accounting and Finance

May 2018

Moorhead, Minnesota

EXECUTIVE SUMMARY

Avis Budget Group, Inc. (CAR) is a leading global provider of vehicle rental and car sharing services, operating three of the most recognized brands in the industry: Avis, Budget and Zipcar. The company markets additional regional brands such as Payless in the U.S., Maggiore in Italy, France Cars in France, and Apex in both Australia and New Zealand. Headquartered in Parsippany, NJ, the company has exhibited annual organic sales growth of 2% under Chief Executive Officer (CEO) Larry D. De Shon. Within a competitive industry, innovation, strategic positioning, brand recognition, and providing differentiated value propositions tailored to each brand play a critical role in the success of the company.

Utilizing both qualitative and quantitative analysis, this report encompasses comprehensive data regarding the industry in which CAR competes, the company's recent financial results, and forecasts of its future growth with five-year pro forma financial statements used to build a valuation model. The estimated stock value as of April 19, 2018, is $51.01. This figure shows that CAR's market price of $48.21 was fairly valued. Taking into account all parts of this analysis, I would initiate a buy recommendation for the common stock of CAR.

TABLE OF CONTENTS

TABLE OF CHARTS

INTRODUCTION

This report was produced with the intent to dispense work as a financial analyst and make an investment recommendation to clients. Conducting a comprehensive review of the firm's financial statements, performance history, and future growth allows for a detailed view into Avis Budget Group's business and value. The company was formerly known as Cendant Corporation and changed its name to Avis Budget Group, Inc. in September 2006. All information is cited from the company's 10-K reports, other company documents, or website, unless otherwise stated.

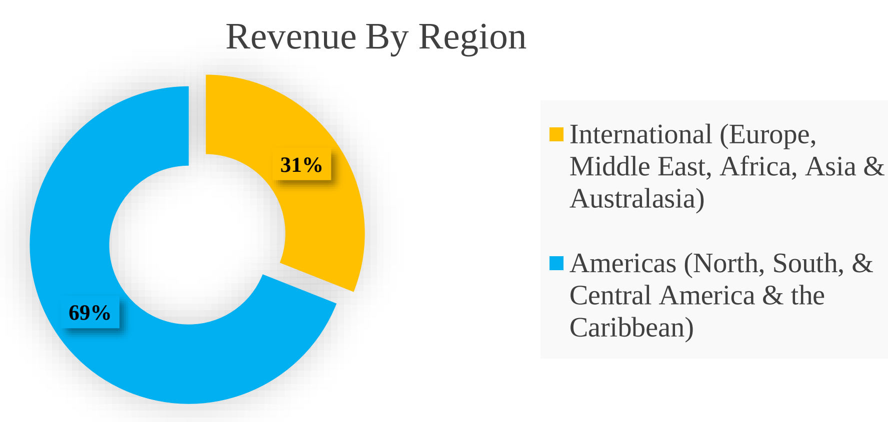
FIRM CHARACTERISTICS

GENERAL INFORMATION

Avis Budget Group, Inc. (CAR), headquartered in Parsippany, NJ, is a leading global provider of vehicle rental and other mobility solutions through three primary brands: Avis, Budget, and Zipcar. CAR and its licensees operate the Avis and Budget brands in approximately 180 countries worldwide. Each of the company's brands are differentiated to meet a wide range of customer mobility needs on a global scale. In the global market, the Americas represent the company's leading region comprising of 69% of its total revenue. The remaining 31% of sales derive from CAR's international presence in Europe, the Middle East, Africa, Asia (EMEA), and Australasia.

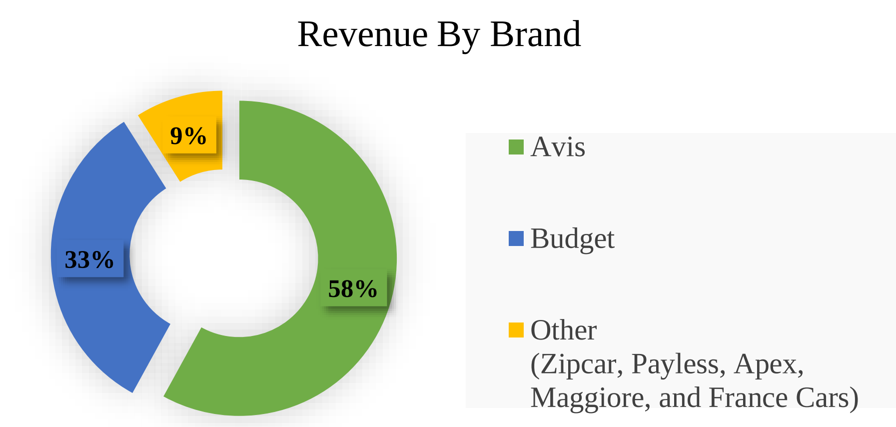
The company's broad range of brands include everything from deep discount to premium service. Avis is a leading rental vehicle brand strategically positioned to serve the premium commercial and leisure segments of the travel industry. Budget is a leading rental vehicle brand focused primarily on more value-conscious segments of the industry. Zipcar is the world's leading car sharing business. CAR also operates other well-known brands such as Payless, a car rental brand that functions in the deep-value segment of the industry in the U.S. and other regions. Of the total revenue by brand, Avis comprised 58%, Budget 33%, with the remaining 9% deriving from the company's Zipcar, Payless, Apex, and Maggiore and France Cars brands. Due to the range of price points and markets, the company is less susceptible to economic changes and competition; if one brand weakens, another may strengthen.

FIGURE 1. GLOBAL REVENUE PERCENTAGE BY REGION



CAR trades on the New York Stock Exchange, with over 137 million shares of free floating common stock outstanding. As of January 31, 2018, approximately 81 million common stock shareholders claim a stake in the company. The aggregate market value of the common stock held by non-affiliates of CAR amounted to $2.2 billion on March 31, 2017. This value of non-affiliates ranks the company 319 on the Fortune 500 Companies listing.

FIGURE 2. GLOBAL REVENUE PERCENTAGE BY BRAND



FIRM HISTORY

In 1946, Warren Avis transformed the airport car rental business. As a pilot during World War II, Mr. Avis was frustrated with the present ground transportation system not being readily available at airports. Identifying this shared pattern of frustration among other air travelers, he founded Avis Rent-a-Car in 1946. Avis Rent-a-Car began operations at Willow Run Airport located in Ypsilanti, Michigan, and Miami International Airport.

Over the next several decades CAR continued to innovate. The company created the first real-time information management and reservation system, called Wizard. The check-in process was streamlined with the Rapid Return self-service capabilities. While the fundamental business of renting a vehicle has not changed, the company has found ways to use IT infrastructure to improve information sharing, pricing, and customer service. In the early 1980s, CAR entered into a global advertising and marketing agreement with General Motors to feature GM cars in its fleet worldwide; as of 2017, approximately 15% of the 534,000 vehicles carry GM brands.

CAR is a recognized brand internationally, as evidenced by numerous awards. CAR tied for the top ranking in the J.D. Power ranking of business traveler satisfaction with rental car companies, was named "Car Rental Company of the Year" by Canadian Professional Sales Association, and was awarded "Outstanding Corporation of the Year" two years consecutively by the Women's Presidents' Educational Organization (WPEO). Today, CAR is a reputable company that operates over 4,000 locations in 160 countries around the world and employs approximately 30,000 people.

HISTORY OF ACQUISITIONS

CAR has a long history in the vehicle rental and car sharing business. Some of its diversification has been accomplished through strategic acquisitions. During 2017, CAR completed the acquisitions of various Avis and Budget licensees in Europe and North America, for approximately $9 million, plus $4 million for acquired fleet. These specific investments align with the company’s strategy to re-acquire licensees when advantageous to expand the global footprint of company-operated locations. The acquisitions resulted in $2 million in non-cash charges within transaction-related costs associated with the license rights reacquired by CAR.

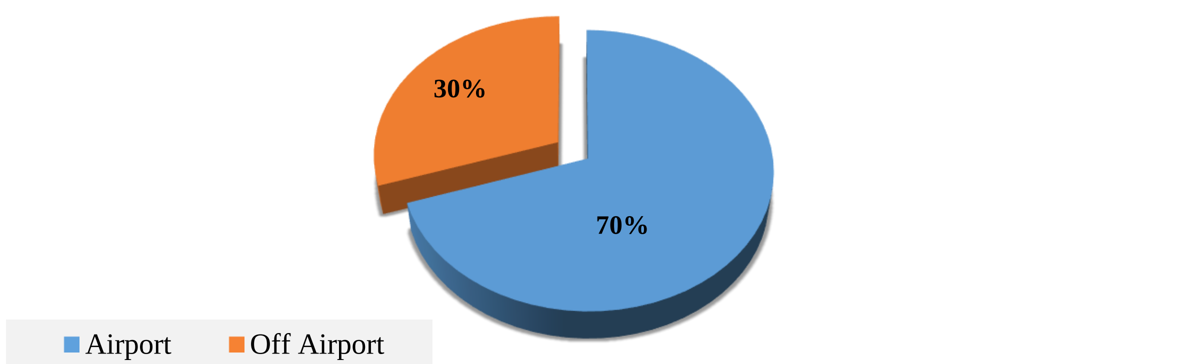
In recent years, the company has expanded its global footprint significantly through several acquisitions, including ACL Hire Limited in Scotland and the UK, France Cars, Maggiore Group in Italy, and a Brazilian subsidiary. These acquisitions resulted in additional goodwill of $5 million, $22 million, and $82 million, respectively. The Maggiore merger also led to $34 million in additional intangible assets due to trademarks. The company also diversified its range of brands by acquiring the Apex and Payless brands. Finally, the acquisition of Zipcar in 2013 introduced the growing car sharing market to the company's operations. Despite this recent history of multiple acquisitions, CAR does not foresee any additional acquisitions in the short term.

GENERAL OPERATIONS

CAR has an extended global presence operating more than 11,000 car and truck rental locations throughout the world. Approximately 4,000 car rental locations are managed by licensees. The total rental fleet of CAR amounts to more than 600,000 vehicles. CAR reports its operations in two business segments: Americas and International, each of which is subdivided into two categories: Market and Customer. The Market category is further segregated by location (Airport/Off-Airport) and the Customer category by rental purpose (Commercial/Leisure).

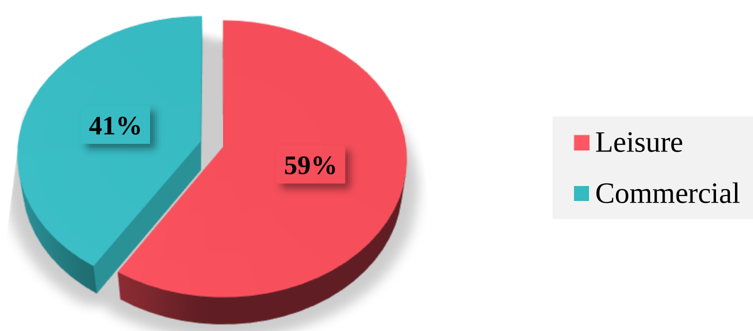
CAR primarily generates revenue by charging fees for the time and mileage (T&M) of its vehicles that are rented by customers. An estimated 70% of global T&M revenue is generated from airport locations, with the remainder deriving from off-airport locations through the use of authorized licensees existing in more than 170 countries. CAR also generates revenue through the rental of optional ancillary products and services such as insurance coverage, roadside assistance, fuel service options, access to satellite radio, towing equipment, and moving supplies.

FIGURE 3. T&M GLOBAL REVENUE BY MARKET



In the U.S., the company's chief rental brands are Avis and Budget, together comprising 63% of total revenue. CAR also operates Budget Truck, one of the leading truck rental businesses in the U.S., through a network of more than 900 dealer and company operated locations throughout the U.S. On a global scale, CAR is invested in a broad array of rental brands, including Apex, Maggiore, France Cars, and Zipcar. In 2017, the company managed nearly 40 million vehicle rental transactions worldwide. With each brand strategically placed to meet an array of customer mobility and rental demands, CAR is predominantly focused on upholding and strengthening its reputation as a reliable, high-quality service provider.

FIGURE 4. T&M GLOBAL REVENUE BY CUSTOMER



KEY EXECUTIVES

CAR is currently led by Chief Executive Officer and Chief Operating Officer, Larry D. De Shon, who was appointed in 2015. He accepted this role after previously overseeing the company's international operations in Europe, the Middle East and Africa (EMEA) as president. Additionally, he served as executive vice president for domestic operations. Prior to his career with CAR, Mr. De Shon was president of airport operations at United Airlines, Inc. Mr. De Shon has an extremely strong track record of producing results and is exceedingly qualified for his position. Under Mr. De Shon's leadership, CAR has experienced consistent sales growth of two percent for the years 2016 and 2017. Additionally, the company's stock price has nearly doubled in value growing from $26.27 in 2016 to $43.88 in 2018.

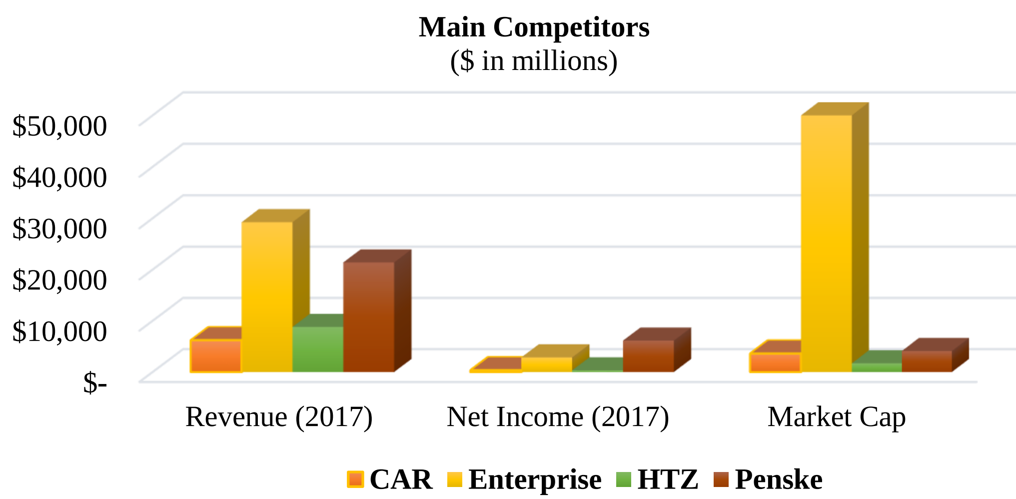
Following the resignation of CFO David B. Wyshner, CAR appointed Interim-Chief Financial Officer, Martyn Smith (appointed in 2017). Martyn Smith previously served as finance director of the company's Avis Budget EMEA subsidiary and of Avis Europe. CAR is currently conducting a search to fill the CFO position on a permanent basis. These leadership changes align with the firm's long-term strategies and will help deliver strong returns to shareholders, because these leaders have a background of dealing with challenges in the various roles held by them. The majority of the Executive Officers have been employed by CAR for at least five years. The list of current Board of Directors can be found in Appendix A. The board consists of 12 members; two of whom are women and six of whom are also directors, or executives for other companies. The appointed executives are a reflection of the company's focus on another strong year of growth.

MAIN COMPETITORS

The competitive environment for CAR is generally characterized by intense pricing and service competition among domestic, global, and regional competitors. Competition in vehicle rental operations is based primarily upon price and customer service quality, which includes the usability of reservation systems, vehicle availability, ease of rental and return, and rental locations. Additionally, competition is immensely influenced by advertising, marketing, and brand reputation. Technological advances in booking sites such as Priceline and Hotwire have vastly improved pricing transparency by empowering cost-conscious customers to more effortlessly compare the pricing rates among vehicle rental companies. The increased level of transparency has heightened the intensity of price competition in the industry.

For purposes of financial analysis, Hertz Global Holdings, Inc. (HTZ), which operates the Hertz, Dollar, and Thrifty car rental brands, was chosen as a comparable competitor when analyzing market share. CAR also competes with Enterprise Holdings, Inc., which operates the Enterprise, National, and Alamo brands. Additionally, there are countless smaller local and regional vehicle rental and ride service companies that CAR competes with. CAR's Budget Truck operations compete with several other local, regional, and nationwide truck rental companies such as Penske Truck Leasing Corporation. Figure 5 is an illustration of the market capitalizations, revenue, and net income of some of the primary competitors in the mobility services operations.

FIGURE 5. MAIN COMPETITORS – MOBILITY SERVICES



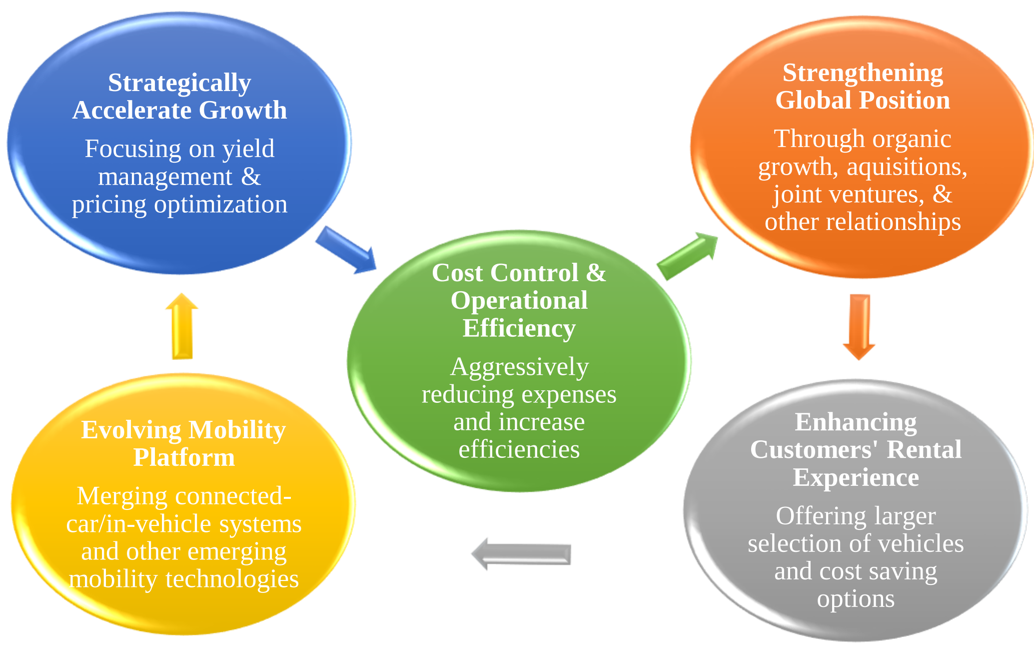
STRATEGY

CAR is focused on identifying and implementing actions to increase margins over the next several years. Some approaches the company uses to strengthen the pursuit of sales growth are optimizing company acquisitions, lowering fleet costs, and disciplined performance management. Additionally, improving fleet utilization benefits and savings by combining car rental fleets enables CAR to reduce the number of underutilized vehicles. The company evaluates the effectiveness of each of its brands, making efforts to clearly define the identity of each brand as part of its branding and portfolio strategy.

A key component of CAR's strategy is implementing process improvements that impact nearly all areas of the business. Utilizing techniques and tools for process improvement such as LEAN, Six Sigma, and other similar tools strengthens the company in its pursuit to increase efficiencies, reduce operating costs, and allow for competitive pricing. The bulk of the company's expenses result from the daily operations of the business. In 2017, CAR was able to achieve reductions in underlying direct operating and selling, general, and administrative expenses by 1.2% from the previous year by taking significant actions to streamline administrative offices and shared-services infrastructure through a restructuring program.

Since the company's inception, CAR has taken strategic initiatives aimed at winning customers through its differentiated brands and products, increasing sales of ancillary products and services through new product developments. Innovative technology utilizes connected car technology to deliver both customer benefits and operational efficiencies by providing real-time inventory counts, mileage management, and automated maintenance notification. CAR's use of artificial intelligence enhances customers' rental experiences by equipping them with the ability to book and manage their car rental reservations through popular voice platforms such as Google Assistant and Amazon's Alexa. CAR intends to double the number of connected vehicles within the Avis fleet to over 100,000 vehicles by the end of 2018, as the next step toward having a 100% connected fleet by the end of 2020. Persistent product and process improvements provide a shield against unfavorable market conditions.

FIGURE 6. CORE STRENGTHS AND STRATEGY



MARKET CHARACTERISTICS

Growth of the car rental market is primarily driven by growth in the travel and tourism industry. Moreover, rises in disposable income, increase in the number of air travelers, and increases in tourism have been key factors in driving revenue and promoting the growth of the market at an exponential rate. As technology continues to advance, the growth in trend of Internet usage to customize travel trips, reservations, and bookings is expected to promote various growth opportunities for the market. To operate, rental companies must purchase a large fleet of vehicles, which requires large amounts of capital to spend on maintenance and repair. As a result, depreciation represents the largest cost to many operators in the market.

Major players such as CAR and HTZ, participate in a vehicle purchase programs with major domestic and foreign vehicle manufacturers and wholesalers. Car rental companies purchase most of their vehicles through vehicle financing programs, with asset-backed debt facilities usually underwriting these programs. Vehicle rental companies must also regularly replace older vehicle models as newer ones become available. With growth in pollution levels and population in recent years, rental companies purchase eco-friendly vehicles developed by automobile companies to assist in control of the rise in pollution.

INDUSTRY CHARACTERISTICS

RISK FACTORS RELATED TO AVIS BUDGET GROUP

Some of CAR's primary risks include claims for bodily injury, death, and property damage associated with its vehicle rental and corporate operations. CAR functions in a highly competitive market with price being one of the primary competitive factors. Fleet costs typically represent the single largest expense for CAR and can vary from year to year. The company purchases program cars, which are guaranteed a rate of depreciation through agreements with auto manufacturers, and non-program, or "risk" vehicles. Risk vehicles are those vehicles that may have difficulty selling in the used car market.

In 2017, approximately 63% of the rental car fleet was comprised of risk vehicles. If the market value of the vehicles in the fleet is reduced or the company's ability to sell vehicles in the used vehicle marketplace were to become severely limited, CAR may have difficulty meeting collateral requirements due under its asset-backed financing facilities, which could lead to decreased capacity in such facilities or an increase in fleet costs, thereby diminishing the company's profitability.

CAR also faces risks associated with its vehicles, which may be subject to safety recalls by their manufacturers. CAR cannot regulate the quantity of vehicles that will be subject to manufacturer recalls in the future. If a large number of vehicles were to be the subject of simultaneous recalls, or if needed replacement parts were not in adequate supply, CAR may be unable to utilize recalled vehicles for a significant period of time. Any inventory removed from the rentable fleet, even temporarily, has an adverse effect on revenue. As such, recalls can result in incremental costs, reduce the residual value of the vehicles involved, harm the general reputation of CAR, negatively impact revenues, and have an adverse impact on the financial condition or results of operations.

CAR is subject to seasonal variations in customer demand patterns, with the spring and summer vacation periods representing the peak seasons for the majority of countries in which CAR operates. To help manage seasonal fluctuations, CAR varies its fleet size over the course of the year.

With operations in more than 180 countries worldwide, assets, liabilities, revenues, and expenses occur in a variety of currencies other than the U.S. dollar, which introduces currency risk to the company's profitability. The financial position and results of operations of CAR's foreign subsidiaries are reported in the relevant local currency and then translated to U.S. dollars at the applicable currency exchange rate. Fluctuations in exchange rates alters the U.S. dollar value of revenues, profits, and cash flows from non-U.S. markets.

Prevailing economic and competitive conditions and other factors uncontrollable by CAR, may affect the company's ability to satisfy and manage its debt obligations. CAR maintains agreements with vehicle manufacturers that require the company to purchase approximately $8.1 billion of vehicles from manufacturers over the next 12 months, financed primarily through the issuance of vehicle-backed debt and cash received upon the disposition of vehicles. Outstanding debt obligations require CAR to dedicate a significant portion of cash flows to pay interest and principal on its debt, which reduces the cash available for other purposes. A portion of borrowings, primarily vehicle-backed borrowings, are subject to variable interest rates that expose CAR to interest rate risk. Changes in interest rates, due to an increase in market interest rates or an increase in cost of borrowing, may result in an increase of debt service obligations for variable rate indebtedness. As of December 31, 2017, total outstanding debt of approximately $12.8 billion included unhedged interest rate sensitive debt of approximately $2.8 billion.

The last set of risk factors are travel demands with airline companies. With 70% of the CAR's global revenue deriving from airport concessions, any significant airline capacity reductions, airfare or related fee increases, reduced flight schedules, or any events that disrupt or reduce business or leisure air travel or weaken travel demand and tourism, such as military conflicts, terrorist incidents, natural disasters, or disease epidemics, would likely have an adverse impact on the results of operations. The last set of risk factors are difficult to detect and will always pose a threat to the industry.

PORTER'S FIVE FORCES

Porter's Five Forces Model (1980) helps analyze industry structure and corporate strategy. The objective of this model is to outpace the competition of the market by anticipating challenges presented by opposing businesses. The model considers five forces that can help assess the prevailing competition in the market: threat of new entrants, threat of competition, threat of substitutes, bargaining power of buyers, and bargaining power of suppliers.

Threat of New Entrants: Low

New entrants in vehicle mobility services bring forth innovation and place added pressure on CAR via lower pricing strategies, reduction in costs, and additional value propositions to customers. The car rental business is dominated by three companies: Hertz, Avis, and Enterprise. The size of each company acts as a major deterrent to new entrants. New entrants are less likely to enter a dynamic industry where key players such as CAR, establish the industry standards. The industry requires high levels of capital investment in vehicle fleets. Therefore, the threat of new entrants is minimal for the industry.

Threat of Competition: High

CAR's market environment is highly competitive when taking into consideration global, regional, and local competitors. Intense rivalry among existing companies causes price and profitability fluctuations. Price transparency has increased dramatically for consumers. The availability of competitive pricing information from many travel websites such as Hotwire, has led to outbreaks of pricing wars among car rental companies. To outcompete rivals, CAR focuses on building sustainable and differentiated brands and increasing its market size and brand scope through acquisitions.

Threat of Substitutes: Moderate

When a new product or service meets customer needs in a different way, industry profitability suffers. The threat of a substitute product or service is high if it offers a value proposition that is uniquely different from present offerings of the industry. In reference to the car rental industry, the threat of substitute products is not favorable. As an alternative to renting a vehicle, customers have a variety of other available options. Instead of renting a vehicle, a customer may use his or her personal vehicle to travel. For long distance travel, customers may opt to fly or travel by train or bus. For short distances, customers also have the option of taking cabs or using Uber.

Alternatively, instead of traveling in general, a business customer can opt for conference calls, webcam meetings, or the many other software allowing collaboratively work to be done. For personal travel, instead of driving to another location for a face-to-face meet, customers may use other sources of visual communication such as Skype, Messenger, Facebook, and other social media platforms. For short distance travel, customers may also substitute car rental with taxis, or even ride-sharing solutions such as Uber. CAR tackles the threat of substitute products or services by being service-oriented rather than just product-oriented, understanding the core needs of the customer, and offering competitive prices for customers.

Bargaining Power of Suppliers: Low

The major expense of operating a car rental business is the cash flow tied up in vehicle fleets. The suppliers of these vehicles are major automobile companies such as General Motors (GM), Ford, Chrysler, Toyota, and Honda. These companies have high levels of market power and can negotiate the best deals for the manufacturers, while car rental companies have low negotiating power. Another major expense of the car rental companies are fuel costs, which leave car rental companies nearly no room for negotiating power.

While CAR strives to produce the best quality services, this emphasis requires the best materials. CAR tackles the bargaining power of suppliers by building efficient supply chains with multiple suppliers and developing dedicated suppliers whose business depends upon the firm. The solid reputation of CAR, coupled with the stable cash flow it provides to suppliers, offers an advantage. Through its longstanding firm history, suppliers can be confident in CAR's ability to satisfy all obligations and maintain good standing.

Bargaining Power of Buyers: Moderate

Customers have a wide choice of competing car rental companies to choose from in any airport or off-airport location. Customers want to buy the best offerings available while paying the lowest price possible. Utilizing technology and mobile platforms, customers are highly empowered to seek out the best prices available placing pressure on CAR's profitability in the long run. Corporate customers have even more negotiating power. They can negotiate substantial discounts with rental companies, playing one company against another and getting the lowest price for the corporation. Over the years, CAR has created new loyalty programs such as Unlimited Rewards and Rapid Rewards to enable customers to earn valuable rewards on business and leisure car rental transactions.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CAR and HTZ are both incorporated in the U.S. under the laws of the state of Delaware. Consolidated financial statements for both companies are prepared according to U.S. generally accepted accounting principles (GAAP). Both CAR and HTZ have each been issued an unqualified opinion on their 2017 10-K by Deloitte & Touche.

GOODWILL AND OTHER INTANGIBLE ASSETS

Since its inception, CAR has engaged in various acquisitions of other companies such as Budget. The effect of acquiring a company may or may not result in the recognition of goodwill. CAR does not amortize goodwill but assesses it for impairment in the fourth quarter annually and whenever changes in circumstances indicate the carrying amounts exceed fair values (FV). CAR assesses goodwill for such impairment by comparing the carrying value of each reporting unit to its FV using the present value of expected FCFs. CAR does not amortize other intangible assets (i.e., trademarks), that have indefinite lives. CAR evaluates other intangible assets annually (at a minimum), for impairment whenever changes in circumstances signal the carrying amounts exceed their FV.

In the event the carrying value of goodwill and other intangible assets exceeds its FV, an impairment loss is recognized in an amount equal to the excess. In 2017, an assessment revealed an impairment of $2 million associated with the Zipcar trademark. The assessment was grounded on a mixture of observable and unobservable FV inputs (including market inputs) using the income approach-relief from royalty method which compares the costs saved from owning the rights versus leasing.

PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment (to include leasehold improvements) are reported at cost, net of accumulated depreciation and amortization. Depreciation expense for non-vehicle related assets are calculated using the straight-line (SL) method over the estimated useful lives of the assets. Amortization expense of leasehold improvements is computed utilizing the SL method over the estimated benefit period of the related assets, not exceeding 20 years, or life of the lease term; whichever is shorter. CAR capitalizes the costs of software only when developed for internal use and when the following conditions have been satisfied: (i) the initial project stage is complete, (ii) management is committed to funding the project, and (iii) it is probable the project will be completed and the software used to perform the function intended.

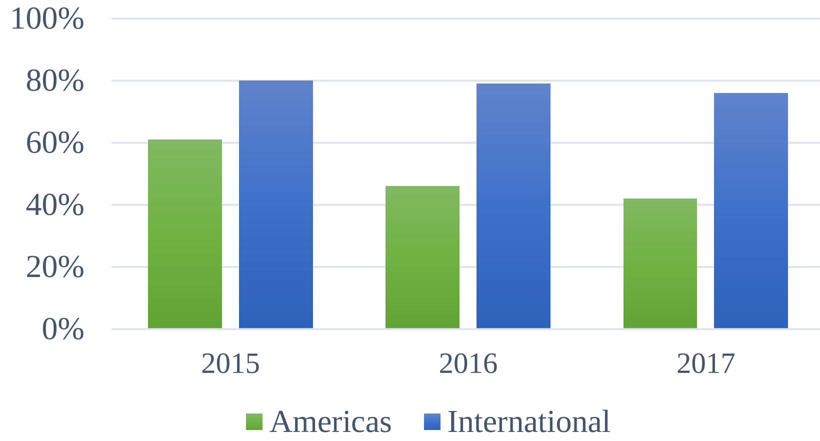
Capitalized software is amortized using the SL method beginning the day the software is ready for its intended use. The net carrying value of software developed for internal purposes was $184 million and $196 million for the years 2016 and 2017 respectively. Estimated useful lives for the categorized assets are as follows: Buildings (30 years), furniture, fixtures & equipment (3 to 10 years), capitalized software (3 to 7 years), buses and support vehicles (4 to 15 years). HTZ possesses a similar practice with respect to PP&E. Depreciation is calculated mostly using the SL method over the estimated useful lives contingent upon the asset category.

VEHICLES

Vehicles are reported at cost, net of accumulated depreciation. The initial cost of the vehicles is recorded net of any incentives and allowances from manufacturers. CAR obtains a portion of its rental fleet pursuant to repurchase and guaranteed depreciation (RGD) programs established by automobile manufacturers. Under the depreciation programs, the manufacturers agree either to repurchase vehicles at a specified price and date or to guarantee the depreciation rate for a specified length of time. The depreciation rate is contingent upon criteria such as the vehicle's condition and mileage requirements. CAR depreciates vehicles so that the net book value (NBV) on the date of return to the manufacturer is equivalent to the contractually guaranteed residual values, thus minimizing any gain or loss. In 2017, roughly 37% of the rental car fleet was comprised of vehicles subject to RGD programs.

Vehicles obtained outside manufacturer RGD programs are depreciated based on their estimated residual values at their expected dates of disposition, with consideration to any anticipated conditions in the used car market.

FIGURE 7. PROGRAM CARS AS PERCENTAGE OF FLEET PURCHASES



Estimating residual values requires CAR to make assumptions with respect to the age and mileage of the car, in addition to the expected used-vehicle auction market conditions at the time of disposal. Periodic evaluation of estimated residual values and adjustments to depreciation rates are made as deemed necessary. Any differences between actual and estimated residual values result in a gain or loss on disposal. CAR records the disposal amount as a portion of vehicle depreciation at the time of sale. Vehicle-related interest expense are reported net of vehicle-related interest income of $8 million, $18 million and $13 million for 2017, 2016, and 2015, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS

CAR is required to evaluate long-lived assets for impairment at whatever time circumstances indicate an impairment has, or may have, occurred. The analysis is conducted by comparing the carrying values of the assets to the undiscounted expected FCF to be generated from the assets. In 2013, an expense of $33 million (net of tax), was reported due to the impairment of the equity-method investment in its Brazilian licensee. The impairment of property, plant, and equipment is assessed separately at the lowest level of identifiable cash flows. If the results of current or future analysis signal that the carrying value of the assets is non-recoverable, the carrying value will be reduced to fair value.

TAXES

CAR accounts for income taxes under the asset and liability method, which requires deferred tax assets and liabilities to be recognized for the expected future tax effects of events included in the financial statements. CAR records net deferred tax assets to the extent it is more probable than not that its assets will be realized. The determination of net deferred tax assets requires CAR to consider all available evidence not limited to reversals of deferred tax liabilities, projected future taxable income, and tax planning. CAR recognizes in income the effect of a change in tax rates on deferred tax assets and liabilities during the period of the enactment date.

In 2017, the U.S. enacted Public Law 115-97 (Tax Reform Act), which resulted in a reduction to the U.S. federal corporate income tax rate from 35% to 21%. As a result, CAR recorded a provisional income tax benefit of $317 million related to the evaluation of its net deferred income tax liabilities as a result of the reduced corporate income tax rate.

The Tax Reform Act also resulted in CAR recording a provisional tax expense of $104 million for a one-time transition tax related to the deemed repatriation of aggregate foreign subsidiary earnings. Currently, the accounting for the effects of the Tax Reform Act is not yet finalized due to the complex nature of the analysis essential to determining the impact on deferred tax components and valuation allowances, capacity to use foreign tax credits, and impact of the repeal of the like-kind exchange provision. Looking forward, any necessary adjustments to the provisional amounts will be reported when CAR finalizes the accounting of the tax effects within a measurement period not exceeding one year from the enactment of the Tax Reform Act.

FOREIGN TRANSACTIONS AND EXCHANGE

CAR generally includes in operating expenses within the consolidated financials any currency gains and losses resulting from foreign currency transactions. In relation to intercompany transfers, gains or losses on currency transactions, unrealized gains or losses on loans, and loan hedges are all included within interest expense related to corporate debt (net). CAR recorded losses resulting from foreign currency transaction of $11 million and $6 million during 2015 and 2016, respectively. In 2017, intercompany foreign currency transactions resulted in a $3 million gain. Assets and liabilities of foreign operations are converted at the rate of exchange in effect on the balance sheet date. Income and expenses are converted at the prevailing monthly average rate of exchange. The translation adjustments are recorded in accumulated other comprehensive income (OCI) in the equity section of the consolidated financial statements. The accumulated currency translation adjustment for the years 2016 and 2017 were $(39) million and $71 million, respectively.

CAR 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. CAR 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.

Fluctuations in the value of the forward contracts 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 qualify as cash flow hedges. To hedge against foreign operations, CAR designated its euro-denominated notes, recording the effective portion of gains or losses in accumulated OCI as part of currency translation adjustments. Looking forward, CAR does not anticipate material exposures resulting from its derivative instruments.

REVENUE RECOGNITION

CAR recognizes revenue when all of the following criteria are met: (i) evidence of an arrangement exists, (ii) services have been rendered to customers, (iii) pricing is fixed or determinable, and (iv) collectability is reasonably assured. In regard to vehicle rental-related contracts, revenue is recognized over the period the vehicle is rented. The majority of licensing revenue consists of royalties paid by the company's licensees and recorded within other revenues, accordingly. Revenue associated with optional ancillary products and services such as fuel service options, vehicle licensing, and concession fees paid in exchange for the right to operate at airports, are recorded on a gross basis within revenue and operating expenses.

CAR defers its membership fee revenue and recognizes it over the period of the membership. The deferred amounts are included in accounts payable and other current liabilities in the consolidated financials. In 2014, FASB published revenue guidance, ASU 2014-09 - Revenue from Contracts with Customers (Topic 606). Similarly, IASB published its equivalent standard, IFRS 15 - Revenue from Contracts with Customers. The standards demonstrate the ongoing convergence plan between the two boards and provides a single model for entities to use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance. The guidance applies to all contracts with customers except for leases, insurance contracts, financial instruments, certain nonmonetary exchanges and certain guarantees. Moreover, ASU 2014-09 requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, to include significant judgments and changes in judgments.

As a result of the accounting pronouncement, CAR adopted ASU 2014-09 - Revenue from Contracts with Customers (Topic 606) effective January 1, 2018, on a modified retrospective basis applying the standard to all contracts. Prior periods will not be retrospectively adjusted to reflect ASU 2014-09. The company's vehicle rental revenues will be accounted for under Topic 606 until the adoption of ASU 2016-02 - Leases (Topic 842) beginning January 1, 2019. Under Topic 606, each transaction that generates customer loyalty points results in the deferral of revenue equivalent to the retail value of the redemption of the loyalty points. The revenue will be recognized at the time the customer redeems the loyalty points.

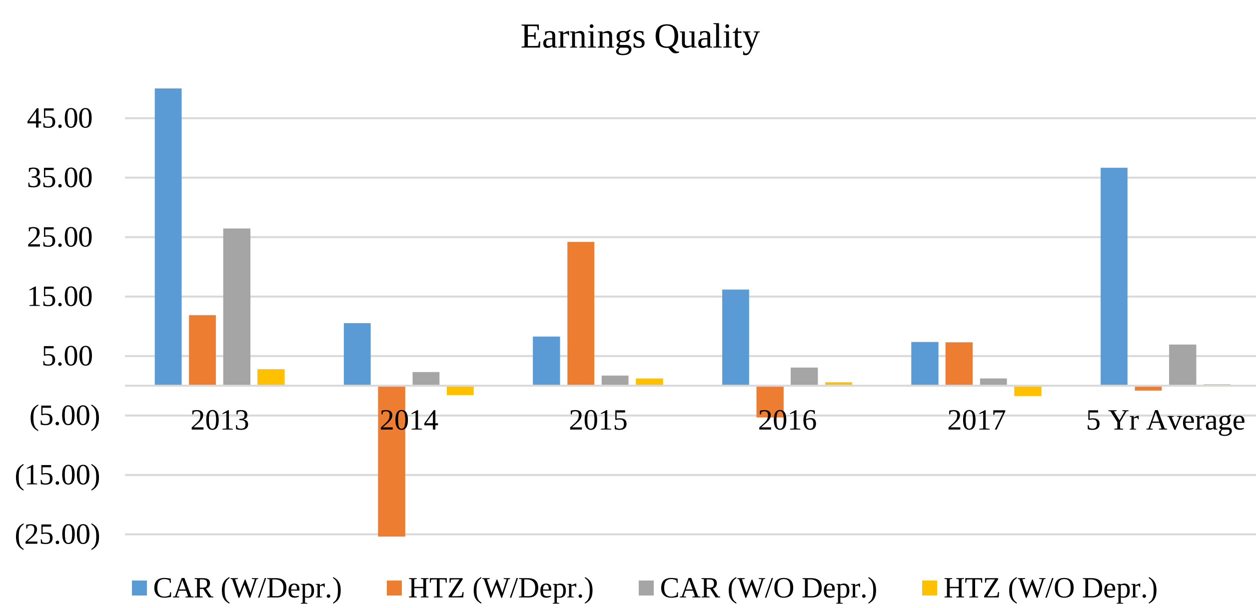
In prior years, CAR did not defer revenue and recorded an expense associated with the incremental cost of providing the future rental at the time when the loyalty points were earned. HTZ has a similar standard in regards to the criteria for recognizing revenue with licensees and airport concessions. Both CAR and HTZ have followed the guidelines set forth by the Financial Standards and Accounting Board in 2017.

QUALITY OF EARNINGS

Quality of earnings, or earnings quality, may be described as the degree to which management's choice of accounting estimates can affect reported income. Due to the varying degrees of management's discretion, it is vital to evaluate the quality of earnings prior to making an investment decision. As a result of agency issues, earnings management can greatly affect how financially healthy a company appears, at the cost of shareholders' interests. To measure quality of earnings, net operating cash flows (NOCF) are compared to net income (NI). The general rule is that a quality of income ratio less than one would be considered low-quality earnings, whereas, greater than one indicates high quality earnings. This ratio is grounded on the notion that high-quality earnings should mirror the cash flows as each dollar of income should be supported by a dollar of cash flow from operations. High levels of accruals will generally affect earnings quality. The average financial earnings quality over the five years examined of CAR is 36.64. The primary reason behind the ratio being high is the large amount of depreciation. The earnings quality of HTZ is low with its average over the five year span being -0.81.

HTZ shows a low ratio for 2014 and 2016 due to having a net operating loss (NOL) for the year. When recalculating the ratio for both companies without depreciation, the ratio becomes much smaller and closer to one. The 5 year averages without depreciation for CAR and HTZ are 6.94 and 0.24. Figure 6 displays the earnings quality measure for each company for each of the five years analyzed, in addition to the average.

FIGURE 8. EARNINGS QUALITY OVER FIVE YEARS (NOCF/NI)



FINANCIAL PERFORMANCE, ANALYSIS, AND RATIOS

PROFITABILITY, REVENUE, AND PROFIT MARGIN GROWTH

CAR increased its sales by 2.29% and 2.05% for the years 2016 and 2017, respectively. The company averaged a 3% annual sales growth for the past five years, in addition to strong growth in EPS of 221% for 2017. From 2013 to 2014, CAR achieved increases in net profit margin (7.77% to 8.20%), operating income margin (0.2% to 2.89%), and return on common equity (6.36% to 36.84%). In addition, a decrease in total asset turnover and operating asset turnover were also shown from .62 to .56 and 1.94 to 1.49 respectively. By contrast, HTZ has shown decreasing net profit margin (5.60% to -0.21%), operating income margin (2.80% to -0.74%), and return on equity (11.76% to -3.33%). Return on operating assets for CAR has shown an increase from 9.47% to 18.59% whereas HTZ showed a decrease from 9.20% to -16.93%. This increase of return on operating assets is significant for CAR and can be attributed to an increase in sales and total current assets. Both CAR and HTZ have rather low return on assets, which could pose a problem for future growth.

COST CONTROL

Based on management's discussion and analysis, CAR intends to strive toward reducing operating costs in the coming years. The notion derives from the company's overall strategy to increase its margins. CAR has experienced an increase in operating expenses steadily from 0.78%, 2.29%, and 2.05% in 2015, 2016, and 2017, respectively. With depreciation comprising of 33% of operating costs, CAR has shown an average of 93% over all five years. CAR's commitment to innovation and enhancing customer's rental experiences, does not permit for significant reduction in operating costs. CAR has a constant interest expense as a percentage of sales number averaging 5.82% over the five years. Despite the high amount of debt in both short and long term, CAR was able to maintain an average interest rate of 1.6% over 2016 and 2017.

In contrast, HTZ has shown an average growth in operating expenses of -1.35%. HTZ has held a steady operating costs percentage of 84.98% throughout the years analyzed. The ability to maintain a lower operating costs percentage allows HTZ to increase gross margin, boosting NI overall. Lastly, compared to CAR, HTZ holds an average of 4.22% interest expense over the five years. Through a large amount of financing in 2017, a higher interest expense is to be anticipated. In the area of cost control, HTZ appears stronger when netting the difference in operating costs, average interest expense, and growth in operating expenses.

LIQUIDITY

In terms of liquidity, HTZ slightly outperforms CAR. Liquidity is measured by use of the current and quick ratios. CAR's current ratio has shown steady growth from 1.24 to 1.26 in the five years analyzed. The quick ratio has shown consistent growth from 1.13 to 1.26 in 2013 and 2017, respectively. In comparison, HTZ reports a current ratio of 1.54 and a quick ratio of 1.2. While CAR has shown growth in its quick ratio, HTZ is healthier in reference to both ratios long term. Growth in the quick ratio signify the company has more current assets to satisfy current liability obligations. Determining the liquidity position of the company is the percentage of cash flow to current maturity of debt. HTZ shows a decrease from 8.03% to 0.42% whereas CAR holds a decreasing amount from 8.51% to 6.18%. The shortage of cash is crucial when observing the amount of debt that CAR carries on its balance sheet. The high debt capital structure also plays a role when calculating the company's weighted average cost of capital (WACC).

SOLVENCY

Times-interest-earned is significantly larger for CAR than HTZ. CAR holds a consistent times-interest-earned ratio averaging 2.91 over the last five years with 2017 being 2.61. This consistency is of great value for CAR as the ability to cover its interest charges is 2.6 times over.

HTZ utilizes more debt in this category as the company had a times interest earned of 0.10 for 2017. The ratio's value of 0.10 indicates a probable overutilization of debt when comparing to CAR.

TURNOVER

For CAR, days' sales in receivable has averaged approximately 30 days from 2014 to 2017. From 2015 to 2017, CAR showed a decrease within accounts receivable turnover from 13.42 to 10.23 in the five years analyzed. CAR's ability to turn over accounts receivable quickly is a strength since sales on account are a large component for the company. HTZ has shown an increase in accounts receivable turnover from 2015 to 2017 going from 5.33 to 6.65. Accounts receivable turnover in days has averaged around 60 days for HTZ for the years analyzed. Viewing the numbers, CAR has done an overall better collection and turnover process in both categories.

LEVERAGE AND CAPITAL STRUCTURE

Both CAR and HTZ are highly leveraged. CAR maintains a capital structure of approximately 80% debt. CAR has a large amount of debt due to the need for ongoing technological advances in property, plant, and equipment. HTZ holds a higher debt ratio of roughly 82%. CAR maintains a low debt-to-equity ratio compared to HTZ. CAR has a debt-to-equity ratio of 9.11 where HTZ's ratio is 10.86. Both of the companies' ratios are higher than the industry average of 9.07 (Ycharts.com). A company's degree of financial leverage (DFL) measures the sensitivity of operating income due to changes in capital structure. DFL is best for making decisions regarding the appropriate amount of debt a company should take on, and how the debt will affect operating income. The higher a company's DFL ratio, the higher the financial risk. For the years analyzed, CAR maintained an average DFL of 1.52. The average means for every change in EBT, there was a 1.52x change in EBIT. HTZ maintained an average DFL of -3.98 over the five years which signals much needed change within the capital structure.

CASH MANAGEMENT

Although all performance ratios play a vital role in the analysis of a company, the most important is cash flow management when determining the overall value of a firm. For the years 2015, 2016, and 2017, CAR managed to retain increasing operating cash flows of $2.627, $2.640, and $2.648 billion, respectively. HTZ has experienced a steady decline in operating cash flow of $2.776, $2.529, and $2.394 billion. CAR holds a distinct advantage in operating cash flow in each of the past three years with the average difference of $0.072 billion. Upholding cash flows equips CAR with the ability to utilize these cash flows to reinvest in the company.

CAR has increased cash flow from financing activities in the recent years due to the increase of principal payments on debt and treasury share purchases. During 2015, 2016 and 2017, both CAR and HTZ did not declare or pay any cash dividends to remain in compliance with current debt covenants. With regard to capital expenditures, CAR decreased its capital expenditures in 2017 from the previous year by 7.2% where HTZ saw a reduction of 3.2%. The residual cash flow after necessary adjustments is managed by the board for company acquisitions and share repurchase plans.

VALUATION AND RECOMMENDATION

A discounted cash flow (DCF) model was used to value the equity of CAR.

Using a combination of industry and company specific data, estimates were made to calculate WACC. For the terms of this analysis, five years of pro forma balance sheets and income statements were forecasted. The percentage of sales approach was used and estimates were made based on historical data, market conditions, and changes within the company indicated in the 2017 10-K report. Relative valuation metrics were also applied. Price to Sales, Price to

EBITDA, PE ratio, Market-to-Book Ratio, and Price-to-Cash Flow ratio have been calculated to determine if CAR shares are under- or over-valued. Based on these ratios, CAR appears to be undervalued. This analysis supports the valuation model and the recommendation to buy shares of CAR. Through the use of financial stock sites Ycharts, Yahoo!Finance, and Morningstar, an average beta of 1.51 was found. Based on increasing interest rates, the 10-year treasury rate was adjusted upward from 2.96% to a risk-free rate of 3%.

The market risk premium measure was stated at a rate of 5.8%. Based on these measures, the calculated estimate of the cost of equity is 11.8%, while the after tax cost of long-term debt was calculated to be 1.9%. The calculation of WACC based on these factors is 6.9%. All supporting documents can be found in Appendix A for reference. In this model, free cash flows were derived and discounted. The estimated equity value per share from the valuation model is $48.87 and $51.01 for 2017 and 2018. Based on the valuation and 2017 10-K report, CAR stock was undervalued in 2017. Based on this financial analysis, I recommend purchasing shares in Avis Budget Group.

SENSITIVITY ANALYSIS

When valuing a company, it is imperative to include a sensitivity analysis to consider possible changes in inputs. In this valuation, sales growth, WACC, and operating expenses are primary inputs. It is crucial to test the sensitivity of the inputs to observe the possible changes to share price in relation to changes with inflation and GDP. The highest possible share price for 2017 is $274.12 while the lowest possible is $13.76. The variation in price vividly portrays the sensitivity of these value and why one should exercise caution when valuing a company. It is improbable that only one variable will be independently analyzed with all other factors unchanged. When one factor changes, it is expected that others will also move as most factors are not independent of each other. Figure 9 provides an illustration of multiple combinations of WACC and sales growth.

FIGURE 9. SENSITIVITY ANALYSIS DUE TO SALES GROWTH AND WACC ASSUMPTIONS

Sensitivity Analysis WACC

		1.5%	2.0%	2.5%	3.0%	3.5%
	8.9%	$ 13.76	$ 17.11	$ 21.00	$ 25.58	$ 31.04
	7.9%	$ 22.78	$ 27.49	$ 33.12	$ 39.94	$ 48.38
WACC:	6.9%	$ 35.28	$ 42.31	$ 51.01	$ 62.07	$ 76.58
	5.9%	$ 53.75	$ 65.15	$ 80.11	$ 100.62	$ 130.44
	4.9%	$ 83.79	$ 104.94	$ 135.70	$ 184.55	$ 274.12

CONCLUSION

Investors with a long-term horizon may find it valuable to assess CAR earnings trend over time and against its industry benchmark. The strong results of CAR for 2017, were driven by better pricing and controlling costs. Looking forward, I believe CAR has substantial opportunities to leverage technology to both improve its customers' experience and drive efficiencies throughout the organization. I believe CAR will continue to position itself to benefit from the evolving mobility landscape, as management has done well positioning CAR for a changing landscape. Based on the many factors mentioned in this analysis, to include future sales growth and profit margins, I am confident that CAR will still be strong in the near term, while it adapts to a future of smart-mobility projects and autonomous vehicles.

APPENDIX A: AVIS BUDGET GROUP

CAR - INCOME STATEMENT

*For the years ended December 31 (in millions)	2013	2014	2015	2016	2017
Revenues					
Vehicle Rental	5,707	6,026	6,026	6,081	6,219
Other	2,230	2,459	2,476	2,578	2,629
Net Revenues	**7,937**	**8,485**	**8,502**	**8,659**	**8,848**
Expenses					
Operating Expense	4,074	4,251	4,284	4,382	4,472
Vehicle Depreciation and Lease Charges, Net	1,811	1,996	1,933	2,047	2,221
Selling, General and Administrative	1,019	1,080	1,093	1,134	1,120
Vehicle Interest, Net	264	282	289	284	286
Non-Vehicle Related Depreciation and Amortization	152	180	218	253	259
Interest Expense Related to Corporate Debt, Net:					
Interest Expense	228	209	194	203	188
Early Extinguishment of Debt	147	56	23	27	3
Restructuring Expense	61	26	18	29	63
Transaction-Related Costs	51	13	68	21	23
Impairment	33	-	-	-	2
Total Expenses	**7,840**	**8,093**	**8,120**	**8,380**	**8,637**
-					
Income Before Income Taxes	97	392	382	279	211
Provision for Income Taxes (Benefit From)	81	147	69	116	(150)
Net Income	**16**	**245**	**313**	**163**	**361**

Net Income	**16**	**245**	**313**	**163**	**361**
Other Comprehensive Income (loss), net of tax					
Currency translation adjustments, net of tax of $7, $0 and $0, respectively	(27)	(115)	(131)	41	110
Available-for-sale-securities:					
Net unrealized gains on available-for-sale securities, net of tax of $0, $0, and $0, respectively	-	-	(2)	1	1
Less: realized gains on available-for-sale securities reclassified to earnings, net of tax of $0, $1, and $0, respectively	-	-	-	-	-
Cash flow hedges:					
Net unrealized holding losses arising during period, net of tax of $1, $1, and $2, respectively	1	(7)	(6)	-	1
Less: cash flow hedges reclassified to earnings, net of tax of $0, $(9) and $(23), respectively	-	5	5	4	2
Minimum pension liability adjustment:					
Pension and post-retirement benefits, net of tax of $(19), $1 and $19, respectively	24	(24)	6	(57)	11
Less: Pension and post-retirement benefits reclassified to earnings, net of tax of $(6), $(6), and $(3), respectively	9	2	3	4	5
	7	(139)	(125)	(7)	130
Total Comprehensive Income (loss)	**23**	**106**	**188**	**156**	**491**

<u>Earnings Per Share</u>

Net Income (loss) for Basic EPS		16		245		313		163	361
Convertible Debt Interest, net of tax		-		1		-		-	-
Net Income (loss) for diluted EPS		**16**		**246**		**313**		**163**	**361**
Basic Weighted Average Shares Outstanding		108		105		103		92	83
Options, Warrants and non-vested stock		4		2		2		1	1
Convertible Debt		-		3		-		-	-
Diluted Weighted Average Shares Outstanding		**111**		**111**		**105**		**93**	**85**
Earnings (loss) per share:									
Basic	$	0.15	$	2.32	$	3.02	$	1.78	$ 4.32
Diluted	$	0.15	$	2.22	$	2.98	$	1.75	$ 4.25

CAR - BALANCE SHEET

*For the years ended December 31 (in millions)	2013	2014	2015	2016	2017
Balance Sheet					
Cash and Cash Equivalents	693	624	452	490	611
Receivables(Net)	619	599	668	808	922
Deferred Income Taxes	177	159	-	-	-
Other Current Assets	455	456	507	519	533
Total Current Assets	1,944	1,838	1,627	1,817	2,066
Property and Equipment, Net	614	638	681	685	704
Deferred Income Taxes	1,299	1,352	1,488	1,493	931
Goodwill	691	842	973	1,007	1,073
Other Intangibles, net	923	886	917	870	850
Other Non-Current Assets	361	355	232	193	196
Total Assets Exclusive of Assets Under Vehicle Programs	5,832	5,911	5,918	6,065	5,820
Program Cash	116	119	258	225	283
Vehicles, net	9,582	10,215	10,658	10,464	10,626
Receivables from Vehicle Manufacturers and Other	391	362	438	527	547

Investments in Avis Budget Rental Car Funding	363	362	362	362	423
	10,452	11,058	11,716	11,578	11,879
Total Assets	**16,284**	**16,969**	**17,634**	**17,643**	**17,699**
Liabilities and Stockholders' Equity					
Current liabilities					
Accounts Payable	1,479	1,491	1,485	1,488	1,619
Short-term debt and current portion of long-term debt	89	28	26	279	26
Total Current Liabilities	1,568	1,519	1,511	1,767	1,645
Long-Term Debt	3,305	3,392	3,435	3,244	3,573
Other Non-Current Liabilities	847	766	734	764	717
Total Liabilities Exclusive of Liabilities Under Vehicle Programs	5,720	5,677	5,680	5,775	5,935
Liabilities Under Vehicle Programs:					
Debt	1,681	1,776	2,064	2,183	2,741
Debt Due to Avis Budget Rental Car Funding	5,656	6,340	6,796	6,695	6,480
Deferred Income Taxes	2,177	2,267	2,367	2,429	1,594
Other	279	244	288	340	376

Total Liabilities Under Vehicle Programs	9,793	10,627	11,515	11,647	11,191
Preferred Stock, $.01 par value-authorized 10 million shares; none issued and outstanding	-	-	-	-	-
Common Stock, $.01 par value-authorized 250 million shares; issued 137,081,056 and 137,081,056 shares	1	1	1	1	1
Additional Paid In Capital	7,893	7,212	7,010	6,918	6,820
Accumulated Deficit	(2,360)	(2,115)	(1,802)	(1,639)	(1,222)
Accumulated OCI	117	(22)	(147)	(154)	(24)
Treasury Stock, at cost- 56 and 51 shares, respectively	(4,880)	(4,411)	(4,623)	(4,905)	(5,002)
Total Stockholder's Equity	771	665	439	221	573
Total Liabilities and Stockholder’s' Equity	**16,284**	**16,969**	**17,634**	**17,643**	**17,699**

Cash Flow Statement

***For the years ended December 31 (in millions)**	**2013**	**2014**	**2015**	**2016**	**2017**
<u>Net Income</u>	$ 16	$ 245	$ 313	$ 163	$ 361
Depreciation, Depletion & Amortization	1,832	2,020	2,058	2,135	2,204
Depreciation and Depletion	1,680	1,840	1,840	2,070	2,180
Amortization of Intangible Assets	152	180	218	65	24
Deferred Taxes & Investment Tax Credit	37	65	58	51	(192)
Deferred Taxes	37	65	58	51	(192)
Invesstment Tax Credit	-	-	-	-	-
Other Funds	68	34	33	81	102
Funds from Operations	1,953	2,364	2,462	2,430	2,475
Extraordinaries	-	-	-	-	-
Changes in Working Capital	302	215	125	204	171

Receivables	(66)	(60)	(42)	(65)	(59)
Accounts Payable	(28)	(3)	(79)	(9)	49
Other Assets/Liabilities	410	241	264	273	197
Net Operating Cash Flow	2,255	2,579	2,587	2,634	2,646

Investing Activities, Cash Flows Provided By or Used In	**2013**	**2014**	**2015**	**2016**	**2017**
Capital Expenditures	$ (11,050)	$ (12,060)	$ (12,130)	$ (12,650)	$ (11,740)
Capital Expenditures Fixed Assets	(11,050)	(12,060)	(12,130)	(12,650)	(11,740)
Capital Expenditures Other Assets	-	-	-	-	-
Net Assets from Acquisitions	(537)	(416)	(256)	(55)	(21)
Sale of Fixed Assets & Businesses	9,430	9,690	9,705	10,520	9,610
Purchases/Sale of Investments	-	-	(148)	31	(61)
Purchases of Investments	-	-	(148)	-	(61)
Sale/Maturity of Investments	-	-	-	31	-
Other Uses	(79)	(10)	-	-	-
Other Sources	2	(11)	6	3	5
Total Cash Flows from Investing Activities	$ (2,234)	$ (2,807)	$ (2,675)	$ (2,182)	$ (2,146)

Financing Activities, Cash Flows Provided By or Used In	**2013**	**2014**	**2015**	**2016**	**2017**
Dividends Paid	$ -	$ -	$ -	$ -	$ -
Common	-	-	-	-	-
Preferred	-	-	-	-	-
Change in Capital Stock	(22)	(297)	(393)	(387)	(210)
Repurchase of Common & Preferred Stock	(126)	(297)	(393)	(387)	(210)
Sale of Common & Preferred Stick	104	-	-	-	-
Proceeds from Stock Options	-	-	-	-	-

Other Proceeds from Sale of Stock	104	-	-	-	-
Issuance/Reduction of Debt. Net	95	479	515	(51)	(4)
Change in Current Debt	(36)	5	(22)	4	(95)
Change in Long Term Debt	131	474	537	(55)	17,780
Issuance of Long Term Debt	15,850	15,251	1,491	16,620	(17,870)
Reduction in Long Term Debt	(15,720)	(14,730)	(13,950)	(16,671)	(17,871)
Other Funds	3	-	(7)	-	1
Other Uses	-	-	(7)	-	-
Other Sources	3	-	-	-	1
Net Financing Cash Flow	76	182	115	(438)	(308)
Exchange Rate Effect	(8)	(23)	(41)	(4)	45
Miscellaneous Funds	-	-	-	-	-
Net Change in Cash	87	(69)	(172)	38	181
Free Cash Flow	(8,880)	(9,481)	(9,540)	(10,020)	(9,090)

CAR - VERTICAL ANALYSIS (COMMON SIZED)

	2013	**2014**	**2015**	**2016**	**2017**
Revenues					
Vehicle Rental	71.90%	71.02%	70.88%	70.23%	70.29%
Other	28.10%	28.98%	29.12%	29.77%	29.71%
Net Revenues	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Expenses					
Operating Expense	51.33%	50.10%	50.39%	50.61%	50.54%
Vehicle Depreciation and Lease Charges, Net	22.82%	23.52%	22.74%	23.64%	25.10%
Selling, General and Administrative	12.84%	12.73%	12.86%	13.10%	12.66%
Vehicle Interest, Net	3.33%	3.32%	3.40%	3.28%	3.23%
Non-Vehicle Related Depreciation and Amortization	1.92%	2.12%	2.56%	2.92%	2.93%
Interest Expense Related to Corporate Debt, Net:					
Interest Expense	2.87%	2.46%	2.28%	2.34%	2.12%

Early Extinguishment of Debt	1.85%	0.66%	0.27%	0.31%	0.03%
Restructuring Expense	0.77%	0.31%	0.21%	0.33%	0.71%
Transaction-Related Costs	0.64%	0.15%	0.80%	0.24%	0.26%
Impairment	0.42%	0.00%	0.00%	0.00%	0.02%
Total Expenses	98.78%	95.38%	95.51%	96.78%	97.62%
-					
Income Before Income Taxes	1.22%	4.62%	4.49%	3.22%	2.38%
Provision for Income Taxes (Benefit From)	1.02%	1.73%	0.81%	1.34%	-1.70%
Net Income	0.20%	2.89%	3.68%	1.88%	4.08%

	2013	**2014**	**2015**	**2016**	**2017**
Balance Sheet					
Cash and Cash Equivalents	4.26%	3.68%	2.56%	2.78%	3.45%
Receivables(Net)	3.80%	3.53%	3.79%	4.58%	5.21%
Deferred Income Taxes	1.09%	0.94%	0.00%	0.00%	0.00%
Other Current Assets	2.79%	2.69%	2.88%	2.94%	3.01%
Total Current Assets	11.94%	10.83%	9.23%	10.30%	11.67%
Property and Equipment, Net	3.77%	3.76%	3.86%	3.88%	3.98%
Deferred Income Taxes	7.98%	7.97%	8.44%	8.46%	5.26%
Goodwill	4.24%	4.96%	5.52%	5.71%	6.06%
Other Intangibles, net	5.67%	5.22%	5.20%	4.93%	4.80%
Other Non-Current Assets	2.22%	2.09%	1.32%	1.09%	1.11%
Total Assets Exclusive of Assets Under Vehicle Programs	35.81%	34.83%	33.56%	34.38%	32.88%
Program Cash	0.71%	0.70%	1.46%	1.28%	1.60%
Vehicles, net	58.84%	60.20%	60.44%	59.31%	60.04%
Receivables from Vehicle Manufacturers and Other	2.40%	2.13%	2.48%	2.99%	3.09%
Investments in Avis Budget Rental Car Funding	2.23%	2.13%	2.05%	2.05%	2.39%

Total Assets	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Liabilities and Stockholders' Equity					
Current liabilities					
Accounts Payable	9.08%	8.79%	8.42%	8.43%	9.15%
Short-term debt and current portion of long-term debt	0.55%	0.17%	0.15%	1.58%	0.15%
Total Current Liabilities	9.63%	8.95%	8.57%	10.02%	9.29%
Long-Term Debt	20.30%	19.99%	19.48%	18.39%	20.19%
Other Non-Current Liabilities	5.20%	4.51%	4.16%	4.33%	4.05%
Total Liabilities Exclusive of Liabilities Under Vehicle Programs	35.13%	33.46%	32.21%	32.73%	33.53%
Liabilities Under Vehicle Programs:					
Debt	10.32%	10.47%	11.70%	12.37%	15.49%
Debt Due to Avis Budget Rental Car Funding	34.73%	37.36%	38.54%	37.95%	36.61%
Deferred Income Taxes	13.37%	13.36%	13.42%	13.77%	9.01%
Other	1.71%	1.44%	1.63%	1.93%	2.12%
Total Liabilities Under Vehicle Programs	60.14%	62.63%	65.30%	66.01%	63.23%
Preferred Stock, $.01 par value-authorized 10 million shares; none issued and outstanding	0.00%	0.00%	0.00%	0.00%	0.00%
Common Stock, $.01 par value-authorized 250 million shares; issued 137,081,056 and 137,081,056 shares	0.01%	0.01%	0.01%	0.01%	0.01%
Additional Paid In Capital	48.47%	42.50%	39.75%	39.21%	38.53%
Accumulated Deficit	-14.49%	-12.46%	-10.22%	-9.29%	-6.90%
Accumulated OCI	0.72%	-0.13%	-0.83%	-0.87%	-0.14%
Treasury Stock, at cost- 56 and 51 shares, respectively	-29.97%	-25.99%	-26.22%	-27.80%	-28.26%
Total Stockholder's Equity	4.73%	3.92%	2.49%	1.25%	3.24%
Total Liabilities and Stockholder’s' Equity	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

CAR - HORIZONTAL ANALYSIS (BASE YEAR IS 2013)	-	-	-	-	-
***For the years ended December 31**	**2013**	**2014**	**2015**	**2016**	**2017**
Revenues					
Vehicle Rental	**100.00%**	105.59%	105.59%	106.55%	108.97%
Other	**100.00%**	110.27%	111.03%	115.61%	117.89%
Net Revenues	**100.00%**	106.90%	107.12%	109.10%	111.48%
Expenses					
Operating Expense	**100.00%**	104.34%	105.15%	107.56%	109.77%
Vehicle Depreciation and Lease Charges, Net	**100.00%**	110.22%	106.74%	113.03%	122.64%
Selling, General and Administrative	**100.00%**	105.99%	107.26%	111.29%	109.91%
Vehicle Interest, Net	**100.00%**	106.82%	109.47%	107.58%	108.33%
Non-Vehicle Related Depreciation and Amortization	**100.00%**	118.42%	143.42%	166.45%	170.39%
Interest Expense Related to Corporate Debt, Net:					
Interest Expense	**100.00%**	91.67%	85.09%	89.04%	82.46%
Early Extinguishment of Debt	**100.00%**	38.10%	15.65%	18.37%	2.04%
Restructuring Expense	**100.00%**	42.62%	29.51%	47.54%	103.28%
Transaction-Related Costs	**100.00%**	25.49%	133.33%	41.18%	45.10%
Impairment	**100.00%**	0.00%	0.00%	0.00%	6.06%
Total Expenses	**100.00%**	103.23%	103.57%	106.89%	110.17%
Income Before Income Taxes	**100.00%**	404.12%	393.81%	287.63%	217.53%
Provision for Income Taxes (Benefit From)	**100.00%**	181.48%	85.19%	143.21%	-185.19%
Net Income	**100.00%**	1531.25%	1956.25%	1018.75%	2256.25%

CAR - HORIZONTAL ANALYSIS (BASE YEAR IS 2013)

*For the years ended December 31	2013	2014	2015	2016	2017
Balance Sheet					
Cash and Cash Equivalents	**100.00%**	90.04%	65.22%	70.71%	88.17%
Receivables(Net)	**100.00%**	96.77%	107.92%	130.53%	148.95%
Deferred Income Taxes	**100.00%**	89.83%	0.00%	0.00%	0.00%
Other Current Assets	**100.00%**	100.22%	111.43%	114.07%	117.14%
Total Current Assets	**100.00%**	94.55%	83.69%	93.47%	106.28%
Property and Equipment, Net	**100.00%**	103.91%	110.91%	111.56%	114.66%
Deferred Income Taxes	**100.00%**	104.08%	114.55%	114.93%	71.67%
Goodwill	**100.00%**	121.85%	140.81%	145.73%	155.28%
Other Intangibles, net	**100.00%**	95.99%	99.35%	94.26%	92.09%
Other Non-Current Assets	**100.00%**	98.34%	64.27%	53.46%	54.29%
Total Assets Exclusive of Assets Under Vehicle Programs	**100.00%**	101.35%	101.47%	104.00%	99.79%
Program Cash	**100.00%**	102.59%	222.41%	193.97%	243.97%
Vehicles, net	**100.00%**	106.61%	111.23%	109.20%	110.90%
Receivables from Vehicle Manufacturers and Other	**100.00%**	92.58%	112.02%	134.78%	139.90%
Investments in Avis Budget Rental Car Funding	**100.00%**	99.72%	99.72%	99.72%	116.53%
	100.00%	105.80%	112.09%	110.77%	113.65%
Total Assets	**100.00%**	104.21%	108.29%	108.35%	108.69%
Liabilities and Stockholders' Equity					
Current liabilities					
Accounts Payable	**100.00%**	100.81%	100.41%	100.61%	109.47%
Short-term debt and current portion of long-term debt	**100.00%**	31.46%	29.21%	313.48%	29.21%
Total Current Liabilities	**100.00%**	96.88%	96.36%	112.69%	104.91%

Long-Term Debt	**100.00%**	102.63%	103.93%	98.15%	108.11%
Other Non-Current Liabilities	**100.00%**	90.44%	86.66%	90.20%	84.65%
Total Liabilities Exclusive of Liabilities Under Vehicle Programs	**100.00%**	99.25%	99.30%	100.96%	103.76%
Liabilities Under Vehicle Programs:					
Debt	**100.00%**	105.65%	122.78%	129.86%	163.06%
Debt Due to Avis Budget Rental Car Funding	**100.00%**	112.09%	120.16%	118.37%	114.57%
Deferred Income Taxes	**100.00%**	104.13%	108.73%	111.58%	73.22%
Other	**100.00%**	87.46%	103.23%	121.86%	134.77%
Total Liabilities Under Vehicle Programs	**100.00%**	108.52%	117.58%	118.93%	114.28%
Preferred Stock, $.01 par value-authorized 10 million shares; none issued and outstanding	**#DIV/0!**	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Common Stock, $.01 par value-authorized 250 million shares; issued 137,081,056 and 137,081,056 shares	**100.00%**	100.00%	100.00%	100.00%	100.00%
Additional Paid In Capital	**100.00%**	91.37%	88.81%	87.65%	86.41%
Accumulated Deficit	**100.00%**	89.62%	76.36%	69.45%	51.78%
Accumulated OCI	**100.00%**	-18.80%	-125.64%	-131.62%	-20.51%
Treasury Stock, at cost- 56 and 51 shares, respectively	**100.00%**	90.39%	94.73%	100.51%	102.50%
Total Stockholder's Equity	**100.00%**	86.25%	56.94%	28.66%	74.32%
Total Liabilities and Stockholder's' Equity	**100.00%**	104.21%	108.29%	108.35%	108.69%

CAR RATIO ANALYSIS

LIQUIDITY	2013	2014	2015	2016	2017
Accounts Receivable Turnover		13.93	13.42	11.73	10.23
A/R Turnover in Days		26.20	27.20	31.11	35.68
Inventory Turnover		-	-	-	-
Inventory Turnover in Days		-	-	-	-
Working Capital	376.00	319.00	116.00	50.00	421.00
Current Ratio	1.24	1.21	1.08	1.03	1.26
Acid Test	1.13	1.11	1.08	1.03	1.26
Cash Ratio	0.44	0.41	0.30	0.28	0.37
Sales to Working Capital	21.11	26.60	73.29	173.18	21.02
Cash Flow/Cur. Mat. Of Debt & NP	8.51%	9.33%	8.68%	6.87%	6.18%

LONG-TERM DEBT-PAYING ABILITY	2013	2014	2015	2016	2017
Times Interest Earned	2.71	3.33	3.53	2.75	2.61
Fixed Charge Coverage	0.74	0.83	0.80	0.55	0.47
Debt Ratio	29.93%	28.94%	28.05%	28.40%	29.48%
Debt/Equity	6.32	7.38	11.27	22.67	9.11
Debt to Tangible Net Worth	(102.06)	(73.77)	(35.97)	(26.84)	(61.83)
Cash Flow/Total Debt	0.01	0.04	0.03	0.02	0.02

PROFITABILITY	2013	2014	2015	2016	2017
Net Profit Margin					
Total Asset Turnover	0.49	0.50	0.48	0.49	0.50
Return on Assets	0.00	0.01	0.02	0.01	0.02
Operating Income Margin	0.20%	2.89%	3.68%	1.88%	4.08%
Operating Asset Turnover		0.13	0.18	0.09	0.19
Return on Operating Assets		12.96%	18.07%	9.47%	18.59%

Sales to Fixed Assets	0.08	0.08	0.08	0.08	0.08
Return on Total Equity	6.36%	36.84%	71.30%	73.76%	63.00%
Gross Profit Margin	25.85%	26.38%	26.88%	25.75%	24.36%
INVESTOR ANALYSIS	2013	2014	2015	2016	2017
Degree of Financial Leverage	1.59	1.43	1.40	1.57	1.62
Earnings per Share	16.00	245.00	313.00	163.00	361.00
Price/Earnings Ratio	0.42	0.17	0.21	0.22	0.10
Book Value per Share	7.24	6.29	4.48	2.57	7.04
Oper. Cash Flow per Share					
Year-end Market Price	20.77	40.55	66.77	36.08	37.47
GROWTH ANALYSIS	2013	2014	2015	2016	2017
GP Growth		5.52%	-1.78%	-19.87%	-14.22%
Sales Growth		6.90%	0.20%	1.85%	2.18%
NI Growth		1431.25%	27.76%	-47.92%	121.47%
Operating Profit Margin	7.77%	8.20%	8.06%	6.46%	5.54%
COST CONTROL					
Growth in Operating Expenses		4.34%	0.78%	2.29%	2.05%
Operating Costs/Sales	92.23%	91.80%	91.94%	93.54%	94.46%
Interest Exp./Sales	6.20%	5.79%	5.68%	5.62%	5.82%

Current Board of Directors

Listed by Name and (Prior or Current Position)

Brian J. Choi	(Independent Director, Avis Budget Group, Inc.)
Mary Claire Choksi	(Senior Managing Director, Strategic Investment Partners Inc.)
Leonard S. Coleman Jr.	(Co-Chairman, Jackie Robinson Foundation Inc.)
Larry D. De Shon	(CEO/COO, Avis Budget Group Inc.),
Jeffrey H. Fox	(President/CEO, Endurance International Group Holdings Inc.)
John D. Hardy Jr.	(Former Partner, Law Firm of O’Melveny & Myers)
Lynn Krominga	(CEO, FWD Media, Inc.)
Eduardo G. Mestre	(Former Head of US Investment Bank/Senior Managing Director, Evercore Partners Inc.)
Ronald L. Nelson	(Former Chairman/CEO, Avis Budget Group Inc.)
F. Robert Salerno	(Former Vice Chairman, Avis Budget Group Inc.)
Stender E. Sweeney	(Director-Emeritus, Pasadena Angels, Inc.)
Sanoke Viswanathan	(Chief Administrative Officer, J.P. Morgan’s Corporate & Investment Bank)

FCF Buildup

Fiscal year end date	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
EBITDA	893	793	698	793	817	837	856	876
EBIT	382	279	211	297	316	336	356	377
Tax Rate	18.06%	41.58%	-71.09%	23.00%	23.00%	23.00%	23.00%	23.00%
EBIAT (NOPAT)	**313**	**163**	**361**	**229**	**243**	**259**	**274**	**290**
Depreciation and Amortization				3	3	3	3	3
Stock Based Comp				20	24	24	23	22
Accounts Receivable				151	(19)	(20)	(20)	(21)
Accrued expenses & def. revenues				(684)	37	38	40	41
Unlevered CFO			361	**(282)**	**288**	**304**	**320**	**336**
Less: Cap Ex			0	(12)	(12)	(13)	(13)	(13)
Unlevered FCF			361	**(294)**	**276**	**291**	**307**	**323**
% growth				-181.47%	-193.77%	5.49%	5.45%	5.13%
Discount factor			25%	76%	176%	276%	376%	476%
Assume cash flows are generated at:	Middle of period							
Midperiod adjustment factor	103.4%		0.25	0.51	1.0	1.0	1.0	1.0
Present value of Unlevered FCF			**89**	**(145)**	**254**	**250**	**247**	**242**

Valuation	Actual 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022
Free Cash Flow	$ 89	$ (145)	$ 254	$ 250	$ 247	$ 242
Growth Rate in FCF		-181.47%	-193.77%	5.49%	5.45%	5.13%
WACC	6.90%					
Value of Operations	13,545	13,884	14,231	14,586	14,951	15,325
Value of Investments	4,919	4,919	4,919	4,919	4,919	4,919
Total Value of Firm	18,464	18,803	19,150	19,505	19,870	20,244
Value of All Nonoperating Liabilities	14,388	15,048	15,139	15,215	15,276	15,321
Value of Equity	4,076	3,754	4,010	4,290	4,594	4,923
Number of Shares (Millions)	83.4	73.6	64.7	56.7	49.4	42.8
Estimated Price per Share	$ 48.87	$ 51.01	$ 61.98	$ 75.71	$ 93.02	$ 115.01

WACC Calculation

	Value	Source
Market Price of Stock as of 4/20/2018	$ 47.23	Ycharts
Number of Common Shares Outstanding (in millions)	78	10-K
Current Market Value (MV) of Equity	$ 3,707.4	Market Share x Shares Outstanding
Book Value (BV) of LT Debt	$ 3,573.0	10-K
Current Ratio of BV of Debt to Sum of BV of Debt and MV of Equity	49.1%	Calculated from Above
Estimate Cost of Equity		
Beta	1.51	Average
Risk Free Rate	3.0%	10 Yr. Treasury Rate, Adjusted (2.96%)
Market Risk Premium	5.8%	Market Premia
Cost of Equity	11.8%	Calculated from Above
Cost of Debt		
Interest Rate on Debt	2.5%	Inputs from Worksheet
Tax Rate	23.0%	Inputs from Worksheet
After Tax Cost of LT Debt	1.9%	Calculated from Above
WACC	6.9%	Calculated from Above

PRO-FORMA FINANCIAL STATEMENTS

Income Statement	**Actual 2017**	**Projected 2018**	**Projected 2019**	**Projected 2020**	**Projected 2021**	**Projected 2022**
Revenue	8,848	9,069	9,296	9,528	9,767	10,011
Cost of sales	(6,693)	(6,802)	(6,972)	(7,146)	(7,325)	(7,508)
Gross Profit	**2,155**	**2,267**	**2,324**	**2,382**	**2,442**	**2,503**
Operating and Admin Expenses	(1,470)	(1,496)	(1,534)	(1,572)	(1,611)	(1,652)
Operating profit (EBIT)	**685**	**771**	**790**	**810**	**830**	**851**
Interest Expense	(474)	(474)	(474)	(474)	(474)	(474)
EBT	**211**	**297**	**316**	**336**	**356**	**377**
Taxes	150	(68)	(73)	(77)	(82)	(87)
Net Income	**361**	**229**	**243**	**259**	**274**	**290**

Balance Sheet	**Actual 2017**	**Projected 2018**	**Projected 2019**	**Projected 2020**	**Projected 2021**	**Projected 2022**
Cash	611	626	642	658	674	691
Accounts Receivable	922	771	790	810	830	851
Deferred Tax Assets	931	931	931	931	931	931
Other Current Assets	533	533	533	533	533	533
Net PP&E	704	713	723	733	744	754
Other Assets	13,998	13,998	13,998	13,998	13,998	13,998
Total Assets	**17,699**	**17,573**	**17,617**	**17,663**	**17,710**	**17,758**

Accounts Payable	1,619	1,619	1,619	1,619	1,619	1,619
Accrued Expenses	1,119	435	472	509	549	590
Short Term Debt	9,221	9,881	9,972	10,048	10,109	10,154
Long Term Debt	3,573	3,573	3,573	3,573	3,573	3,573
Deferred Income Tax	1,594	1,594	1,594	1,594	1,594	1,594
Total liabilities	**17,126**	**17,102**	**17,230**	**17,344**	**17,444**	**17,531**
Common Stock	6,821	6,631	6,445	6,260	6,073	5,885
Retained Earnings	(1,222)	(993)	(750)	(491)	(217)	73
Other Comprehensive Income (Loss)	(24)	(165)	(306)	(447)	(588)	(729)
Treasury Stock	(5,002)	(5,002)	(5,002)	(5,002)	(5,002)	(5,002)
Total Common Equity	573	470	387	319	266	228
Total Liabilities & Equity	**17,699**	**17,573**	**17,617**	**17,663**	**17,710**	**17,758**
Balance check	-	-	-	-	-	-

APPENDIX B: HERTZ

HTZ - INCOME STATEMENT

***For the years ended December 31 (in millions)**	2013	2014	2015	2016	2017
Revenues					
Worldwide vehicle rental	8,709	8,907	8,434	8,211	8,163
Worldwide equipment rental	1,539	1,571	-	-	-
All other operations	527	568	583	592	640
Total Revenues	**10,775**	**11,046**	**9,017**	**8,803**	**8,803**
Expenses					
Direct vehicle and operating	5,777	6,314	5,055	4,932	4,958
Depreciation of revenue earning vehicles and lease charges, net	2,533	3,034	2,433	2,601	2,798
Selling, general and administrative	1,053	1,088	873	899	880
Interest expense, net:					
Vehicle	300	267	253	280	331
Non-vehicle	407	381	346	344	306
Total interest expense, net	**707**	**648**	**599**	**624**	**637**
Goodwill and intangible asset impairments	-	-	40	292	86
Other (income) expense, net	102	(15)	(115)	(75)	19
Total expenses	**10,172**	**11,069**	**8,885**	**9,273**	**9,378**
Income (loss) from continuing operations before income taxes	**603**	**(23)**	**132**	**(470)**	**(575)**
Income tax (provision) benefit	(301)	(59)	(17)	(4)	902
Net income (loss) from continuing operations	**302**	**(82)**	**115**	**(474)**	**327**
Net income (loss) from discontinued operations	-	-	158	(17)	-
Net income (loss)	**302**	**(82)**	**273**	**(491)**	**327**

Weighted average shares outstanding:					
Basic	$ 422	$ 454	$ 90	$ 84	$ 83
Diluted	$ 464	$ 454	$ 91	$ 84	$ 83
Earnings (loss) per share - basic and diluted:					
Basic earnings (loss) per share from continuing operations	$ 0.72	$ (0.18)	$ 1.28	$ (5.65)	$ 3.94
Basic earnings (loss) per share from discontinued operations	$ -	$ -	$ 1.75	$ (0.20)	$ -
Basic earnings (loss) per share	$ 0.72	$ (0.18)	$ 3.03	$ (5.85)	$ 3.94
Diluted earnings (loss) per share from continuing operations	$ 0.67	$ (0.18)	$ 1.26	$ (5.65)	$ 3.94
Diluted earnings (loss) per share from discontinued operations	$ -	$ -	$ 1.74	$ (0.20)	$ -
Diluted earnings (loss) per share	$ 0.67	$ (0.18)	$ 3.00	$ (5.85)	$ 3.94
Net Income	**302**	**(82)**	**273**	**(491)**	**327**
Other Comprehensive Income (loss):					
Foreign currency translation adjustments	(45)	(57)	(87)	(16)	14
Unrealized holding gains (losses) on securities	21	(14)	-	12	-
Reclassification of realized gain on securities to other (income) expense	-	(7)	-	(9)	(3)
Reclassification of foreign currency items to other (income) expense, net	1	-	(42)	-	8
Net gain (loss) on defined benefit pension plans	85	(41)	(23)	(30)	40
Reclassification from other comprehensive income (loss) to selling, general and administrative expense for amortization of actuarial (gains) losses on defined benefit pension plans	2	(11)	9	11	6
Total other comprehensive income (loss) before income taxes	**64**	**(130)**	**(143)**	**(32)**	**65**

	2013	2014	2015	2016	2017
Income tax (provision) benefit related to net gains and losses on defined benefit pension plans	(33)	7	15	7	(10)
Income tax (provision) benefit related to reclassified amounts of net periodic costs on defined benefit pension plans	(2)	2	(2)	(4)	(2)
Total other comprehensive income (loss)	**29**	**(121)**	**(130)**	**(29)**	**53**
Total comprehensive income (loss)	**331**	**(203)**	**143**	**(520)**	**380**

HTZ - BALANCE SHEET

***For the years ended December 31 (in millions)**	2013	2014	2015	2016	2017
ASSETS					
Cash and cash equivalents	411	490	474	816	1,072
Restricted cash and cash equivalents:					
Vehicle	861	571	289	235	386
Non-vehicle	-	-	44	43	46
Total restricted cash and cash equivalents	**861**	**571**	**333**	**278**	**432**
Receivables:					
Vehicle	1,397	1,597	1,137	546	531
Non-vehicle, net of allowance of $33 and $42, respectively		-	649	737	834
Total receivables, net	**1,397**	**1,597**	**1,786**	**1,283**	**1,365**
Inventories, net	87	67	-	-	-
Prepaid expenses and other assets	715	917	995	578	687
Revenue earning vehicles:					
Vehicles	14,456	14,622	13,441	13,655	14,574
Less accumulated depreciation - vehicles	(2,681)	(3,411)	(2,695)	(2,837)	(3,238)
Other equipment	3,535	3,613	-	-	-
Less accumulated depreciation - other equipment	(1,119)	(1,171)	-	-	-
Total revenue earning vehicles, net	**14,191**	**13,653**	**10,746**	**10,818**	**11,336**
Property and equipment:					
Land, buildings and leasehold improvements	1,271	1,268	1,165	1,165	1,233

Service equipment and other	978	1,148	790	724	763
Less accumulated depreciation	(964)	(1,094)	(978)	(1,031)	(1,156)
Total property and equipment, net	**1,285**	**1,322**	**977**	**858**	**840**
Other intangible assets, net	4,124	4,009	3,522	3,332	3,242
Goodwill	1,352	1,359	1,261	1,081	1,084
Assets held for sale	-	-	25	111	-
Assets of discontinued operations	-	-	3,395	-	-
Total assets	**24,423**	**23,985**	**23,514**	**19,155**	**20,058**
LIABILITIES AND EQUITY					
Accounts payable:					
Vehicle	1,022	1,008	207	258	294
Non-vehicle	-	-	559	563	652
Total accounts payable	**1,022**	**1,008**	**766**	**821**	**946**
Accrued liabilities	1,171	1,148	1,035	980	920
Accrued taxes, net	146	134	128	165	160
Debt:					
Vehicle	16,309	15,993	9,823	9,646	10,431
Non-vehicle	-	-	5,947	3,895	4,434
Total Debt	**16,309**	**15,993**	**15,770**	**13,541**	**14,865**
Public liability and property damage	351	385	394	407	427
Deferred income taxes, net	2,857	2,853	2,168	2,149	1,220

Liabilities held for sale	-	-	-	17	-
Liabilities of discontinued operations	-	-	1,234	-	-
Total Liabilities	**21,856**	**21,521**	**21,495**	**18,080**	**18,538**
Commitments and contingencies					
Equity:					
Preferred Stock, $0.01 par value, no shares issued and outstanding	-	-	-	-	-
Common Stock, $0.01 par value, 86 and 85 shares issued and 84 and 83 shares outstanding	4	5	4	1	1
Additional paid-in capital	3,226	3,325	3,343	2,227	2,243
Accumulated deficit	(582)	(664)	(391)	(882)	(506)
Accumulated other comprehensive income (loss)	6	(115)	(245)	(171)	(118)
	2,654	**2,551**	**2,711**	**1,175**	**1,620**
Treasury Stock, at cost, 2 shares and 2 shares	(87)	(87)	(692)	(100)	(100)
Total equity	**2,567**	**2,464**	**2,019**	**1,075**	**1,520**
Total liabilities and equity	**24,423**	**23,985**	**23,514**	**19,155**	**20,058**

HTZ - VERTICAL ANALYSIS (COMMON SIZED)

***For the years ended December 31**	**2013**	**2014**	**2015**	**2016**	**2017**
Revenues					
Worldwide vehicle rental	80.83%	80.64%	93.53%	93.28%	92.73%
Worldwide equipment rental	14.28%	14.22%	0.00%	0.00%	0.00%
All other operations	4.89%	5.14%	6.47%	6.72%	7.27%
Total Revenues	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Expenses					
Direct vehicle and operating	53.61%	57.16%	56.06%	56.03%	56.32%
Depreciation of revenue earning vehicles and lease charges, net	23.51%	27.47%	26.98%	29.55%	31.78%
Selling, general and administrative	9.77%	9.85%	9.68%	10.21%	10.00%
Interest expense, net:					
Vehicle	2.78%	2.42%	2.81%	3.18%	3.76%
Non-vehicle	3.78%	3.45%	3.84%	3.91%	3.48%
Total interest expense, net	6.56%	5.87%	6.64%	7.09%	7.24%
Goodwill and intangible asset impairments	0.00%	0.00%	0.44%	3.32%	0.98%
Other (income) expense, net	0.95%	-0.14%	-1.28%	-0.85%	0.22%
Total expenses	94.40%	100.21%	98.54%	105.34%	106.53%
Income (loss) from continuing operations before income taxes	5.60%	-0.21%	1.46%	-5.34%	-6.53%
Income tax (provision) benefit	-2.79%	-0.53%	-0.19%	-0.05%	10.25%
Net income (loss) from continuing operations	2.80%	-0.74%	1.28%	-5.38%	3.71%
Net income (loss) from discontinued operations	0.00%	0.00%	1.75%	-0.19%	0.00%
Net income (loss)	2.80%	-0.74%	3.03%	-5.58%	3.71%

HTZ - VERTICAL ANALYSIS (COMMON SIZED)

***For the years ended December 31**	**2013**	**2014**	**2015**	**2016**	**2017**
ASSETS					
Cash and cash equivalents	1.68%	2.04%	2.02%	4.26%	5.34%
Restricted cash and cash equivalents:					
Vehicle	3.53%	2.38%	1.23%	1.23%	1.92%
Non-vehicle	0.00%	0.00%	0.19%	0.22%	0.23%
Total restricted cash and cash equivalents	3.53%	2.38%	1.42%	1.45%	2.15%

Receivables:					
Vehicle	5.72%	6.66%	4.84%	2.85%	2.65%
Non-vehicle, net of allowance of $33 and $42, respectively	0.00%	0.00%	2.76%	3.85%	4.16%
Total receivables, net	5.72%	6.66%	7.60%	6.70%	6.81%
Inventories, net	0.36%	0.28%	0.00%	0.00%	0.00%
Prepaid expenses and other assets	2.93%	3.82%	4.23%	3.02%	3.43%
Revenue earning vehicles:					
Vehicles	59.19%	60.96%	57.16%	71.29%	72.66%
Less accumulated depreciation - vehicles	-10.98%	-14.22%	-11.46%	-14.81%	-16.14%
Other equipment	14.47%	15.06%	0.00%	0.00%	0.00%
Less accumulated depreciation - other equipment	-4.58%	-4.88%	0.00%	0.00%	0.00%
Total revenue earning vehicles, net	58.11%	56.92%	45.70%	56.48%	56.52%
Property and equipment:					
Land, buildings and leasehold improvements	5.20%	5.29%	4.95%	6.08%	6.15%
Service equipment and other	4.00%	4.79%	3.36%	3.78%	3.80%
Less accumulated depreciation	-3.95%	-4.56%	-4.16%	-5.38%	-5.76%
Total property and equipment, net	5.26%	5.51%	4.15%	4.48%	4.19%
Other intangible assets, net	16.89%	16.71%	14.98%	17.39%	16.16%
Goodwill	5.54%	5.67%	5.36%	5.64%	5.40%
Assets held for sale	0.00%	0.00%	0.11%	0.58%	0.00%
Assets of discontinued operations	0.00%	0.00%	14.44%	0.00%	0.00%
Total assets	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

LIABILITIES AND EQUITY					
Accounts payable:					
Vehicle	4.18%	4.20%	0.88%	1.35%	1.47%
Non-vehicle	0.00%	0.00%	2.38%	2.94%	3.25%
Total accounts payable	4.18%	4.20%	3.26%	4.29%	4.72%
Accrued liabilities	4.79%	4.79%	4.40%	5.12%	4.59%
Accrued taxes, net	0.60%	0.56%	0.54%	0.86%	0.80%
Debt:					
Vehicle	66.78%	66.68%	41.78%	50.36%	52.00%
Non-vehicle	0.00%	0.00%	25.29%	20.33%	22.11%
Total Debt	66.78%	66.68%	67.07%	70.69%	74.11%
Public liability and property damage	1.44%	1.61%	1.68%	2.12%	2.13%
Deferred income taxes, net	11.70%	11.89%	9.22%	11.22%	6.08%
Liabilities held for sale	0.00%	0.00%	0.00%	0.09%	0.00%
Liabilities of discontinued operations	0.00%	0.00%	5.25%	0.00%	0.00%
Total Liabilities	89.49%	89.73%	91.41%	94.39%	92.42%
Commitments and contingencies					
Equity:					
Preferred Stock, $0.01 par value, no shares issued and outstanding	0.00%	0.00%	0.00%	0.00%	0.00%
Common Stock, $0.01 par value, 86 and 85 shares issued and 84 and 83 shares outstanding	0.02%	0.02%	0.02%	0.01%	0.00%
Additional paid-in capital	13.21%	13.86%	14.22%	11.63%	11.18%
Accumulated deficit	-2.38%	-2.77%	-1.66%	-4.60%	-2.52%
Accumulated other comprehensive income (loss)	0.02%	-0.48%	-1.04%	-0.89%	-0.59%
	10.87%	10.64%	11.53%	6.13%	8.08%
Treasury Stock, at cost, 2 shares and 2 shares	-0.36%	-0.36%	-2.94%	-0.52%	-0.50%
Total equity	10.51%	10.27%	8.59%	5.61%	7.58%
Total liabilities and equity	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

HTZ - HORIZONTAL ANALYSIS (BASE YEAR IS 2013)

*For the years ended December 31	2013	2014	2015	2016	2017
Revenues					
Worldwide vehicle rental	**100.00%**	102.27%	96.84%	94.28%	93.73%
Worldwide equipment rental	**100.00%**	102.08%	0.00%	0.00%	0.00%
All other operations	**100.00%**	107.78%	110.63%	112.33%	121.44%
Total Revenues	**100.00%**	102.52%	83.68%	81.70%	81.70%
Expenses					
Direct vehicle and operating	**100.00%**	109.30%	87.50%	85.37%	85.82%
Depreciation of revenue earning vehicles and lease charges, net	**100.00%**	119.78%	96.05%	102.68%	110.46%
Selling, general and administrative	**100.00%**	103.32%	82.91%	85.38%	83.57%
Interest expense, net:					
Vehicle	**100.00%**	89.00%	84.33%	93.33%	110.33%
Non-vehicle	**100.00%**	93.61%	85.01%	84.52%	75.18%
Total interest expense, net	**100.00%**	91.65%	84.72%	88.26%	90.10%
Goodwill and intangible asset impairments					
Other (income) expense, net	**100.00%**	-14.71%	-112.75%	-73.53%	18.63%
Total expenses	**100.00%**	108.82%	87.35%	91.16%	92.19%
Income (loss) from continuing operations before income taxes	**100.00%**	-3.81%	21.89%	-77.94%	-95.36%
Income tax (provision) benefit	**100.00%**	19.60%	5.65%	1.33%	-299.67%
Net income (loss) from continuing operations	**100.00%**	-27.15%	38.08%	-156.95%	108.28%
Net income (loss) from discontinued operations					
Net income (loss)	**100.00%**	-27.15%	90.40%	-162.58%	108.28%

<u>Net Income</u>	**100.00%**	-27.15%	90.40%	-162.58%	108.28%
Other Comprehensive Income (loss):					
Foreign currency translation adjustments	**100.00%**	126.67%	193.33%	35.56%	-31.11%
Unrealized holding gains (losses) on securities	**100.00%**	-66.67%	0.00%	57.14%	0.00%
Reclassification of realized gain on securities to other (income) expense					
Reclassification of foreign currency items to other (income) expense, net	**100.00%**	0.00%	-4200.00%	0.00%	800.00%
Net gain (loss) on defined benefit pension plans	**100.00%**	-48.24%	-27.06%	-35.29%	47.06%
Reclassification from other comprehensive income (loss) to selling, general and administrative expense for amortization of actuarial (gains) losses on defined benefit pension plans	**100.00%**	-550.00%	450.00%	550.00%	300.00%
Total other comprehensive income (loss) before income taxes	**100.00%**	-203.13%	-223.44%	-50.00%	101.56%
Income tax (provision) benefit related to net gains and losses on defined benefit pension plans	**100.00%**	-21.21%	-45.45%	-21.21%	30.30%
Income tax (provision) benefit related to reclassified amounts of net periodic costs on defined benefit pension plans	**100.00%**	-100.00%	100.00%	200.00%	100.00%
Total other comprehensive income (loss)	**100.00%**	-417.24%	-448.28%	-100.00%	182.76%
Total comprehensive income (loss)	**100.00%**	-61.33%	43.20%	-157.10%	114.80%

HTZ - HORIZONTAL ANALYSIS (BASE YEAR IS 2013)

*For the years ended December 31	2013	2014	2015	2016	2017
ASSETS					
Cash and cash equivalents	**100.00%**	119.22%	115.33%	198.54%	260.83%
Restricted cash and cash equivalents:					
Vehicle	**100.00%**	66.32%	33.57%	27.29%	44.83%
Non-vehicle	**#DIV/0!**	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total restricted cash and cash equivalents	**100.00%**	66.32%	38.68%	32.29%	50.17%
Receivables:					
Vehicle	**100.00%**	114.32%	81.39%	39.08%	38.01%
Non-vehicle, net of allowance of $33 and $42, respectively	**#DIV/0!**	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total receivables, net	**100.00%**	114.32%	127.85%	91.84%	97.71%
Inventories, net	**100.00%**	77.01%	0.00%	0.00%	0.00%
Prepaid expenses and other assets	**100.00%**	128.25%	139.16%	80.84%	96.08%
Revenue earning vehicles:					
Vehicles	**100.00%**	101.15%	92.98%	94.46%	100.82%
Less accumulated depreciation - vehicles	**100.00%**	127.23%	100.52%	105.82%	120.78%
Other equipment	**100.00%**	102.21%	0.00%	0.00%	0.00%
Less accumulated depreciation - other equipment	**100.00%**	104.65%	0.00%	0.00%	0.00%
Total revenue earning vehicles, net	**100.00%**	96.21%	75.72%	76.23%	79.88%
Property and equipment:					
Land, buildings and leasehold improvements	**100.00%**	99.76%	91.66%	91.66%	97.01%
Service equipment and other	**100.00%**	117.38%	80.78%	74.03%	78.02%
Less accumulated depreciation	**100.00%**	113.49%	101.45%	106.95%	119.92%
Total property and equipment, net	**100.00%**	102.88%	76.03%	66.77%	65.37%
Other intangible assets, net	**100.00%**	97.21%	85.40%	80.80%	78.61%
Goodwill	**100.00%**	100.52%	93.27%	79.96%	80.18%

Assets held for sale	**#DIV/0!**	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Assets of discontinued operations	**#DIV/0!**	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total assets	**100.00%**	98.21%	96.28%	78.43%	82.13%
LIABILITIES AND EQUITY					
Accounts payable:					
Vehicle	**100.00%**	98.63%	20.25%	25.24%	28.77%
Non-vehicle	**#DIV/0!**	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total accounts payable	**100.00%**	98.63%	74.95%	80.33%	92.56%
Accrued liabilities	**100.00%**	98.04%	88.39%	83.69%	78.57%
Accrued taxes, net	**100.00%**	91.78%	87.67%	113.01%	109.59%
Debt:					
Vehicle	**100.00%**	98.06%	60.23%	59.15%	63.96%
Non-vehicle	**#DIV/0!**	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total Debt	**100.00%**	98.06%	96.70%	83.03%	91.15%
Public liability and property damage	**100.00%**	109.69%	112.25%	115.95%	121.65%
Deferred income taxes, net	**100.00%**	99.86%	75.88%	75.22%	42.70%
Liabilities held for sale	**#DIV/0!**	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Liabilities of discontinued operations	**#DIV/0!**	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total Liabilities	**100.00%**	98.47%	98.35%	82.72%	84.82%
Commitments and contingencies					
Equity:					
Preferred Stock, $0.01 par value, no shares issued and outstanding	**#DIV/0!**	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Common Stock, $0.01 par value, 86 and 85 shares issued and 84 and 83 shares outstanding	**100.00%**	125.00%	100.00%	25.00%	25.00%

Additional paid-in capital	**100.00%**	103.07%	103.63%	69.03%	69.53%
Accumulated deficit	**100.00%**	114.09%	67.18%	151.55%	86.94%
Accumulated other comprehensive income (loss)	**100.00%**	-1916.67%	-4083.33%	-2850.00%	-1966.67%
	100.00%	96.12%	102.15%	44.27%	61.04%
Treasury Stock, at cost, 2 shares and 2 shares	**100.00%**	100.00%	795.40%	114.94%	114.94%
Total equity	**100.00%**	95.99%	78.65%	41.88%	59.21%
Total liabilities and equity	**100.00%**	98.21%	96.28%	78.43%	82.13%

HTZ RATIO ANALYSIS

LIQUIDITY	2013	2014	2015	2016	2017
Accounts Receivable Turnover		7.38	5.33	5.74	6.65
A/R Turnover in Days		49.47	68.47	63.63	54.90
Inventory Turnover		15.43	19.95	28.82	24.80
Inventory Turnover in Days		23.66	18.30	12.67	14.72
Working Capital	271.00	781.00	1,326.00	711.00	1,098.00
Current Ratio	1.12	1.34	1.69	1.36	1.54
Acid Test	0.77	0.91	1.17	1.07	1.20
Cash Ratio	0.18	0.21	0.25	0.42	0.53
Sales to Working Capital	39.76	14.14	6.80	12.38	8.02
Cash Flow/Cur. Mat. Of Debt & NP	8.03%	3.91%	4.64%	1.14%	0.42%

LONG-TERM DEBT-PAYING ABILITY	2013	2014	2015	2016	2017
Times Interest Earned	1.85	0.96	1.22	0.25	0.10
Fixed Charge Coverage	1.74	(0.05)	0.48	(1.71)	(2.37)
Debt Ratio	79.91%	80.18%	83.21%	84.12%	82.32%

Debt/Equity	7.60		7.80	9.69	14.99	10.86
Debt to Tangible Net Worth	0.04		0.04	0.02	(0.02)	0.02
Cash Flow/Total Debt	0.03		(0.00)	0.01	(0.03)	(0.03)
PROFITABILITY		2013	2014	2015	2016	2017
Net Profit Margin						
Total Asset Turnover	7.71		6.92	5.05	6.86	6.45
Return on Assets	0.01		(0.00)	0.01	(0.03)	0.02
Operating Income Margin		2.80%	-0.74%	3.03%	-5.58%	3.71%
Operating Asset Turnover			0.11	(0.03)	0.09	(0.17)
Return on Operating Assets			10.63%	-2.59%	9.20%	-16.93%
Sales to Fixed Assets	-		7.92	8.37	9.09	10.81
Return on Total Equity		11.76%	-3.33%	13.52%	-45.67%	21.51%
Gross Profit Margin		22.88%	15.37%	16.96%	14.43%	11.89%
INVESTOR ANALYSIS		**2013**	**2014**	**2015**	**2016**	**2017**
Degree of Financial Leverage	2.17		(27.17)	5.54	(0.33)	(0.11)
Earnings per Share	422.00		454.00	90.00	84.00	83.00
Price/Earnings Ratio	0.06		(0.32)	0.08	(0.02)	0.06

	2013	2014	2015	2016	2017
Book Value per Share	28.79	26.84	23.87	12.95	18.16
Oper. Cash Flow per Share					
Year-end Market Price	18.28	26.02	20.52	9.08	20.97
GROWTH ANALYSIS	**2013**	**2014**	**2015**	**2016**	**2017**
GP Growth		-33%	10%	-15%	-18%
Sales Growth		2.52%	-18.37%	-2.37%	0.00%
NI Growth		-127.15%	-432.93%	-279.85%	-166.60%
Operating Profit Margin	5.60%	-0.21%	1.46%	-5.34%	-6.53%
COST CONTROL					
Growth in Operating Expenses		8.82%	-19.73%	4.37%	1.13%
Operating Costs/Sales	77.12%	84.63%	83.04%	85.57%	88.11%
Interest Exp./Sales	6.56%	5.87%	6.64%	7.09%	7.24%

APPENDIX C

QUESTION ANSWERS

2. Describe in brief how the existence of a set of generally accepted accounting principles helps financial analysts (and other financial statement users) increase the soundness of investment decision making. What are the goals of investors and creditors, and how does accounting help them achieve their goals? Could financial analysts conduct a thorough assessment of the firm's performance without knowledge of accounting standards?

If companies or nonprofits simply fabricated numbers to represent their revenues, profits, or expenses, would lead to economic chaos. Investors would not know which companies to invest in, donors would not know the financial health of a charitable organization, nor would employees be able to determine if their retirement funds were secured. The goals of investors, dependent upon their level of risk taking, is to maximize their return on investment. Creditors want to lend capital to credit worthy companies that have sufficient assets and revenue generating capability to pay their financial obligations.

The rules and guidelines set forth by GAAP supports the economy by providing relevant, reliable, and comparable financial data. In turn, the data produces high quality financial reports that make it easier to analyze the financial health of a company, allowing investors and creditors to make informed investment decisions. Without knowledge of accounting standards, it would be difficult for an analyst to accurately interpret a company's financial statements and compute important liquidity, solvency, and profitability ratios.

4. *Assess the degree of compliance of MAIN with the current FASB Revenue Recognition (ASC 605) rules and the proposed rules (ASU 2014-09 and its amendments). How do these rules compare and contrast to the IASB's IAS 18 Revenue? Which of the three standards*

(ASC 605, ASU 2014-09, and IAS 18) do you think critically furthers our financial analyst's task in this assignment?

As a result of the accounting pronouncement, CAR adopted ASU 2014-09 - Revenue from Contracts with Customers (Topic 606) effective January 1, 2018, on a modified retrospective basis applying the standard to all contracts. Adopting ASU 2014-09 shows how the company is in compliance with GAAP. When the FASB published revenue guidance, ASU 2014-09, the IASB published its equivalent standard, IFRS 15 - Revenue from Contracts with Customers. IAS 18 contains high-level general principles applicable to different industries and transactions. While US GAAP is based on the same principles, it contains more detailed implementation guidance and includes industry specific guidance, such as software, which results in more consistent revenue recognition.

The rules set forth by the FASB and IASB, demonstrate the ongoing convergence plan between the two boards, and provides a single model for entities to use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance. Companies that recognize revenue without following the guidance set forth in ASC 605 are opening doors to fraud, and result in misinterpretation in regards to the profitability of the company. Of the three standards, I believe ASU 2014-09 will allow an analyst to more thoroughly assess revenue and determine if the figures are inflated in comparison to benchmark competitors.

REFERENCES

ABG. (n.d.). Executive Bios. Retrieved from https://www.avis.com/en/about-avis/company-information/executive-bios

Avis Budget Group Book Value per Share (CAR). (n.d.). Retrieved from https://www.gurufocus.com/term/Book+Value+Per+Share/CAR/Book%252BValue%252Bper%252BShare/Avis%2BBudget%2BGroup%2BInc

Avis Budget Group, Inc. Common Stock (CAR) Historical Prices & Data - NASDAQ.com. (n.d.). Retrieved from https://www.nasdaq.com/symbol/car/historical

Avis Budget Group, Inc.: CEO and Executives - Bloomberg. (n.d.). Retrieved from https://www.bloomberg.com/research/stocks/private/people.asp?privcapId=26268

Avis Budget Group. (n.d.). Our Purpose, Mission & Vision. Retrieved from http://www.avisbudgetgroup.com/company-information/our-purpose-mission-and-vision/

Barrows, J. (2015, September 9). Avis Budget Group Announces CEO Succession Plan (NASDAQ:CAR). Retrieved from http://ir.avisbudgetgroup.com/releasedetail.cfm?releaseid=931903

CAR Profile | Avis Budget Group, Inc. Stock - Yahoo Finance. (n.d.). Retrieved from https://finance.yahoo.com/quote/CAR/profile?p=CAR

CAR: NASDAQ GS Stock Quote - Avis Budget Group Inc. (n.d.). Retrieved from https://www.bloomberg.com/quote/CAR:US

CNBC. (2017, November 13). US10Y: US 10-YR - Stock Quote and News - CNBC. Retrieved from https://www.cnbc.com/quotes/?symbol=US10Y

Frankfurt/M., F. (2018, February 18). US - Market Risk Premia. Retrieved from http://www.market-risk-premia.com/us.html

Hertz Global Holdings Book Value per Share (HTZ). (n.d.). Retrieved from https://www.gurufocus.com/term/Book%20Value%20Per%20Share/HTZ/Book%2BValue%2Bper%2BShare/Hertz%2BGlobal%2BHoldings%2BInc

IAS 18 — Revenue. (n.d.). Retrieved from https://www.iasplus.com/en/standards/ias/ias18

IASB and FASB issue new, converged revenue standards. (2014, May 28). Retrieved from https://www.iasplus.com/en-us/news/2014/05/revenue

Zacks Investment Research. (2015, April 17). Avis Appoints New CEO: Will This Take the Graph Higher? Retrieved from https://www.zacks.com/stock/news/190469/avis-appoints-new-ceo-will-this-take-the-graph-higher

Zacks Investment Research. (2017, February 2). Is Avis Budget a Great Stock for Value Buying Right Now? Retrieved from https://www.zacks.com/stock/news/251098/is-avis-budget-a-great-stock-for-value-buying-right-now

Warren E. Avis | Automotive Hall of Fame. (n.d.). Retrieved from http://www.automotivehalloffame.org/honoree/warren-e-avis/