



Avis Budget Group (CAR)

February 12th, 2025, Sell Recommendation

Joe Kwiatkowski, Francis Zaklu

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Section I. Company Overview

Analyst(s): Matt Marten



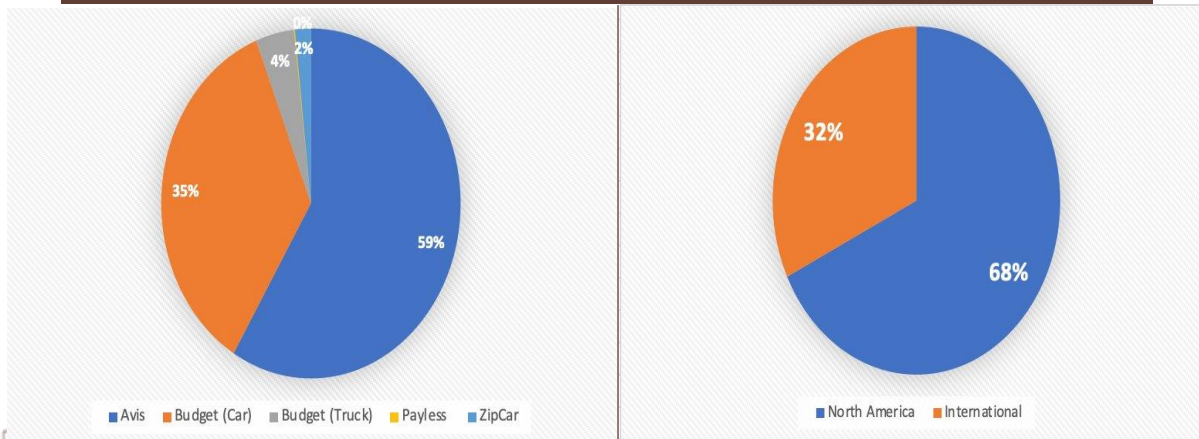
Company Summary



Avis Budget Group

- Avis has major market share in Car Rental and Car Sharing Providers. Avis was founded in 1946, the first location at Willow Run Airport in Detroit, Michigan.
- Avis has 24,000 employees at over 10,250 locations in 180 different countries. They have an average rental fleet of about 691,500 cars.
- Avis is a provider of global mobility solutions. Through their different brands Avis, Payless, Budget, and Zipcar they offer car and truck rental on-demand.
- Avis' growth strategy is focused on providing more sustainable mobility solutions and accelerating fleet rotation.
- CEO/President – Joe Ferraro, CFO - Izzy Martins, International President - Anna Pawlak-Kuliga

Revenue Breakdown



Financial Summary

Current Price	\$95.20
Dividend Payout Ratio	0.0%
52-week high	\$132.25
52-week low	\$65.73
Fully Diluted Shares Outstanding (in millions)	35.1

Enterprise Value (in millions)	
Market Cap	\$3,340.0
Add: Total Debt	26,110.0
Add: Minority Interest	0.0
Less: Cash & S.T Investment	534.0
Enterprise Value	\$29,984.0

Capital Structure	Value	%
Debt	26,110.0	88.7%
Equity	3,340.0	11.3%
Total Capitalization	\$29,450.0	100.0%

	Financial Summary (in millions)				
	2020A	2021A	2022A	2023A	2024E
Revenue	\$5,559.0	\$9,674.0	\$13,013.0	\$12,664.0	\$11,622.0
YOY Growth		74.0%	34.5%	(2.7%)	(8.2%)
EBIT	(\$725.0)	\$1,926.0	\$3,886.0	\$2,210.0	(\$2,269.0)
YOY Growth		(365.7%)	101.8%	(43.1%)	(202.7%)
EBITDA	\$1,836.0	\$4,406.0	\$6,697.0	\$5,660.0	\$1,740.0
YOY Growth		140.0%	52.0%	(15.5%)	(69.3%)
Net Income	(\$684.0)	\$1,285.0	\$2,764.0	\$1,632.0	(\$1,821.0)
YOY Growth		(287.9%)	115.1%	(41.0%)	(211.6%)
Fully Reported EPS	(\$9.71)	\$19.44	\$57.16	\$42.08	(\$51.23)
YOY Growth		(300.2%)	194.0%	(26.4%)	(221.7%)



Annotated Price Chart



Stock Chart



Major Events

1. Avis shares soar between May 1st-3rd, largely due to much better expected first quarter results and rental percentages were up as well, yet Avis was still in a hole at this point.
2. Avis reports lower than expected second quarter 2024 results with revenue internationally and nationally missing largely. Led to a dip from about \$88 to \$70, eventually returning. Early September
3. Avis stock soars in price despite missing third quarter results by a fair amount. Early November

ESG

Avis has three pillars of their ESG strategy, and this serves as a road map to operate responsibly, drive progress, and execute their company commitments.

- Sustainable - Avis aims to provide sustainable mobility options by leveraging technology and investing in fuel-efficient, hybrid, and electric vehicles, and reducing energy and water consumption/increasing waste diversion.
- Safety – Avis’ core belief is that health and safety is every employee’s responsibility, for the benefit of our colleagues, customers, other stakeholders, and the communities where we operate.
- Equitable - Embracing and promoting diversity is a critical component of Avis’ success. Avis strives to create a safe, supportive, and inclusive environment.

ESG Risk Rating COMPREHENSIVE ?
13.5 **Low Risk**



Ranking
 Industry Group (1st = lowest risk)
Transportation **8** out of 378

Universe
Global Universe **1095** out of 14916

Company	ESG Risk Rating	Industry Rank
Avis Budget Group, Inc.	13.5 Low	8 out of 378
ComfortDelGro Corp. Ltd.	14 Low	10 out of 378
Sixt SE	14.8 Low	15 out of 378
Seino Holdings Co., Ltd.	17.8 Low	56 out of 378
RXO, Inc.	20.7 Medium	118 out of 378

Section II. Industry Overview

Analyst(s): Jack Corcoran



Vehicle Rental Market Share by Company

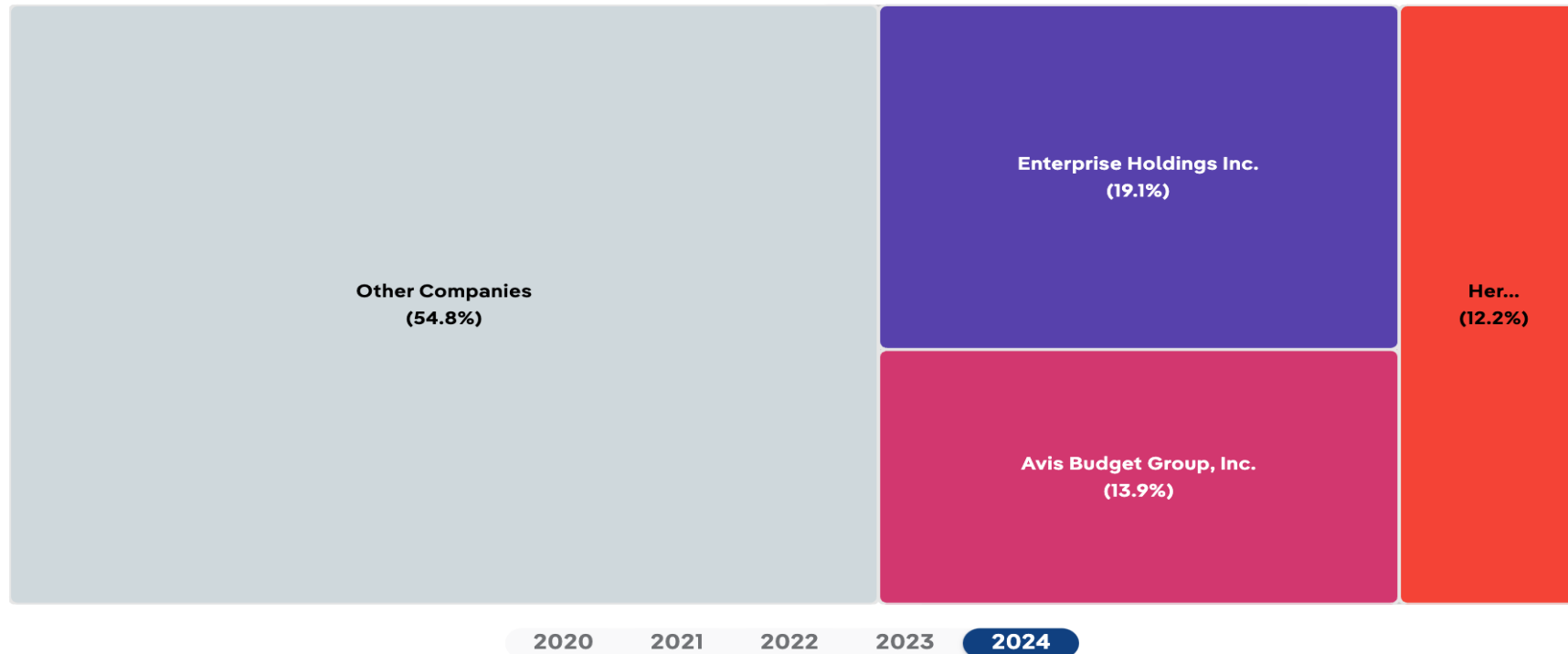


The graph shows the market share distribution of the U.S. car rental industry in 2024, with Avis Budget Group, Inc. holding a 13.9% share of the total industry revenue. This positions Avis as the second-largest company in the industry, behind Enterprise Holdings Inc. (19.1%) but ahead of Hertz (12.2%).

Car Rental in the US

Industry Market Share by Company

Industry-specific company revenue as a share of total industry revenue



Students in Money Management

AVIS last year performance vs Competitors



Car Rental Industry Analysis (2019-2029)

Revenue

\$64.9bn

'19-'24 ↑ 3.0 %

'24-'29 ↑ 2.9 %

Employees

84,423

'19-'24 ↓ 4.4 %

'24-'29 ↑ 2.3 %

Businesses

2,480

'19-'24 ↑ 1.8 %

'24-'29 ↑ 0.3 %

Profit

\$5.7bn

'19-'24 ↑ 3.0 %

Profit Margin

8.8%

'19-'24 0.0 pp

Wages

\$5.0bn

'19-'24 ↓ 2.1 %

'24-'29 ↑ 2.4 %

ⓘ Five-year growth rates display historic and forecast CAGRs

- **Revenue:** \$64.9B in 2024, 3.0% growth (2019-24), slightly slowing to 2.9% (2024-29).
- **Employment:** -4.4% decline (2019-24) but expected to grow 2.3% (2024-29).
- **Businesses:** +1.8% growth (2019-24), slowing to 0.3% (2024-29), indicating market saturation.
- **Profit:** \$5.7B in 2024, 3.0% growth, with a steady 8.8% profit margin.
- **Wages:** -2.1% drop (2019-24) but forecasted +2.4% growth (2024-29).

Section IV. Risks & Catalysts

Analyst(s): Matthew Joss & Mike Sears



Risks and Catalysts



Risks

- Many Analysts Predict Upward of \$125 Price per Share
- Negative EPS
- 26B Dollars of Debt
- Lower YoY Revenue
- High Competitive Pressure

Why do so many Analyst see such a Bullish trend for Avis despite its questionable numbers?

Risk: EPS

- Earnings Per Share
- Impairment Charge
- Net Income/Shares Outstanding
- Doesn't Represent Operational Performance

Earnings History

Earnings | Sales | Guidance | Revisions | Dividends | Splits | Transcripts

Search:

Date ▼	Period Ending ↕	Estimate ↕	Reported ↕	Surprise ↕	% Surprise ↕	Time
2/11/25	12/2024	-\$0.96	-\$0.23	+0.73	+76.04%	After Close
10/31/24	9/2024	\$8.55	\$6.65	-1.90	-22.22%	After Close
8/5/24	6/2024	\$2.60	\$0.41	-2.19	-84.23%	After Close
5/1/24	3/2024	-\$3.15	-\$3.21	-0.06	-1.90%	After Close

$$\text{EPS without impairment} = \frac{100 \text{ million}}{10 \text{ million shares}} = 10 \text{ per share}$$

$$\text{EPS with impairment} = \frac{90 \text{ million}}{10 \text{ million shares}} = 9 \text{ per share}$$

Impairment Charge: Recorded as Asset Loss

Risk: Valuation Measures

Impairment Charge Negatively Affects:

- P/E
- EPS
- Net Income
- P/B

The Risk with AVIS is the numbers being skewed because such high Impairment Cost

Impairment is non-cash:

- Doesn't reflect the company's actual cash flow or day-to-day business operations

Metric	Old Numbers	New Numbers (After Removing Impairment)
Trailing P/E Ratio	4.29	1.81
Price/Book Ratio	7.14	2.00
Price/Sales	0.27	0.27
Enterprise Value/Revenue	2.50	2.50
Enterprise Value/EBITDA	6.26	6.26

Valuation Measures

Annual Quarterly Monthly

	Current	12/31/2024	9/30/2024
Market Cap	3.19B	2.83B	3.07B
Enterprise Value	28.69B	29.06B	30.15B
Trailing P/E	4.29	7.19	4.30
Forward P/E	3.39	--	--
PEG Ratio (5yr expected)	--	--	--
Price/Sales	0.27	0.25	0.27
Price/Book	7.14	--	--
Enterprise Value/Revenue	2.50	2.47	2.50
Enterprise Value/EBITDA	6.26	6.46	6.25

Risk: Operational Performance

- **New Fleet Rotation Strategy:**

- \$2 billion on new vehicles
- Optimize fleet utilization
- Reduce depreciation costs.

- **Cash Flow Generation:**

- Avis generated \$1.1 billion in free cash flow

- **FCF = Operating Cash Flow - Capital Expenditures**

- **Fleet Utilization:** Avis's fleet utilization rate reached 85% in Q4 2024.



Risk: Day to Day Operations

26.11B dollars in Debt

Capital for Fleet and Expansion:

- Buying New Cars
- Never in Lack of Supply for Demand

Tax Deductions:

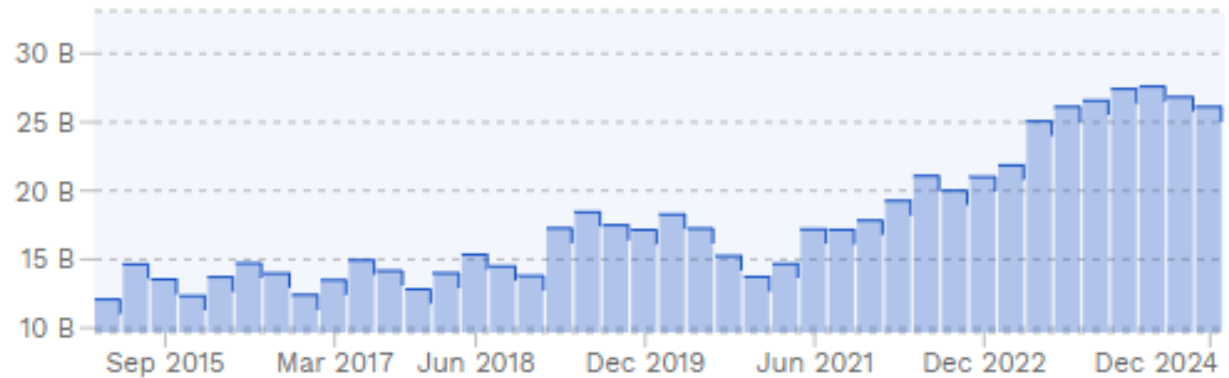
- Tax Shields for High Debt

How a Normal Investor may view this:

- Very High Demand
- Upwards of 13 years until Debt Free

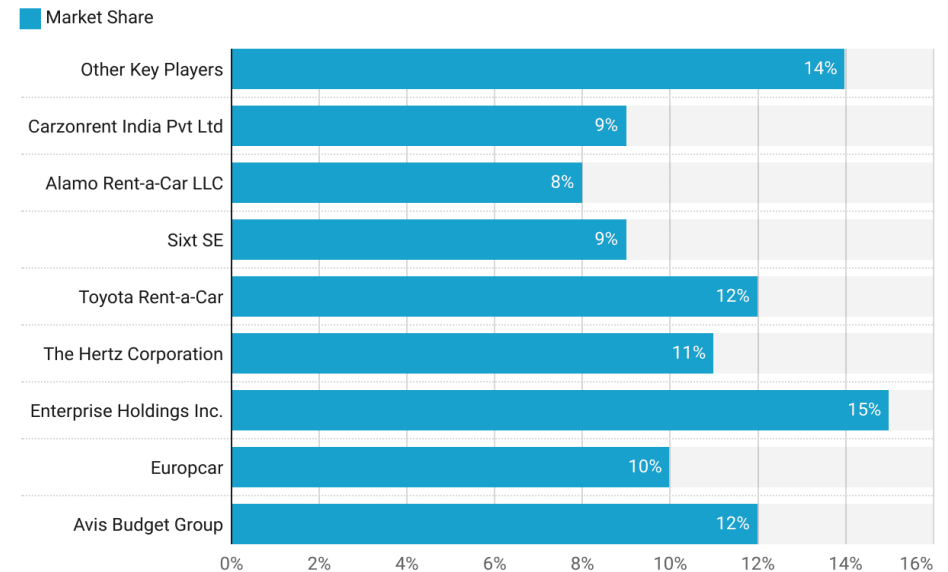
Competition is High:

- Enterprise Being Private
- Avis holds only 10-15% Market Share



Competitive Landscape of the Global Car Rental Market

Market Share in Percentage



(Market Share in %)
Source: Market.us News



Risks and Catalysts

Catalysts

- Poor Performance Since Purchase
- Leadership Changes
- Growing Rideshare Market
- Prices Rising

Shift in consumer behavior and rising prices make the car rental industry risky. Poor performance and high volatility make this stock even more of a risk

Performance Since Purchase



- 52 Week Range 65.73 - 132.25
- Three poor earnings reports in a row. Missing revenue each time
- Beta above 2.2 showing volatility in the stock
- Net loss of \$1.8 billion in 2024

Leadership Changes

- Brian Choi to replace current CEO Joseph Ferraro on July 1st
- Choi is Currently Chief Transformation Officer previously CFO and board member over a 9-year career at AVIS budget group
- Ferraro will move into role of board advisor

Rideshare Growth

- Easy to use
- Less wait time
- Suggestions are that it is easier to not rent on business trips or short breaks
- Robotaxi???

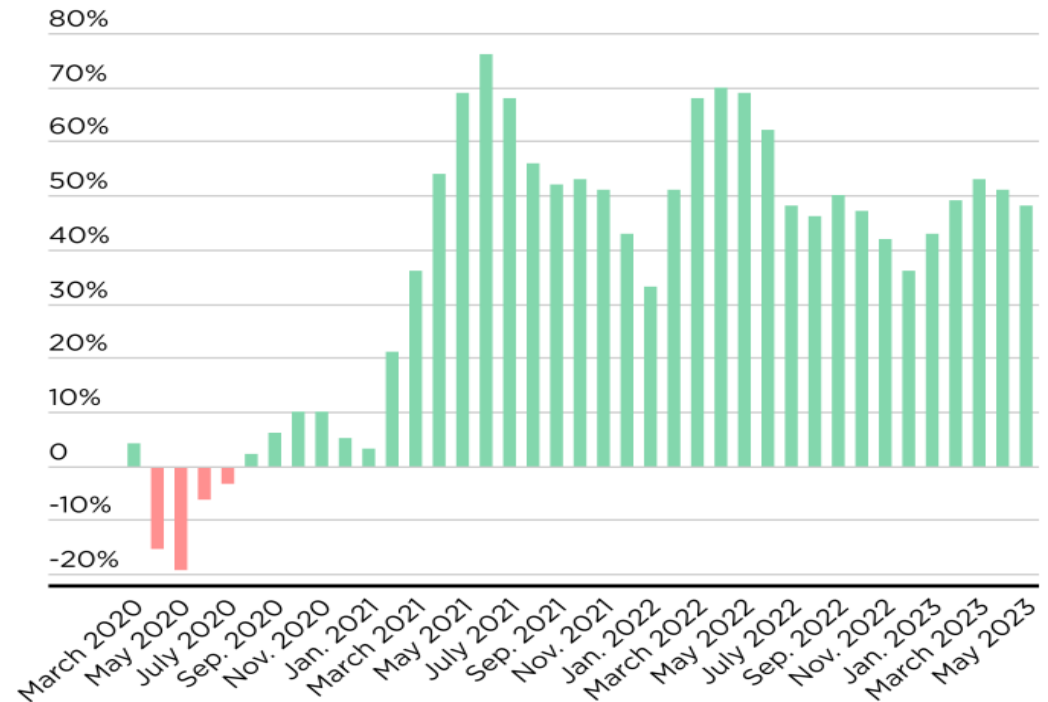
The Lyft logo is displayed in a large, bold, pink font. The letters are stylized with rounded edges and a slight shadow effect, giving it a three-dimensional appearance.The Uber logo is shown in white text on a solid black rectangular background. The word "Uber" is written in a clean, sans-serif font.

Rising Costs

- Average price of car rental is up 35% since the pandemic
- Over 10% more than average price increase for all product
- Additional Expense in renting (Insurance, gas, parking, tolls)

Change in rental car prices

Percent change compared with 2019 prices.



Source: U.S. Bureau of Labor Statistics

Section V. Valuation

Analyst(s): Aaron Lusak

Comparable Company Analysis – Base Case



Comparable Company Analysis

Company	Stock Price As of: 8/20/21	Stock Performance YTD	Stock Price 52 Week Range	Market Value of Equity	Enterprise Value	EV / LTM			Margins / LTM			2023-2024 EPS Growth	PEG Ratio	Total Debt / EBITDA	Levered Betas	Price / Book	
						Sales	EBITDA	PE	Gross	EBITDA	EBIT						
Steel & Aluminum																	
Hertz Global Holdings (HTZ)	\$4.05	10.5%	\$2.47 - \$8.21	\$1,234.9	\$7,819.9	0.9x	2.6x	(1.0x)	37.1%	17.4%	(28.2%)	(550.0%)	n/a	6.0x	1.37	1.9x	
Lithia Motors (LAD)	\$379.62	6.2%	\$243 - \$405.68	\$10,112.0	\$22,783.4	0.6x	12.5x	12.5x	15.3%	5.0%	4.3%	(19.0%)	4.5x	7.2x	1.21	1.5x	
Driven Brands Holdings Inc. (DRVN)	\$16.23	0.6%	\$10.59 - \$17.45	\$2,663.6	\$2,663.6	2.8x	11.5x	16.7x	-	17.2%	9.6%	n/a	0.8x	7.2x	1.27	2.8x	
						Mean	1.4x	8.9x	9.4x	26.2%	13.2%	(4.8%)	(2.8x)	2.6x	6.8x	1.3x	2.1x
						Median	0.9x	11.5x	12.5x	26.2%	17.2%	4.3%	(2.8x)	2.6x	7.2x	1.3x	1.9x
Avis Budget Group (CAR)	\$90.75	(25.1%)	\$65.73 - \$132.25	\$3,186.3	\$20,197.3	1.7x	13.4x	14.2x	49.0%	(9.0%)	(11.0%)	(52.0%)	n/a	11.6x	2.25	7.1x	

Source: SEC Filings 10K, 10Q and Yahoo Finance



Comparable Highlights

Price / Book	Levered Betas	2023-2024 EPS Growth	Stock Performance YTD	EV / LTM EBITDA	Total Debt / EBITDA
1.9x	1.37	(550.0%)	10.5%	2.6x	6.0x
1.5x	1.21	(19.0%)	6.2%	12.5x	7.2x
2.8x	1.27	n/a	0.6%	11.5x	7.2x
2.1x	1.3x	(2.8x)		8.9x	6.8x
1.9x	1.3x	(2.8x)		11.5x	7.2x
7.1x	2.25	(52.0%)	(25.1%)	13.4x	11.6x

Discounted Cash Flow Statement – Base Case

Weighted Average Cost of Capital - WACC	
Stock Price	\$96.50
Fully Diluted Shares Outstanding	35.00
Equity Value	\$3,377.50
Current Debt	17,002
Cash	(534)
Minority Interest	(4)
Enterprise Value	\$19,841.50
Equity	\$3,377.50
Debt	17,002
Total Capitalization	\$20,379.50
Capital Asset Pricing Model - CAPM	
30 year T-Bill / Risk Free Rate	4.72%
Equity Risk Premium	4.00%
Beta	2.25
Cost of Equity	13.7%
Tax Rate	25.0%
Cost of Debt	4.5%
Cost of Preferred Stock	0
WACC	5.1%
WACC Driver	5.0%

Discounted Cash Flow Statement – Base Case

Terminal EBITDA Method	
Exit Year EBITDA	\$2,096.0
Multiple	8.5x
Terminal Value	17,816.0
WACC / Discount Rate	5.0%
Discount Period	4.5
Net Present Terminal Value	\$14,304.0
Present Value of ULFCF	5,586.5
Implied Enterprise Value	\$19,890.5
Current Debt	17,002
Cash	(534)
Minority Interest	(4)
Net Debt	16,464
Implied Equity Value	\$3,426.5
Diluted Shares Outstanding	35.00
Implied Share Price	\$97.90

Perpetuity Method	
Unlevered Free Cash Flow	\$1,386.5
Growth Rate	1.0%
Terminal Value	\$35,009.1
WACC / Discount Rate	5.0%
Discount Period	4.5
Net Present Terminal Value	\$28,108.0
Present Value of ULFCF	5,586.5
Implied Enterprise Value	\$33,694.4
Current Debt	17,002
Cash	(534)
Minority Interest	(4)
Net Debt	16,464
Implied Equity Value	\$17,230.4
Diluted Shares Outstanding	35.00
Implied Share Price	\$492.30

Analyst recommendations

- Bullish price target - \$150.0
- Bearish price target - \$95.0
- Consensus price target - \$122.64
- Source: <https://simplywall.st/stocks/us/transportation/nasdaq-car/avis-budget-group>

Section VI. Investment Thesis

Analyst(s): Aaron Lusak



Avis Budget Group: Investment Thesis



Company Overview / Story

- Avis has major market share in Car Rental and Car Sharing Providers. Avis was founded in 1946, the first location at Willow Run Airport in Detroit, Michigan.
- Avis has 24,000 employees at over 10,250 locations in 180 different countries. They have an average rental fleet of about 691,500 cars.
- Avis is a provider of global mobility solutions. Through their 3 brands Avis, Budget, and Zipcar they offer car and truck rental on-demand.
- Avis' growth strategy is focused on providing more sustainable mobility solutions and accelerating fleet rotation.
- CEO/President – Joe Ferraro, CFO - Izzy Martins, International President - Anna Pawlak-Kuliga

Catalyst of selling

- Since the purchase Avis Budget Group, the stock has performed poorly.
- Avis Budget Group will implement a new CEO in effective in July 2025.
- Growing Rideshare Market.
- The prices to rent vehicles is increasing making it difficult to acquire clients.

Risks of selling

- Many Analysts Predict Upward of \$125 Price per Share.
- Avis Budget group reported a Negative EPS in their 4th Quarter earnings report.
- Avis currently has 26B Dollars of Debt
- Avis Budget Group has recorded Lower YoY Revenue.
- Avis Budget Group has highly competitive pressure.

Valuation

- We preformed discounted cash flow analysis and comparable company analysis with an emphasis on 3 multiples.
- The analysis on Avis's Budget Group through the ratio's suggests they are overvalued.
- We weighted our DCF to Terminal EBITDA and our 3 ratios pointed out in the "Comparable Highlights" the highest as they seemed most applicable to our sell evaluation on Avis Budget Group.



Sell/hold Recommendation

“We want to initiate a sell of 60 shares of our current position in Avis Budget Group at a price target of \$95 lower than the current price, representing a -18.6% annualized return from the initial purchases at \$115. However, we want to include a price target of \$122.33 to give Avis a chance to recover, representing a 6.9% annualized return from the initial purchase at \$115. ”

*Cash lost on investment: **\$1,200***

*Cash gained on price target: **\$439.80***



Recommendation

- \$95 trailing stop loss

- \$122.33 price target sell

Sell Recommendation	
Current shares	60.0
Endowment Shares	(40.0)
Unrestricted Shares	(20.0)
Total Shares Sold	(60.0)
Total Shares Remaining	0.0
Market Price	\$95.00
Purchase Price	\$115.00
Upside %	(17.4%)
Cost Basis	(6,900.0)
Market Value	5,700.0
Total Realized Gains	-\$1,200.0
Unrestricted Gains	-600.0
Endowment (2/3)	-400.0
Endowment (1/3)	-200.0
SIMM Realized Gains	-\$800.0
Years held	0.9 Years
Annualized Return	-18.6%
% change in Portfolio	(1.0%)
% remainder of Portfolio	0.0%

Sell Recommendation	
Current shares	60.0
Endowment Shares	(40.0)
Unrestricted Shares	(20.0)
Total Shares Sold	(60.0)
Total Shares Remaining	0.0
Market Price	\$122.33
Purchase Price	\$115.00
Upside %	6.4%
Cost Basis	(6,900.0)
Market Value	7,339.8
Total Realized Gains	\$439.8
Unrestricted Gains	219.9
Endowment (2/3)	146.6
Endowment (1/3)	73.3
SIMM Realized Gains	\$293.2
Years held	0.9 Years
Annualized Return	6.9%
% change in Portfolio	(1.2%)
% remainder of Portfolio	0.0%

