AVIS BUDGET GROUP, INC.
Form 10-K
February 21, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
COMMISSION FILE NO. 001-10308

AVIS BUDGET GROUP, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE	06-0918165
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
6 SYLVAN WAY PARSIPPANY, NJ	07054
(Address of principal executive offices)	(Zip Code)

973-496-4700
(Registrant's telephone number, including area code)
SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, Par Value $.01	The NASDAQ Global Select Market
Preferred Stock Purchase Right	The NASDAQ Global Select Market

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

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

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

As of June 30, 2016, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was $2,911,952,460 based on the closing price of its common stock on the NASDAQ Global Select Market. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be “affiliates” of the registrant.

As of January 31, 2017, the number of shares outstanding of the registrant’s common stock was 85,991,536.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive proxy statement to be mailed to stockholders in connection with the registrant’s annual stockholders’ meeting scheduled to be held on May 16, 2017 (the “Annual Proxy Statement”) are incorporated by reference into Part III hereof.

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FORWARD-LOOKING STATEMENTS

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

- the high level of competition in the vehicle rental industry and the impact such competition may have on pricing and rental volume;
- a change in travel demand, including changes in airline passenger traffic;
- a change in our fleet costs as a result of a change in the cost of new vehicles, manufacturer recalls, disruption in the supply of new vehicles, and/or a change in the price at which we dispose of used vehicles either in the used vehicle market or under repurchase or guaranteed depreciation programs;
- the results of operations or financial condition of the manufacturers of our cars, which could impact their ability to perform their payment obligations under our agreements with them, including repurchase and/or guaranteed depreciation arrangements, and/or their willingness or ability to make cars available to us or the rental car industry as a whole on commercially reasonable terms or at all;
- any change in economic conditions generally, particularly during our peak season or in key market segments;
- our ability to continue to achieve and maintain cost savings and successfully implement our business strategies;
- our ability to obtain financing for our global operations, including the funding of our vehicle fleet through the issuance of asset-backed securities and use of the global lending markets;
- an occurrence or threat of terrorism, pandemic disease, natural disasters, military conflict or civil unrest in the locations in which we operate;
- our dependence on third-party distribution channels, third-party suppliers of other services and co-marketing arrangements with third parties;
- our ability to utilize derivative instruments, and the impact of derivative instruments we utilize, which can be affected by fluctuations in interest rates, gasoline prices and exchange rates, changes in government regulations and other factors;
- our ability to accurately estimate our future results;
- any major disruptions in our communication networks or information systems;

- our exposure to uninsured or unpaid claims in excess of historical levels;
- risks associated with litigation, governmental or regulatory inquiries, or any failure or inability to comply with laws, regulations or contractual obligations or any changes in laws, regulations or contractual obligations, including with respect to personally identifiable information and taxes;
- any impact on us from the actions of our licensees, dealers and independent contractors;

- any substantial changes in the cost or supply of fuel, vehicle parts, energy, labor or other resources on which we depend to operate our business;
- risks related to our indebtedness, including our substantial outstanding debt obligations and our ability to incur substantially more debt;
- our ability to meet the financial and other covenants contained in the agreements governing our indebtedness;
- risks related to tax obligations and the effect of future changes in accounting standards;
- risks related to completed or future acquisitions or investments that we may pursue, including any incurrence of incremental indebtedness to help fund such transactions and our ability to promptly and effectively integrate any acquired businesses;
- risks related to protecting the integrity of our information technology systems and the confidential information of our employees and customers against security breaches, including cyber-security breaches; and
- other business, economic, competitive, governmental, regulatory, political or technological factors affecting our operations, pricing or services, including uncertainty and instability related to potential withdrawal of countries from the European Union.

We operate in a continuously changing business environment and new risk factors emerge from time to time. New risk factors, factors beyond our control, or changes in the impact of identified risk factors may cause actual results to differ materially from those set forth in any forward-looking statements. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. Moreover, we do not assume responsibility for the accuracy and completeness of those statements. Other factors and assumptions not identified above, including those discussed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” set forth in Item 7, in “Risk Factors” set forth in Item 1A and in other portions of this Annual Report on Form 10-K, may contain forward-looking statements and involve uncertainties that could cause actual results to differ materially from those projected in such statements.

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

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PART I

ITEM 1. BUSINESS

Except as expressly indicated or unless the context otherwise requires, the "Company," "Avis Budget," "we," "our" or "us" means Avis Budget Group, Inc. and its subsidiaries. "Avis," "Budget," "Budget Truck," "Zipcar," "Payless," "Apex," "Maggic and "France Cars" refer to our Avis Rent A Car System, LLC, Budget Rent A Car System, Inc., Budget Truck Rental, LLC, Zipcar, Inc., Payless Car Rental, Inc., Apex Car Rentals, Maggiore Rent S.p.A. and AAA France Cars SAS operations, respectively, and, unless the context otherwise requires, do not include the operations of our licensees, as further discussed below.

OVERVIEW

We are a leading global provider of vehicle rental and car sharing services, operating three of the most recognized brands in the industry through Avis, Budget and Zipcar. We are a leading vehicle rental operator in North America, Europe, Australia, New Zealand and certain other regions we serve. We and our licensees operate the Avis and Budget brands in approximately 180 countries throughout the world. We generally maintain a leading share of airport car rental revenue in North America, Europe, Australia and New Zealand, and we operate one of the leading truck rental businesses in the United States.

Our brands are differentiated to help us meet a wide range of customer needs throughout the world. Avis is a leading rental car supplier positioned to serve the premium commercial and leisure segments of the travel industry, and Budget is a leading rental vehicle supplier focused primarily on more value-conscious segments of the industry.

On average, our rental fleet totaled approximately 600,000 vehicles and we completed more than 39 million vehicle rental transactions worldwide in 2016. We generate approximately 70% of our vehicle rental revenue from on-airport locations and approximately 30% of our revenue from off-airport locations. We also license the use of the Avis and Budget trademarks to licensees in areas in which we do not operate directly. Our brands have an extended global reach with more than 11,000 car and truck rental locations throughout the world, including approximately 5,000 car rental locations operated by our licensees. We believe that Avis, Budget and Zipcar enjoy complementary demand patterns with mid-week commercial demand balanced by weekend leisure demand.

Our Zipcar brand is the world's leading car sharing company, with more than one million members in the United States, Canada and Europe. We operate Budget Truck, one of the leading truck rental businesses in the United States, with a fleet of approximately 22,000 vehicles that operate through a network of approximately 1,000 dealer-operated and 480 Company-operated locations throughout the continental United States. We also own Payless, a car rental brand that operates in the deep-value segment of the industry; Apex, which is a leading deep-value car rental brand in New Zealand and Australia; Maggiore, a leading vehicle rental brand in Italy; and France Cars, which operates one of the largest light commercial vehicle fleets in France. We also have investments in certain of our Avis and Budget licensees outside of the United States, including joint ventures in India and China.

COMPANY HISTORY

Founded in 1946, Avis is believed to be the first company to rent cars from airport locations. Avis expanded its geographic reach throughout the United States through growth in licensed and Company-operated locations in the 1950s and 1960s. In 1963, Avis introduced its award winning "We try harder®" advertising campaign, which was recognized as one of the top ten advertising campaigns of the 20th century by Advertising Age magazine.

HFS Incorporated acquired Avis in 1996 and merged with our predecessor company in 1997, with the combined entity being renamed Cendant Corporation. The Company is a Delaware corporation headquartered in Parsippany, New Jersey.

In 2002, Cendant acquired the Budget brand and Budget vehicle rental operations in North America, Australia and New Zealand. Budget was founded in 1958 as a car rental company for the value-conscious vehicle rental

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customer and grew its business rapidly during the 1960s, expanding its rental car offerings throughout North America and significantly expanding its Budget truck rental business in the 1990s.

In 2006, Cendant completed the sales and spin-offs of several significant subsidiaries and changed its name to Avis Budget Group, Inc. In 2011, we expanded our international operations with the acquisition of Avis Europe, which was previously an independently-owned licensee operating the Avis and Budget brands in Europe, the Middle East and Africa, and the Avis brand in Asia. Upon the completion of the acquisition of Avis Europe, the Avis and Budget brands were globally re-united under a single company, making Avis Budget Group one of the largest vehicle rental companies in the world.

In 2013, we acquired Zipcar, the world's leading car sharing company, to further increase our growth potential and our ability to better serve a greater variety of our customers' mobility needs. In 2012 and 2013, we acquired our Apex and Payless brands, respectively, which allowed us to expand our presence in the deep-value segment of the car rental industry. In 2014, we also acquired our long-standing Budget licensee for Southern California and Las Vegas, which further expanded our Company-operated locations in the United States. In 2015, we acquired the operations of our former Avis and Budget licensees in Brazil, Norway, Sweden and Denmark; our Avis licensee in Poland; and Maggiore, a leading provider of vehicle rental services in Italy. In 2016, we acquired France Cars, a privately held vehicle rental company based in France, to significantly expand our presence in the French market. These acquisitions have allowed us to further expand our global footprint of Company-operated locations.

We have a long history of innovation in the vehicle rental and car sharing business, including:

- in 1973, we launched our proprietary Wizard system, a constantly updated information-technology system that is the backbone of our operations;
- in 1987, we introduced our Roving Rapid Return program, powered by a handheld computer device that allows customers to bypass the car return counter;
- in 1996, we became one of the first car rental companies to accept online reservations;
- in 2000, we introduced Avis Interactive, the first Internet-based reporting system in the car rental industry;
- in 2009, we launched what we believe to be the first car rental iPhone application in the United States;
- in 2012, we believe that our Avis brand became the first in the industry to offer mobile applications to customers on all major mobile platforms;
- in 2015, our Avis brand was the first in the industry to offer an Android application that allows customers to use voice-activated technology to make, confirm or cancel their car rental reservations;
- in 2015, our Avis brand was the first U.S. car rental company to offer an application for the Apple Watch, which enables our customers to email themselves a car rental receipt and view current, upcoming and past car rental reservations from their wrists;
- in 2015, we continued to expand our use of yield management systems, which the Company designed to help optimize its decision-making with respect to pricing and fleet management; and
- in 2016, we introduced Avis Now, a mobile app-enabled rental process that provides Avis customers with greater control of their rental experience using their smartphone or tablet device.

Our Zipcar operations have been a constantly innovating pioneer in using advanced vehicle technologies as the first car sharing company in the United States to develop a self-service solution to manage the complex interactions of real-time, location-based activities inherent in a large-scale car sharing operation, including new member application, reservations and keyless vehicle access, fleet management and member management. Zipcar was also the first to allow members to reserve the specific make, model and type of car by phone, Internet or wireless mobile device. In 2015, Zipcar introduced Instant Join and Drive, a technology innovation that

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dramatically reduces the time it takes to become a Zipcar member, and the flexibility to make both round-trip and one-way reservations.

Since becoming an independent vehicle rental services company in 2006, we have focused on strengthening our brands, our operations, our technology, our competitiveness and our profitability. In conjunction with these efforts, we have implemented process improvements impacting virtually all areas of the business; realized significant cost savings through the integration of acquired businesses with our pre-existing operations; achieved reductions in operating and selling, general and administrative expenses, including significant reductions in staff; assessed location, segment and customer profitability to address less-profitable aspects of our business; implemented price increases and changes to our sales, marketing and affinity programs to improve profitability; and sought to better optimize our acquisition, deployment and disposition of fleet in order to lower costs and better meet customer demand.

SEGMENT INFORMATION

We categorize our operations into two reporting segments:

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

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

The following table presents key operating metrics for each of our two reporting segments:

	Total 2016 Rental Days		Average 2016 Time and Mileage (“T&M”) Revenue per Day	Average 2016 Rental Fleet Size
Americas	101	million	$40.38	385,000
International	46	million	$32.01	177,000
Total Company	147	million		562,000

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Note: Operating metrics exclude Zipcar and U.S. truck rental operations, which had average fleets of 14,000 and 22,000 vehicles, respectively.

The following graphs present the composition of our rental days and our average rental fleet in 2016, by segment:

Financial data for our segments and geographic areas are reported in Note 19-Segment Information to our Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

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OUR STRATEGY

Our objective is to strategically accelerate our growth, strengthen our global position as a leading provider of vehicle rental services, enhance our customers' rental experience, control costs and drive efficiency throughout the organization. We expect to achieve our goals by focusing our efforts on the following core strategic initiatives:

- Strategically Accelerate Growth. We have pursued and will continue to pursue numerous opportunities intended to increase our revenues and make disproportionate contributions to our earnings. For instance:

We are focused on promoting car class upgrades, adjusting our mix of vehicles to match customer demand, growing our rentals to small-business and international travelers, increasing the number of rentals that customers book through our own websites and mobile applications, increasing the proportion of transactions in which customers prepay us, and expanding our ancillary revenues derived from offering additional ancillary products and services to the rental transactions of an increasing percentage of our customers. We believe these efforts will not only enhance the rental experience, but also generate incremental revenue and add to profitability.

We are focused on yield management and pricing optimization in an effort to increase the rental fees we earn per rental day. We have implemented, and plan to continue to implement, new technology systems that strengthen our yield management and enable us to tailor our product, service and price offerings not only to meet our customers' needs, but also in response to actions taken by our competitors. We expect to continue to adjust our pricing to bolster profitability and match changes in demand.

We continue to see significant growth opportunities related to our Zipcar brand. We expect to increase our Zipcar membership base by growing the number of businesses, government agencies and universities that Zipcar serves within its existing markets, as well as expanding the brand into new markets where our existing car rental presence will help enable the introduction of Zipcar's car sharing services. We expect that such growth will include making more Zipcars available at airport locations, offering one-way usage of Zipcars at certain locations, cross-marketing partnerships through our well-established corporate and affinity relationships and expanding our car sharing footprint outside of the United States.

We continue to focus on addressing the need of the deep-value segment of the vehicle rental industry with our Payless and Apex brands and look to increase our profitability in this segment as we grow our revenues.

- Strengthening Our Global Position. While we currently operate, either directly or through licensees, in approximately 180 countries around the world, we will continue to strengthen and further expand our global footprint through organic growth and potentially through acquisitions, joint ventures, licensing agreements or other relationships:

In countries where we have Company-operated locations, we will continue to identify opportunities to add new rental locations, to grant licenses to independent third parties for regions where we do not currently operate and/or do not wish to operate directly, to strengthen the presence of our brands and to re-acquire previously granted license rights in certain cases.

In countries operated by licensees, including our joint ventures in India and China, we will seek to ensure that our licensees are well positioned to realize the growth potential of our brands in those countries and are aggressively growing their presence in those markets, and we expect to consider the re-acquisition of previously granted license rights in certain cases.

Zipcar represents a substantial growth opportunity for us as we believe that there are numerous geographic markets outside the United States, particularly in Europe and the Asia Pacific region, where Zipcar's proven car sharing model can be utilized to meet substantial, currently unmet transportation needs.

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- Enhancing Customers' Rental Experience. We are committed to serving our customers and enhancing their rental experience, including through our Customer Led, Service Driven™ initiative, which is aimed at improving our customers' rental experience with our brands, our systems and our employees. Following extensive reviews of the ways, places and occasions in which our brands, our systems and our employees interact with existing and potential customers, we have implemented actions that further enhance the service we provide at these customer "touch points." For example:

With significant input from our customers, we created our Avis Now mobile application, which provides our Avis customers a new and innovative way to control many elements of their rental experience via their smartphone or tablet device. Through the Avis Now application, our customers are able to view which cars are available in real-time; exchange or upgrade a car prior to or while on the rental lot; confirm, cancel or extend a rental; add ancillary products; return a car without assistance; view their rental agreement; confirm their fuel level at beginning and end of rental as well as miles driven; and obtain assistance on demand.

We offer Avis Preferred Select & Go™, a vehicle-choice program for customers, have revised our rental agreements and receipts to improve transparency, and offer mobile applications to accept reservations and to better communicate with customers. We have also continued improving the overall customer experience by focusing on our understanding of and improving upon our customer service practices, soliciting more feedback from our customers and expanding our customer-service-oriented training of our employees.

We continue to upgrade our technology, to make the reservation, pick-up and return process more convenient and user-friendly, with a particular emphasis on enabling and simplifying our customers' online interactions with us.

We expect to continue to invest in these efforts, with a particular emphasis on self-service technologies that we believe will allow us to serve customers more effectively and efficiently.

- Controlling Costs and Driving Efficiency throughout the Organization. We have continued our efforts to rigorously control costs. We continue to aggressively reduce expenses throughout our organization, and we have consistently eliminated or reduced significant costs through the integration of acquired businesses. In addition:

We continued to develop and implement our Performance Excellence process improvement initiative to increase efficiencies, reduce operating costs and create sustainable cost savings using LEAN, Six Sigma and other tools. This global initiative has generated substantial savings since its implementation and is expected to continue to provide incremental benefits.

We have taken significant actions to further streamline our administrative and shared-services infrastructure through a restructuring program that identifies and replicates best practices, leverages the scale and capabilities of third-party service providers, and will increase the global standardization and consolidation of non-rental-location functions over time.

We have implemented initiatives to integrate our acquired businesses, to realize cost efficiencies from combined maintenance, systems, technology and administrative infrastructure, as well as fleet utilization benefits and savings by combining our car rental and car sharing fleets at times to reduce the number of unutilized vehicles.

We have also continued to implement technology solutions, including self-service voice reservation technology, mobile communications with customers and fleet optimization technologies to reduce costs, and we will further continue to pursue innovative solutions to support our strategic initiatives.

We believe such steps will continue to aid our financial performance.

In 2016, we continued to refine our strategies to further emphasize supporting and strengthening our brands, increasing our margins, and seizing growth and efficiency opportunities as mobility solutions continue to evolve. In

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executing our strategy, we plan to continue to position our distinct and well-recognized global brands to focus on different segments of customer demand, complemented by our other brands in their respective regional markets. With Avis as a premium brand preferred more by corporate and upscale leisure travelers, Budget as a mid-tier brand preferred more by value-conscious travelers, Payless as a deep-value brand, Maggiore, France Cars and Apex as well-recognized regional brands and Zipcar offering its members an economical alternative to car ownership, we believe we are able to target a broad range of demand, particularly since the brands often share the same operational and administrative infrastructure while providing differentiated though consistently high levels of customer service.

Since our Avis brand represents approximately 60% of our revenue and is recognized as a global leader in vehicle rental services, we are particularly focused on maintaining and building its reputation as a reliably high-quality service provider. Our investment in technology, including the roll-out of our Avis Now mobile application and new Avis websites, is a key part of our efforts. We have also increased our marketing activities in support of the Avis and Budget brands.

We aim to provide vehicles, products, services and pricing, to use various marketing channels and to maintain marketing affiliations and corporate account contracts that complement each brand's positioning. We plan to continue to invest in our brands through a variety of efforts, including television commercials, print advertisements and on-line and off-line marketing. We see particular growth opportunities for our Budget brand in Europe, as Budget's share of airport car rentals is significantly smaller in Europe than in other parts of the world, and for Zipcar internationally, where the brand's proven car sharing model can be expanded into numerous geographic markets.

In executing our strategy, we are keenly focused on identifying and implementing actions that will increase our margins over the next several years. We see significant potential in the areas of optimizing our pricing, customer mix and sales of ancillary products and services; optimizing our procurement, deployment and disposition of vehicles, including increased use of non-auction channels for selling our cars; continuing to drive operational efficiency in our business; and applying connected-car/in-vehicle systems and other emerging technologies in our operations. Our margins have increased significantly from 2010 to 2016, and we see opportunities to continue the trend of longer-term margin growth.

We also believe that new technologies and evolving customer preferences that favor the rental or sharing of vehicles rather than personal car ownership represent important opportunities for us to meet new and growing consumer and commercial demand for the types of products and services that we provide. We see our Zipcar brand expanding into new markets and providing new transportation solutions, such as one-way trips, to both shape and satisfy consumers' needs. In addition, we believe there are substantial opportunities for our Avis and Budget brands to benefit and grow as mobility solutions and vehicle-related technologies evolve.

We operate in a highly competitive industry, and our results can be impacted by external factors, such as travel demand and uncertain economic conditions in various parts of the world. We seek to mitigate our exposure to risks in numerous ways, including delivering upon the core strategic initiatives described above and through continued optimization of fleet levels to match changes in demand for vehicle rentals, maintenance of liquidity to fund our fleet and our operations, and adjustments in the size, nature and terms of our relationships with vehicle manufacturers.

OUR BRANDS AND OPERATIONS

OUR BRANDS

Our Avis, Budget and Zipcar brands are three of the most recognized brands in our industry. We believe that we enjoy significant benefits from operating our Avis and Budget brands to target different rental customers but share the same maintenance facilities, fleet management systems, technology and administrative infrastructure. In addition, we are able to recognize significant benefits and savings by combining our car rental and car sharing maintenance activities and fleets at times to reduce the number of unutilized cars and to meet demand peaks. We believe that Avis, Budget and Zipcar all enjoy complementary demand patterns with mid-week commercial demand balanced by weekend leisure demand. We also operate the Apex and Payless brands, which operate in the deep-value segment of the car rental industry, and augment our Avis, Budget and Zipcar brands.

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Avis

Avis is a leading rental car supplier positioned to serve the premium commercial and leisure segments of the travel industry. The Avis brand provides high-quality car rental services at price points generally above non-branded and value-branded national car rental companies. We operate or license the Avis car rental system (the “Avis System”), one of the largest car rental systems in the world, comprised of approximately 5,500 locations worldwide, including in virtually all of the largest commercial airports and cities in the world.

We operate approximately 2,750 Avis car rental locations worldwide, in both the on-airport and off-airport, or local, rental markets. In 2016, our Avis operations generated total revenue of approximately $5.1 billion, of which approximately 63% (or $3.2 billion) was derived from operations in the Americas. In addition, we license the Avis brand to other independent commercial owners in approximately 2,750 locations throughout the world. In 2016, approximately 71% of the Avis System total revenue was generated by our Company-operated locations and the remainder was generated by locations operated by independent licensees, which generally pay royalty fees to us based on a percentage of applicable revenue.

The table below presents the approximate number of locations that comprise the Avis System:

	Avis System Locations		
	Americas	International	Total
Company-operated locations	1,550	1,200	2,750
Licensee locations	700	2,050	2,750
Total Avis System Locations	2,250	3,250	5,500

The graphs below present the approximate composition of the Americas Avis System revenue and global Avis System revenue in 2016:

In 2016, Avis derived approximately $1.8 billion and $1.8 billion (or 50% and 50%) of its vehicle rental revenue from commercial and leisure customers, respectively, and $2.5 billion and $1.1 billion (or 70% and 30%) of its vehicle rental revenue from customers renting at airports and locally, respectively.

We offer Avis customers a variety of premium services, including:

- Avis Now, a mobile application-enabled process that allows customers to reserve, confirm, choose or upgrade their car, add ancillary products, open and close or extend rentals, and, in the case of certain connected vehicles, lock and unlock the vehicle, using their smartphone or tablet device.

- Avis Preferred, a frequent renter rewards program that offers counter bypass at major airport locations and reward points for every dollar spent on vehicle rentals and related products;

- Avis Preferred Select & Go, a service that allows customers at certain locations to select an alternate vehicle or upgrade their vehicle choice without visiting the rental counter;

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- Avis Signature Series, a selection of luxury vehicles including BMWs, Corvettes, Mercedes and Maseratis;
- rental of portable GPS navigation units, tablets and in-dash satellite radio service;
- availability of premium, sport and performance vehicles as well as eco-friendly vehicles, including gasoline/electric hybrids;
- roadside assistance;
- e-receipts;
- a 100% smoke-free car rental fleet in North America;
- electronic toll collection services that allow customers to pay highway tolls without waiting in toll booth lines;
- amenities such as Avis Access, a full range of special products and services for drivers and passengers with disabilities;
- Avis Interactive, a proprietary management tool that allows corporate clients to easily view and analyze their rental activity via the Internet, permitting these clients to better manage their travel budgets and monitor employee compliance with applicable travel policies; and
- supporting online interactions with our customers through various mobile platforms, including an application for the Apple Watch and an Android application featuring voice-activated reservations.

Avis has been named the leading car rental company in customer loyalty in the Brand Keys Customer Loyalty Engagement Index for the seventeen consecutive years. In addition, Avis was named to the 2016 Brand Keys Loyalty Leaders List and received numerous other awards.

Budget

Budget is a leading rental car supplier focused primarily on more value-conscious segments of the industry. We operate or license the Budget vehicle rental system (the "Budget System"), which is comprised of approximately 4,050 car rental locations and represents one of the largest car rental systems in the world. The Budget System encompasses locations at most of the largest airports and cities in the world.

We operate approximately 2,050 Budget car rental locations worldwide. In 2016, our Budget car rental operations generated total revenue of approximately $2.5 billion, of which 83% (or $2.1 billion) was derived from operations in the Americas. We also license the Budget System to independent commercial owners who operate approximately 2,000 locations worldwide. In 2016, approximately 71% of the Budget System total revenue was generated by our Company-operated locations with the remainder generated by locations operated by independent licensees, which generally pay royalty fees to us based on a percentage of applicable revenue.

The table below presents the approximate number of locations that comprise the Budget System:

	Budget System Locations		
	Americas	International	Total
Company-operated locations	1,400	650	2,050
Licensee locations	650	1,350	2,000
Total Budget System Locations	2,050	2,000	4,050

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The graphs below present the approximate composition of the Americas Budget System revenue and global Budget System revenue in 2016:

In 2016, Budget derived approximately $1.3 billion and $435 million (or 75% and 25%) of its vehicle rental revenue from leisure and commercial customers, respectively, and $1.3 billion and $427 million (or 75% and 25%) of its vehicle rental revenue from customers renting at airports and locally, respectively.

Budget offers its customers several products and services similar to Avis, such as portable GPS navigation units, roadside assistance, electronic toll collection, emailed receipts and refueling options, as well as a mobile application that allows customers to reserve, modify and cancel reservations on their smartphone, special rental rates for frequent renters and Budget's Fastbreak service, an expedited rental service for frequent travelers.

In 2016, Budget received numerous awards, including for its award-winning loyalty program, Unlimited Rewards®, which was selected by Travel Weekly as a 2016 Gold Magellan Award Winner.

Zipcar

Founded in 2000, Zipcar operates the world's leading membership-based car sharing network that provides "wheels when you want them" to more than one million members, also known as "Zipsters," in over 30 major metropolitan areas, over 550 college campuses and in more than 500 cities and towns across the United States, Canada and Europe. Zipcar provides its members self-service vehicles in reserved parking spaces located in residential neighborhoods, business districts, college campuses, business office complexes and airports.

Our members may reserve vehicles by the hour or by the day at rates that include gasoline, insurance and other costs associated with vehicle ownership, and they can make their reservations through Zipcar's reservation system, which is available by phone, Internet or through the Zipcar application on their smartphone. Our members have the flexibility to choose from a variety of makes and models of vehicles depending on their specific needs and desires for each trip and the available Zipcars in their neighborhoods. The flexibility and affordability of our service, as well as broader consumer trends toward responsible and sustainable living, provide a significant platform for future growth.

We continue to make substantial investment in refining, innovating and enhancing Zipcar's operations and fleet management systems, and we have integrated numerous elements of Zipcar's operations and fleet management into our existing processes. We believe that the experience that we have gained and continue to accumulate while growing and operating our network is a key advantage, informing our decisions regarding our existing operations and services as well as our plans for expansion.

Zipcar offers its members the freedom of on-demand access to a fleet of vehicles at any hour of the day or night, in their neighborhood or in any of our Zipcar cities and locations. Benefits to members include:

- Cost-effective alternative to car ownership - Members pay for time they reserve the vehicle and have no responsibility for the additional costs and hassles associated with car ownership, including parking, gasoline, taxes, registration, insurance, maintenance and lease payments.

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- Convenience and accessible fleet - Zipcars are interspersed throughout local neighborhoods, colleges and corporate campuses where they are parked in reserved parking spaces and garages within an easy walk of where our members live, study and work. Members can book a designated vehicle online, by phone or via their mobile device, unlock the selected vehicle using a keyless entry card (called a "Zipcard"), and drive away. Because each Zipcar has a designated parking space, members are spared the often time-consuming undertaking of finding an available parking spot.

- Freedom and control - We provide our members with much of the freedom associated with car ownership while being complementary to public transportation options. Like car owners, our members can choose when and where they want to drive. They also have the added benefit of being able to choose, based upon the readily available Zipcars in their neighborhoods, the make, model and type of vehicle they want to drive based on their specific needs and desires for each trip.

- Responsible and sustainable living - We are committed to providing our members with socially responsible, sustainable options that support the global environment, their communities and city livability. Studies show that car sharing reduces the number of miles driven, the number of personally-owned vehicles on the road and carbon emissions.

- Zipcar for Universities - We provide college students, faculty, staff and local residents living in or near rural and urban campuses with access to Zipcars. Zipcars are located on over 550 college and university campuses. Our program for universities helps university administrators maximize the use of limited parking space on campus and reduce campus congestion while providing an important amenity for students, faculty, staff and local residents. In some cases, Zipcar may be the only automobile transportation available to students, since many traditional rental car services have higher age restrictions.

- Zipcar for Business - We provide companies with a business-friendly alternative to providing company cars with car-sharing programs that give their employees convenient, on-demand access to vehicles at exclusive rates. Zipcar for Business also allows easy billing, enabling members to charge driving to the driver or directly to their employer.

In 2016, we expanded Zipcar's ONE>WAY program in selected markets, allowing members in more locations to take on-demand one-way trips. We also opened the first pilot of Zipcar's "floating" car sharing product in Brussels, allowing members to drive one-way and leave the car in any designated space. The Zipcar brand has continued to be recognized as the world's leading car sharing network and for the quality of the customer experience it offers.

Budget Truck

Our Budget Truck rental business is one of the largest local and one-way truck rental businesses in the United States. Our Budget Truck fleet is comprised of approximately 22,000 vehicles that are rented through a network of approximately 1,000 dealers and 480 Company-operated locations throughout the continental United States. These dealers are independently-owned businesses that generally operate other retail service businesses. In addition to their principal businesses, the dealers rent our light- and medium-duty trucks to consumers and to our commercial accounts and are responsible for collecting payments on our behalf. The dealers receive a commission on all truck and ancillary equipment rentals. The Budget Truck rental business serves both the consumer and light commercial sectors. The consumer sector consists primarily of individuals who rent trucks to move household goods on either a one-way or local basis. The light commercial sector consists of a wide range of businesses that rent light- to medium-duty trucks, which we define as trucks having a gross vehicle weight of less than 26,000 pounds, for a variety of commercial applications.

Other Brands

Our Payless brand is a leading rental car supplier positioned to serve the deep-value segment of the car rental industry. We operate or license the Payless brand, which is comprised of approximately 240 vehicle rental locations worldwide, including approximately 90 Company-operated locations and more than 150 locations operated by licensees. Company-operated Payless locations are primarily located in North America, the majority of which are at or near major airports. Payless’ base T&M fees are often lower than those of larger, more

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established brands, but Payless has historically achieved a greater penetration of ancillary products and services with its customers. The Payless business model allows the Company to extend the life cycle of a portion of our fleet, as we “cascade” certain vehicles that exceed certain Avis and Budget age or mileage thresholds to be used by Payless.

Our Apex brand operates primarily in the deep-value segment of the car rental industry in New Zealand and Australia, where we have approximately 25 Apex rental locations. Apex operates its own rental fleet, separate from Avis and Budget vehicles and generally older and less expensive than vehicles offered by Avis, Budget and other traditional car rental companies. Apex generates substantially all of its reservations through its proprietary websites and contact center and typically has a greater than average length of rental. The substantial majority of Apex locations are at or near major airport locations.

Our Maggiore brand is a leading vehicle rental brand in Italy, where we operate or license more than 130 rental locations under the Maggiore name. Our Maggiore brand has a strong domestic reputation in the commercial, leisure and insurance replacement/leasing segments and benefits from a strong presence at airport, off-airport and railway locations. We have integrated numerous elements of Maggiore’s operations and fleet management into our existing processes.

Our France Cars brand operates one of the largest light commercial vehicle fleets in France from more than 60 rental locations. With the purchase of France Cars in December 2016, we further increased our ability to serve customers’ needs for vans and light trucks throughout France.

RESERVATIONS, MARKETING AND SALES

Reservations

Our customers can make vehicle rental reservations through our brand-specific websites and through our toll-free reservation centers, by calling a specific location directly, through brand-specific mobile applications, through online travel agencies, through travel agents or through selected partners, including many major airlines, associations and retailers. Travel agents can access our reservation systems through all major global distribution systems (“GDSs”), which provide information with respect to rental locations, vehicle availability and applicable rate structures.

Our Zipcar members may reserve cars by the hour or by the day through Zipcar’s reservation system, which is accessible through the Zipcar website, through the Zipcar application on their smartphone or by phone. We also provide two-way SMS texting, enabling us to proactively reach out to members during their reservation via their mobile device to manage their reservation, including instant reservation extension.

In 2016, we generated approximately 29% of our vehicle rental reservations through our brand-specific websites, 10% through our contact centers, 25% through GDSs, 14% through online travel agencies, 12% through direct-connect technologies and 10% through other sources. Virtually all of our Zipcar car sharing reservations were generated online or through our Zipcar mobile applications. We use a voice reservation system that allows customers to conduct certain transactions such as confirmation, cancellation and modification of reservations using self-service interactive voice response technology. In addition to our Zipcar mobile applications, we have also developed Avis and Budget mobile applications for various mobile platforms, allowing our customers to more easily manage their car rental reservations on their mobile devices.

Marketing and Sales

We support our brands through a range of marketing channels and campaigns, including traditional media, such as television, radio and print advertising, as well as Internet and email marketing and wireless mobile device applications. We also utilize a customer relationship management system that enables us to deliver more targeted and relevant offers to customers across both online and offline channels and allows our customers to benefit through better and more relevant marketing, improved service delivery and loyalty programs that reward frequent renters with free rental days and car class upgrades.

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We use social media to promote our brands and provide our customers with the tools to interact with our brands electronically through multiple web-based platforms. We also use digital marketing activities to drive international reservations.

Our Zipcar brand also utilizes localized marketing initiatives, which include low-cost, word-of-mouth marketing strategies and the use of marketing "brand ambassadors" that target potential members on a more personal, local level. These efforts highlight simple messages that communicate the benefits of "wheels when you want them." Zipcar members also actively recruit new members as incentivized by Zipcar's member referral program, which awards driving credit for new member referrals.

In 2016, we maintained, expanded or entered into marketing alliances with key marketing partners that include brand exposure and cross-marketing opportunities for each of the brands involved. For example, in 2016, we became the exclusive car rental partner of JetBlue Airways and JetBlue's True Blue loyalty rewards program. We also extended our relationships with American Airlines, AARP, USAA and Aeroplan. Additionally, as the "Official Rental Car of the PGA TOUR," Avis promoted its products and services to millions of golf enthusiasts worldwide through prominent advertising placements in PGA TOUR television broadcasts, scoreboards at tournaments, online media channels and additional official partner channels.

We continue to maintain strong links to the travel industry and we expanded or entered into marketing alliances with numerous marketing partners in 2016:

- We maintain marketing partnerships with many major airlines, including Air Canada, Air France, Air New Zealand, American Airlines, British Airways, Frontier Airlines, Iberia Airlines, Japan Airlines, JetBlue Airways, KLM, Lufthansa, Qantas, SAS, Southwest Airlines and Virgin America.

- We maintain marketing partnerships with several major hotel companies, including Best Western International, Inc., Hilton Hotels Corporation, Hyatt Corporation, MGM Resorts International, Radisson Hotels and Resorts, Starwood Hotels and Resorts Worldwide, Inc., Universal Parks & Resorts and Wyndham Worldwide.

- We offer customers the ability to earn frequent traveler points with many major airlines' and hotels' frequent traveler programs, and we are the exclusive rental partner of the Wyndham Rewards program.

- And we have marketing relationships with numerous non-travel-related entities, including affinity groups, membership organizations, retailers, financial institutions and credit card companies.

In 2016, approximately 61% of vehicle rental transactions from our Company-operated Avis locations were generated by travelers who rented from Avis under contracts between Avis and the travelers' employers or through membership in an organization with which Avis has a contractual affiliation (such as AARP and Costco Wholesale). Avis maintains marketing relationships with other organizations such as American Express, MasterCard International and Sears, through which we are able to provide their customers with incentives to rent from Avis. Avis licensees also generally have the option to participate in these affiliations.

Additionally, we offer "Unlimited Rewards®," an award-winning loyalty incentive program for travel agents, and Avis and Budget programs for small businesses that offers discounted rates, central billing options and rental credits to members. Budget has contractual arrangements with American Express, MasterCard International and other organizations, which offer members incentives to rent from Budget.

Budget Truck also maintains certain truck-rental-specific marketing and/or co-location relationships, including those with Sears, Simply Self Storage and Extra Space Storage. We also have an exclusive agreement to advertise Budget

Truck rental services in the Mover’s Guide, an official U.S. Postal Service change of address product.

Our Zipcar brand also partners with other active lifestyle brands that appeal to our Zipcar members and organizes, sponsors and participates in charitable and community events with organizations important to us and our Zipcar members. Zipcar maintains close relationships with universities that allow us to market to the “next generation consumer” who, upon graduation, may migrate to the major metropolitan areas that we serve, continue their relationship with us and advocate for broad sponsorship of Zipcar membership at their places of work.

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Through our Zipcar for Business program, we also offer reduced membership fees and weekday driving rates to employees of companies, federal agencies and local governments that sponsor the use of Zipcars.

LICENSING

We have licensees in approximately 170 countries throughout the world. Royalty fee revenue derived from our vehicle rental licensees in 2016 totaled $132 million, with approximately $94 million in our International segment and $38 million in our Americas segment. Licensed locations are independently operated by our licensees and range from large operations at major airport locations and territories encompassing entire countries to relatively small operations in suburban or rural locations. Our licensees generally maintain separate independently owned and operated fleets. Royalties generated from licensing provide us with a source of high-margin revenue because there are relatively limited additional fixed costs associated with fees paid by licensees to us. Locations operated by licensees represented approximately 50% of our Avis and Budget car rental locations worldwide and approximately 29% of total revenue generated by the Avis and Budget Systems in 2016. We facilitate one-way car rentals between Company-operated and licensed locations, which enables us to offer an integrated network of locations to our customers.

We generally enjoy good relationships with our licensees and meet regularly with them at regional, national and international meetings. Our relationships with our licensees are governed by license agreements that grant the licensee the right to operate independently operated vehicle rental businesses in certain territories. Our license agreements generally provide our licensees with the exclusive right to operate in their assigned territory. These agreements impose obligations on the licensee regarding its operations, and most agreements restrict the licensee’s ability to sell, transfer or assign its license agreement and capital stock.

The terms of our license agreements, including duration, royalty fees and termination provisions, vary based upon brand, territory, and original signing date. Royalty fees are generally structured to be a percentage of the licensee’s gross rental income. We maintain the right to monitor the operations of licensees and, when applicable, can declare a licensee to be in default under its license agreement. We perform audits as part of our program to assure licensee compliance with brand quality standards and contract provisions. Generally, we can terminate license agreements for certain defaults, including failure to pay royalties or adhere to our operational standards. Upon termination of a license agreement, the licensee is prohibited from using our brand names and related marks in any business. In the United States, these license relationships constitute “franchises” under most federal and state laws regulating the offer and sale of franchises and the relationship of the parties to a franchise agreement.

OTHER REVENUE

In addition to revenue from our vehicle rentals and licensee royalties, we generate revenue from our customers through the sale and/or rental of optional ancillary products and services and membership fees. We offer products to customers that will enhance their rental experience, including collision and loss damage waivers, under which we agree to relieve a customer from financial responsibility arising from vehicle damage incurred during the rental such as additional/supplemental liability insurance or personal accident/effects insurance, products for driving convenience such as portable GPS navigation units, tablet rentals, optional roadside assistance services, fuel service options, electronic toll collection, access to satellite radio and child safety seat rentals. We also supplement our daily truck rental revenue by offering customers automobile towing equipment and other moving accessories such as hand trucks, furniture pads and moving supplies. In addition, we receive payment from our customers for certain operating expenses that we incur, including vehicle licensing fees, as well as airport concession fees that we pay in exchange for the right to operate at airports and other locations. In 2016, approximately 6% of our revenue was generated by the sale of collision and loss damage waivers.

OUR TECHNOLOGIES

Car Rental

We use a broad range of technologies in our car rental operations, substantially all of which are linked to what we call our Wizard system, which is a worldwide reservation, rental, data processing and information management system. The Wizard system enables us to process millions of incoming customer inquiries each day, providing our customers with accurate and timely information about our locations, rental rates and vehicle availability, as well as the ability to place or modify reservations. Additionally, the Wizard system is linked to all major travel distribution networks worldwide and provides real-time processing for travel agents, travel industry partners (such as airlines and online travel sites), corporate travel departments and individual consumers through our websites or contact centers. The Wizard system also provides personal profile information to our reservation and rental agents to help us better serve our customers.

We also use data supplied from the Wizard system and other third-party reservation and information management systems to maintain centralized control of major business processes such as fleet acquisition and logistics, sales to corporate accounts and determination of rental rates. The principal components of the systems we employ include:

- Fleet planning model. We have a comprehensive decision tool to develop fleet plans and schedules for the acquisition and disposition of our fleet, along with fleet age, mix, mileage and cost reports based upon these plans and schedules. This tool allows management to monitor and change fleet volume and composition on a daily basis and to optimize our fleet plan based on estimated business levels and available repurchase and guaranteed depreciation programs. We also use third-party software to further optimize our fleet acquisition, rotation and disposition activities.

- Yield management. We have a yield management system which is designed to enhance profits by providing greater control of vehicle availability and rate availability changes at our rental locations. Our system monitors and forecasts supply and demand to support our efforts to optimize volume and rate at each location. Integrated into this yield management system is a fleet distribution module that takes into consideration the costs as well as the potential benefits associated with distributing vehicles to various rental locations within a geographic area to accommodate rental demand at these locations. The fleet distribution module makes specific recommendations for movement of vehicles between locations.

- Pricing decision support systems. Pricing in the vehicle rental industry is highly competitive and complex. To improve our ability to respond to rental rate changes in the marketplace, we have utilized sophisticated systems to gather and report competitive industry rental rate changes every day. Our systems, using data from third-party reservation systems as its source of information, automatically scan rate movements and report significant changes to our staff of pricing analysts for evaluation. These systems greatly enhance our ability to gather and respond to rate changes in the marketplace. In 2016, we continued to implement an integrated pricing and fleet optimization tool that has allowed us to test and implement improved pricing strategies and optimization algorithms, as well as automate the implementation of certain price changes.

- Websites and Mobile Applications. We have developed brand-specific websites and mobile applications that leverage our technology across brands and provide the flexibility and ease of transacting that our customers demand for their interactions with us. Our websites and apps are optimized for various devices and provide a simple interface for each mode of communication such as computer, smartphone, tablets and other electronic devices.

- Customer service applications. Our customer service applications are comprehensive case management systems that our customer care agents use to handle a variety of issues and questions from our customers. Our multi-branded systems interface with our Wizard system and give our agents current and historical information about a caller so that they are better equipped to provide informed and expedited assistance, while at the same time allowing us to be consistent in our case handling and responses.

- Enterprise data warehouse. We have developed a sophisticated and comprehensive electronic data storage and retrieval system which retains information related to various aspects of our business. This data warehouse allows us to take advantage of comprehensive management reports and provides easy access to data for strategic decision making for our brands.

- Sales and marketing systems. We have developed a sophisticated system of online data tracking which enables our sales force to analyze key account information of our corporate customers including historical and current rental activity, revenue and booking sources, top renting locations, rate usage categories and customer satisfaction data. We use this information, which is updated weekly and captured on a country-by-country basis, to assess opportunities for revenue growth, profitability and improvement.

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- Campaign management. We have deployed tools that enable us to recognize customer segments and value, and to automatically present appropriate offers on our websites.

- Interactive adjustments. We have developed a customer data system that allows us to easily retrieve pertinent customer information and make needed adjustments to completed rental transactions online for superior customer service. This data system links with our other accounting systems to handle any charge card transaction automatically.

- Interactive voice response system. We have developed an automated voice response system that enables the automated processing of customer reservation confirmations, cancellations, identification of rental locations, extension of existing rentals and requests for copies of rental receipts over the phone using speech recognition software.

Car Sharing

Our Zipcar car sharing technology was specifically designed and built for our car sharing business and has been continually refined and upgraded to optimize the Zipcar experience for our members. Our fully-integrated platform centralizes the management of our Zipcar reservations, member services, fleet operations and financial systems to optimize member experience, minimize costs and leverage efficiencies. Through this platform, we:

- process new member applications;
- support a mobile application and a website used by members to make and manage reservations and account information;
- manage reservations and keyless vehicle access;
- manage and monitor member interactions and communications, including through interactive voice response systems, email and text messaging;
- integrate with third parties that provide additional services such as gas card and mapping services;
- manage billing and payment processing across multiple currencies;
- manage our car sharing fleet, including scheduled service and cleanings;
- manage vehicle locations and location information, including parking agreements; and
- monitor and analyze key metrics of each Zipcar such as utilization rate, mileage and maintenance requirements.

Each Zipcar is typically equipped with a combination of telematics modules, including a control unit with, mobile data service, radio frequency identification card readers, wireless antennae, wiring harness, vehicle interface modules and transponders for toll systems. This hardware, together with internally developed embedded firmware, vehicle communication protocols and datacenter software, allows us to authorize secure access to our Zipcars from our data centers and provides us with a comprehensive set of fleet management data that is stored in our centralized database.

Interactions between members and our Zipcars are captured in our system, across all communication channels, providing us with knowledge we use to improve our members’ experiences and better optimize our business processes. We have built and continue to innovate our technology platform in order to support growth and scalability.

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OUR FLEET

We offer a wide variety of vehicles in our rental fleet, including luxury cars and specialty-use vehicles. Our fleet consists primarily of vehicles from the current and immediately preceding model year. We maintain a single fleet of vehicles for Avis and Budget in countries where we operate both brands. The substantial majority of Zipcar’s fleet is dedicated to use by Zipcar, but we have developed processes to share vehicles between the Avis/Budget fleet and Zipcar’s fleet primarily to help meet Zipcar’s demand peaks. We maintain a diverse car rental fleet, in which no vehicle manufacturer represented more than 18% of our 2016 fleet purchases, and we regularly adjust our fleet levels to be consistent with demand. We participate in a variety of vehicle purchase programs with major vehicle manufacturers. In 2016, we purchased vehicles from Audi, BMW, Chrysler, Citroen, Fiat, Ford, General Motors, Hyundai, Kia, Mercedes, Nissan, Opel, Peugeot, Renault, Seat, Toyota, Volkswagen and Volvo, among others. During 2016, approximately 18%, 11% and 9% of the cars acquired for our car rental fleet were manufactured by Ford, General Motors and Chrysler, respectively.

Fleet costs represented approximately 24% of our aggregate expenses in 2016. Fleet costs can vary from year to year based on the prices at which we are able to purchase and dispose of rental vehicles.

In 2016, on average, approximately 44% of our rental car fleet was comprised of vehicles subject to agreements requiring automobile manufacturers to repurchase vehicles at a specified price during a specified time period or guarantee our rate of depreciation on the vehicles during a specified period of time, or were vehicles subject to operating leases. We refer to cars subject to these agreements as “program” cars and cars not subject to these agreements as “risk” cars because we retain the risk associated with such cars’ residual values at the time of their disposition. Such agreements typically require that we pay more for program cars and maintain them in our fleet for a minimum number of months and impose certain return conditions, including car condition and mileage requirements. When we return program cars to the manufacturer, we receive the price guaranteed at the time of purchase and are thus protected from fluctuations in the prices of previously-owned vehicles in the wholesale market. In 2016, approximately 64% of the vehicles we disposed of were sold pursuant to repurchase or guaranteed depreciation programs. The future percentages of program and risk cars in our fleet will depend on several factors, including our expectations for future used car prices, our seasonal needs and the availability and attractiveness of manufacturers’ repurchase and guaranteed depreciation programs. The Company has agreed to purchase approximately $7.7 billion of vehicles from manufacturers in 2017.

We dispose of our risk cars largely through automobile auctions, including auctions that enable dealers to purchase vehicles online more quickly than through traditional auctions, as well as through direct-to-dealer sales. In 2016, we continued to expand the number of states that can participate in our Ultimate Test Drive consumer car sales program, which offers customers the ability to purchase our rental vehicles. Alternative disposition channels such as Ultimate Test Drive, online auctions, retail lots and direct to dealer sales represented approximately 39% of our risk vehicle dispositions in the Americas in 2016 and provide us with per-vehicle cost savings compared to selling cars at auctions.

For 2016, our average monthly vehicle rental fleet size (including U.S. rental trucks) ranged from a low of approximately 507,000 vehicles in January to a high of approximately 683,000 vehicles in July. Our average monthly car rental fleet size typically peaks in the summer months. Average fleet utilization for 2016, which is based on the number of rental days (or portion thereof) that vehicles are rented compared to the total amount of time that vehicles are available for rent, ranged from 66% in December to 76% in August. Our calculation of utilization may not be comparable to other companies’ calculation of similarly titled statistics.

We place a strong emphasis on vehicle maintenance for customer safety and customer satisfaction reasons, and because quick and proper repairs are critical to fleet utilization. To accomplish this task we employ a fully-certified Automotive Service Excellence manager and have developed a specialized training program for our technicians. Our technician training department prepares its own technical service bulletins that can be retrieved electronically at our repair locations. In addition, we have implemented policies and procedures to promptly address manufacturer recalls as part of our ongoing maintenance and repair efforts.

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CUSTOMER SERVICE

We believe our commitment to delivering a consistently high level of customer service across all of our brands is a critical element of our success and strategy. Our Customer Led, Service Driven™ program focuses on improving the overall customer experience based on our research of customer service practices, improved customer insights, executing our customer relationship management strategy and delivering customer-centric employee training.

Our associates and managers at our Company-operated locations are trained and empowered to resolve most customer issues at the location level. We also continuously track customer-satisfaction levels by sending location-specific surveys to recent customers and utilize detailed reports and tracking to assess and identify ways that we can improve our customer service delivery and the overall customer experience. In 2016, we received feedback from more than 2 million customers globally. Our location-specific surveys ask customers to evaluate their overall satisfaction with their rental experience and the likelihood that they will recommend our brands, as well as key elements of the rental experience. Results are analyzed in aggregate and by location to help further enhance our service levels to our customers.

In 2016, we expanded and enhanced our comprehensive case management system that our customer care agents use to consistently and expeditiously handle a variety of issues and questions from our customers.

EMPLOYEES

As of December 31, 2016, we employed approximately 30,000 people worldwide, of whom approximately 8,800 were employed on a part-time basis. Of our approximately 30,000 employees, approximately 20,000 were employed in our Americas segment and 10,000 in our International segment.

In our Americas segment, the majority of our employees are at-will employees and, therefore, not subject to any type of employment contract or agreement. Certain of our executive officers may be employed under employment contracts that specify a term of employment and specify pay and other benefits. In our International segment, we enter into employment contracts and agreements in those countries in which such relationships are mandatory or customary. The provisions of these agreements correspond in each case with the required or customary terms in the subject jurisdiction. Many of our employees are covered by a wide variety of union contracts and governmental regulations affecting, among other things, compensation, job retention rights and pensions.

As of December 31, 2016, approximately 35% of our employees were covered by collective bargaining agreements with various labor unions. We believe our employee relations are satisfactory. We have never experienced a large-scale work stoppage.

AIRPORT CONCESSION AGREEMENTS

We generally operate our vehicle rental and car sharing services at airports under concession agreements with airport authorities, pursuant to which we typically make airport concession payments and/or lease payments. In general, concession fees for on-airport locations are based on a percentage of total commissionable revenue (as defined by each airport authority), subject to minimum annual guaranteed amounts. Concessions are typically awarded by airport authorities every three to ten years based upon competitive bids. Our concession agreements with the various airport authorities generally impose certain minimum operating requirements, provide for relocation in the event of future construction and provide for abatement of the minimum annual guarantee in the event of extended low passenger volume.

OTHER BUSINESS CONSIDERATIONS

SEASONALITY

Our car rental business is subject to seasonal variations in customer demand patterns, with the spring and summer vacation periods representing our peak seasons. We vary our fleet size over the course of the year to help manage any seasonal variations in demand, as well as localized changes in demand.

COMPETITION

The competitive environment for the vehicle rental industry is generally characterized by intense price and service competition among global, local and regional competitors. Competition in our vehicle rental operations is based primarily upon price, customer service quality, including usability of booking systems and ease of rental and return, vehicle availability, reliability, rental locations, product innovation and national or international distribution. In addition, competition is also influenced strongly by advertising, marketing, loyalty programs and brand reputation.

The use of technology has increased pricing transparency among vehicle rental companies by enabling cost-conscious customers to more easily compare on the Internet and their mobile devices the rental rates available from various vehicle rental companies for any given rental. This transparency has further increased the prevalence and intensity of price competition in the industry.

Our vehicle rental and car sharing operations compete primarily with Enterprise Holdings, Inc., which operates the Enterprise, National and Alamo car rental brands; Europcar Group; Hertz Global Holdings, Inc., which operates the Hertz, Dollar and Thrifty brands; and Sixt AG. We also compete with smaller regional vehicle rental and car sharing companies as well as truck rental companies such as U-Haul International, Inc., Penske Truck Leasing Corporation, and Ryder Systems, Inc.

INSURANCE AND RISK MANAGEMENT

Our vehicle rental operations and corporate operations expose us to various types of claims for bodily injury, death and property damage related to the use of our vehicles and/or properties, as well as general employment-related matters stemming from our operations. We generally assume the risk of liability to third parties arising from vehicle rental and car sharing services in the United States, Canada, Puerto Rico and the U.S. Virgin Islands, in accordance with the minimum financial responsibility requirements ("MFRs") and primacy of coverage laws of the relevant jurisdiction. In certain cases, we assume liability above applicable MFRs, but to no more than $1 million per occurrence, other than in cases involving a negligent act on the part of the Company, for which we purchase insurance coverage for exposures beyond retained amounts from a combination of unaffiliated excess insurers.

In Europe, we insure the risk of liability to third parties arising from vehicle rental and car sharing services in accordance with local regulatory requirements through a combination of insurance policies provided by unaffiliated insurers and through reinsurance. We may retain a portion of the insured risk of liability, including reinsuring certain risks through our captive insurance subsidiary AEGIS Motor Insurance Limited. We limit our retained risk of liability through the unaffiliated insurers. We insure the risk of liability to third parties in Argentina, Australia, Brazil and New Zealand through a combination of unaffiliated insurers and one of our affiliates. These insurers provide insurance coverage supplemental to minimum local requirements.

We offer our U.S. customers a range of optional insurance products and coverages such as supplemental liability insurance, personal accident insurance, personal effects protection, emergency sickness protection, automobile towing protection and cargo insurance, which create additional risk exposure for us. When a customer elects to purchase supplemental liability insurance or other optional insurance related products, we typically retain economic exposure to loss, since the insurance is provided by an unaffiliated insurer that is reinsuring its exposure through our captive insurance subsidiary, Constellation Reinsurance Co., Ltd. Additional personal accident insurance offered to our customers in Europe is underwritten by a third-party insurer, and reinsured by our Avis Budget Europe International Reinsurance Limited subsidiary. We also maintain excess insurance coverage through unaffiliated carriers to help mitigate our potential exposure to large liability losses. We otherwise bear these and other risks, except to the extent that the risks are transferred through insurance or contractual arrangements.

OUR INTELLECTUAL PROPERTY

We rely primarily on a combination of trademark, trade secret and copyright laws, as well as contractual provisions with employees and third parties, to establish and protect our intellectual property rights. The service marks “Avis,” “Budget,” and “Zipcar” and related marks or designs incorporating such terms and related logos and marks such as “We try harder,” and “wheels when you want them” are material to our vehicle rental and car sharing businesses. Our subsidiaries and licensees actively use these marks. All of the material marks used by

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Avis, Budget and Zipcar are registered (or have applications pending for registration) with the United States Patent and Trademark Office as well as in foreign jurisdictions. Our subsidiaries own the marks and other intellectual property, including the Wizard system, used in our business. We also own trademarks and logos related to the "Apex Car Rentals" brand in Australia and New Zealand, the "Payless Car Rental" brand in the United States and several other countries, the "Maggiore" brand in Italy and the "France Cars" brand in France.

CORPORATE SOCIAL RESPONSIBILITY

The Company strives to maintain best practices in corporate social responsibility, which includes an emphasis on several key initiatives, including a global ethics and compliance program for all employees worldwide; data protection guidelines aimed at protecting Company and customer data; a competitive employee benefits program; commitments to equal employment opportunities and diversity; offering fuel-efficient rental vehicles; and a commitment to corporate philanthropy through which we give back to the communities in which we operate.

- Ethical Standards. We seek to hold our employees to high ethical standards. We place great emphasis on professional conduct, safety and security, information protection and integrity. Our employees are required to follow our Code of Conduct. Our Code of Conduct represents the core of our business philosophy and values and covers numerous areas, including standards of work-related behavior; security of information, systems and other assets; conflicts of interest; securities laws; and community service. We provide employees with training to help understand both our Code of Conduct and how to interpret it in various situations. Failure to comply with our Code of Conduct is grounds for disciplinary action, up to and including termination of employment. Our Third Party Standards of Conduct represent the Company's commitment to fostering sustainable relationships with our business partners, agents, consultants, suppliers and other third parties and ensuring that they uphold ethical, social and environmental standards.

- Data Protection. We are committed to taking appropriate measures to properly secure information, records, systems and property. Employees are trained to take particular precautions to protect the Company, our employees, vendors and customers, and, in many cases, themselves, from the unlawful or inappropriate use or disclosure of that information.

- Employee Benefits Programs. Our employees are critical to our success. To ensure their well-being and professional growth we generally offer a competitive salary plus incentive compensation potential and comprehensive benefits. In addition, we offer health and welfare benefits that may include a range of training, employee assistance and personal development programs to help employees and their families prosper. Our employee benefits programs are all offered and administered in compliance with applicable local law.

- Equal Opportunity Employment. We are committed to providing equal employment opportunity to all applicants and employees without regard to race, color, religion, sex, sexual orientation, age, marital status, national origin, citizenship, physical or mental disability, military veteran status, or any other protected classification under any applicable law. In addition, the Company will reasonably accommodate known disabilities and religious beliefs of employees and qualified applicants.

- Diversity. As a growing global organization, the Company is proud of the diversity of its workforce. We strive to attract and retain talented and diverse people throughout our organization. We engage in several initiatives to support diversity throughout our Company, including programs specifically designed to develop female leaders in our organization and our commitment to assisting current and former military personnel. The Company also maintains an industry-leading supplier diversity program to promote the growth and development of suppliers who are disadvantaged, minority-owned or women-owned business enterprises.

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Sustainability. As a responsible corporate citizen, we are committed to monitoring, measuring and managing our environmental impact, and working to reduce it where practicable on an ongoing basis. In this regard, the Company has focused on six primary initiatives:

Operations: Recycling and reducing solid and liquid waste, including motor oil, glass, and tires.

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Fleet: Offering our customers a wide variety of vehicles that are environmentally friendly, including as defined by the U.S. Environmental Protection Agency's SmartWay Certification Program.

Outreach: Partnering with our corporate customers to help them measure and manage the environmental impact of Avis and Budget rental vehicles used by their employees.

Compliance: Meeting or voluntarily exceeding the requirements of all federal, state and local health, safety and environmental protection laws.

Reduction: Limiting our use of natural resources, recycling where practicable, whether water, oil, tire rubber, paper, plastic or other materials.

Car Sharing: Through its Zipcar brand, operating the world's leading car-sharing network, considered to be one of the most environmentally-friendly transportation alternatives available.

- Philanthropy. The Company is committed to supporting the communities in which it operates by working with nonprofit organizations focused on assisting those in need. Through relationships with widely-recognized charitable groups and outreach through the Avis Budget Group Charitable Foundation and employee volunteer teams, the Company and its employees contribute to many worthwhile organizations and deserving causes that help improve our communities.

REGULATION

We are subject to a wide variety of laws and regulations in the United States and internationally, including those relating to, among others, consumer protection, insurance products and rates, franchising, customer privacy and data protection, competition, environmental matters, taxes, automobile-related liability, corruption, labor and employment matters, cost and fee recovery, the protection of our trademarks and other intellectual property, and local ownership or investment requirements. Additional information about the regulations that we are subject to can be found in Item 1A - Risk Factors of this Annual Report on Form 10-K.

COMPANY INFORMATION

Our principal executive office is located at 6 Sylvan Way, Parsippany, New Jersey 07054 (our telephone number is 973-496-4700). The Company files electronically with the Securities and Exchange Commission (the "SEC") required reports on Form 8-K, Form 10-Q, Form 10-K and Form 11-K; proxy materials; ownership reports for insiders as required by Section 16 of the Securities Exchange Act of 1934; registration statements and other forms or reports as required. Certain of the Company's officers and directors also file statements of changes in beneficial ownership on Form 4 with the SEC. The public may read and copy any materials that the Company has filed with the SEC at the SEC's Public Reference Room located at 100 F Street, NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 800-SEC-0330. Such materials may also be accessed electronically on the SEC's Internet site (sec.gov). The Company maintains a website (avisbudgetgroup.com) and copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Section 16 reports, proxy materials and any amendments to these reports filed or furnished with the SEC are available free of charge in the Investor Relations section of our website, as soon as reasonably practicable after filing with the SEC. Copies of our board committee charters, Codes of Conduct and Ethics, Corporate Governance Guidelines and other corporate governance information are also available on our website. If the Company should decide to amend any of its board committee charters, Codes of Conduct and Ethics or other corporate governance documents, copies of such amendments will be made available to the public through the Company's website. The information contained on the Company's website is not included in, or incorporated by reference into, this Annual Report on Form 10-K.

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ITEM 1A. RISK FACTORS

The following is a cautionary discussion of the most significant risks, uncertainties and assumptions that we believe are significant to our business and should be considered carefully in conjunction with all of the other information set forth in this Annual Report on Form 10-K. In addition to the factors discussed elsewhere in this report, the factors described in this item could, individually or in the aggregate, cause our actual results to differ materially from those described in any forward-looking statements. Should unknown risks or uncertainties materialize or underlying assumptions prove inaccurate, actual results could materially differ from past results and/or those anticipated, estimated or projected. Achievement of future results is subject to risks, uncertainties and potentially inaccurate assumptions. Past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

RISKS RELATED TO OUR BUSINESS

We face risks related to the high level of competition in the vehicle rental industry.

The vehicle rental industry is highly competitive, with price being one of the primary competitive factors. We risk losing rental volume to the extent that our competitors reduce their pricing and we do not provide competitive pricing or if price increases we seek to implement make us less competitive. If competitive pressures lead us to lose rental volume or match any downward pricing and we are unable to reduce our operating costs, then our financial condition or results of operations could be materially adversely impacted.

Additionally, pricing in the industry is impacted by the size of rental fleets and the supply of vehicles available for rent. Any significant fluctuations in the supply of rental vehicles available in the market due to an unexpected decrease in demand, or actions taken by our competitors to increase market share by acquiring more fleet could negatively affect our pricing, operating plans or results of operations if we are unable to adjust the size of our rental fleet in response to fluctuations in demand.

The risk of competition on the basis of pricing in the truck rental industry can be even more impactful than in the car rental industry because it can be more difficult to reduce the size of our truck rental fleet in response to reduced demand.

We face risks related to fleet costs.

Fleet costs typically represent our single largest expense and can vary from year to year based on the prices that we are able to purchase and dispose of our rental vehicles. In 2016, on average approximately 44% of our rental car fleet was comprised of program cars or vehicles subject to operating leases. Such program cars and leased vehicles enable us to determine our depreciation expense in advance of purchase, which is a significant component of our fleet costs. However, as discussed below, such program cars result in additional exposure to the manufacturers with whom we have such agreements.

We source our fleet from a wide range of auto manufacturers. To the extent that any of these auto manufacturers significantly curtail production, increase the cost of purchasing program cars or decline to sell program cars to us on terms or at prices consistent with past agreements, we may be unable to obtain a sufficient number of vehicles to operate our business without significantly increasing our fleet costs or reducing our volumes.

Our program car purchases also generally provide us with flexibility to reduce the size of our fleet rapidly in response to seasonal demand fluctuations, economic constraints or other changes in demand. This flexibility may be reduced in the future to the extent that we reduce the percentage of program cars in our car rental fleet or features of the programs are altered.

Failure by a manufacturer to fulfill its obligations under any program agreement or incentive payment obligation could leave us with a material expense if we are unable to dispose of program cars at prices estimated at the time of purchase or with a substantial unpaid claim against the manufacturer, particularly with respect to program cars that were either (i) resold for an amount less than the amount guaranteed under the applicable program and therefore subject to a “true-up” payment obligation from the manufacturer; or (ii) returned to the manufacturer but for which we were not yet paid, and therefore we could incur a substantial loss as a result of such failure to perform. Any reduction in the market value of the vehicles in our fleet could effectively increase our fleet costs,

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adversely impact our profitability and potentially lead to decreased capacity in our asset-backed car rental funding facilities due to the collateral requirements for such facilities that effectively increase as market values for vehicles decrease.

The costs of our non-program vehicles may also be adversely impacted by the relative strength of the used car market, particularly the market for one- to two-year old used vehicles. We currently sell non-program vehicles through auctions, third-party resellers and other channels in the used vehicle marketplace. Such channels may not produce stable used vehicle prices. A reduction in residual values for non-program vehicles in our rental fleet could cause us to sustain a substantial loss on the ultimate sale of such vehicles or require us to depreciate those vehicles at a more accelerated rate while we own them.

If our ability to sell vehicles in the used vehicle marketplace were to become severely limited at a time when required collateral levels were rising, the outstanding principal amount due under our asset-backed financing facilities may be required to be repaid sooner than anticipated with vehicle disposition proceeds and lease payments we make to our vehicle program subsidiaries. If that were to occur, the holders of our asset-backed debt may have the ability to exercise their right to instruct the trustee to direct the return of program cars and/or the sale of risk cars to generate proceeds sufficient to repay such debt.

We face risks related to safety recalls.

Our vehicles may be subject to safety recalls by their manufacturers that could have an adverse impact on our business when we remove such recalled vehicles from our rentable fleet. We cannot control the number of vehicles that will be subject to manufacturer recalls in the future. Recalls often cause us to retrieve vehicles from customers and/or not to re-rent vehicles until we can arrange for the repairs described in the recalls to be completed. As such, recalls can result in incremental costs, negatively impact our revenues and/or reduce our fleet utilization. If a large number of vehicles were to be the subject of simultaneous recalls, or if needed replacement parts were not in adequate supply, we may be unable to re-rent recalled vehicles for a significant period of time. We could also face liability claims related to vehicles subject to a safety recall. Depending on the nature and severity of the recall, it could create customer service problems, reduce the residual value of the vehicles involved, harm our general reputation and/or have an adverse impact on our financial condition or results of operations.

Weakness in general economic conditions in the United States, Europe and other areas in which we operate, weakness in travel demand and/or a significant increase in fuel costs can adversely impact our business.

If economic conditions in the United States, Europe and/or worldwide were to weaken, including due to uncertainty and instability related to the potential withdrawal of countries from the European Union, our financial condition or results of operations could be adversely impacted.

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 work stoppages, military conflicts, terrorist incidents, natural disasters, disease epidemics, or the response of governments to any such events, could have an adverse impact on our results of operations. Likewise, any significant increases in fuel prices, a severe protracted disruption in fuel supplies or rationing of fuel could discourage our customers from renting vehicles or reduce or disrupt air travel, which could also adversely impact our results of operations.

Our truck rental business can be impacted by the housing market. If conditions in the housing market were to weaken, we may see a decline in truck rental transactions, which could have an adverse impact on our business.

We face risks related to our ability to successfully implement our business strategies and to preserve the value of our brands.

Our objective is to focus on strategically accelerating growth, strengthening our global position as a leading provider of vehicle rental services, continuing to enhance our customers' rental experience and controlling costs and driving efficiency throughout the organization. We see significant potential in the areas of optimizing our pricing, customer mix and sales of ancillary products and services; optimizing our procurement, deployment and

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disposition of vehicles, including increased use of non-auction channels for selling our cars; and applying connected-car/in-vehicle systems and other emerging technologies in our operations. If we are unsuccessful in implementing our strategic initiatives, our financial condition or results of operations could be adversely impacted.

Since 2014, the Company has taken significant actions to further streamline its administrative and shared-services infrastructure through a restructuring program that identifies and replicates best practices, leverages the scale and capabilities of third-party service providers, and is designed to increase the global standardization and consolidation of non-rental-location functions over time. We cannot be certain that such initiatives will continue to be successful. Failure to successfully implement any of these initiatives could have an adverse impact to our financial condition or results of operations.

Any failure to provide a high-quality reservation and rental experience for our customers and members, to adopt new technologies or to meet evolving customer preferences could substantially harm our reputation and competitiveness, and could adversely impact our financial condition or results of operations.

We face risks related to our Zipcar operations.

We expect that the competitive environment for our car sharing services will become more intense as additional companies, including automobile manufacturers, enter our existing markets or try to expand their operations. Competitors could introduce new solutions with competitive price and convenience characteristics, offer new technologies, undertake more aggressive marketing campaigns than we do or price their products below cost. Such developments could adversely impact our business and result of operations should we be unable to compete with such efforts.

Because Zipcar members are located primarily in cities, we compete for limited parking locations that are convenient to our members or are available on terms that are commercially reasonable to our business. If we are unable to obtain and maintain a sufficient number of parking locations that are convenient to our members, then our ability to attract and retain members could suffer and our business and results of operations could be materially impacted.

We face risks related to political, economic and commercial instability or uncertainty in the countries in which we operate.

Our global operations are dependent upon products manufactured, purchased and sold in the United States and internationally, including in countries with political and economic instability. Operating and seeking to expand business in a number of different regions and countries exposes us to a number of risks, including:

- multiple and potentially conflicting laws, regulations, trade policies and agreements that are subject to change;
- the imposition of currency restrictions, restrictions on repatriation of earnings or other restraints;
- local ownership or investment requirements, as well as difficulties in obtaining financing in foreign countries for local operations;
- varying tax regimes, including consequences from changes in applicable tax laws;
- uncertainty and changes to political and regulatory regimes as a result of changing social, political, regulatory and economic environments in the United States and internationally;
- national and international conflict, including terrorist acts; and

- political and economic instability or civil unrest that may severely disrupt economic activity in affected countries.

The occurrence of one or more of these events may adversely impact our financial condition or results of operations. Our licensees' vehicle rental operations may also be impacted by political, economic and commercial instability, which in turn could impact the amount of royalty payments they make to us.

We face risks related to third-party distribution channels that we rely upon.

We rely upon third-party distribution channels to generate a significant portion of our car rental reservations, including:

- traditional and online travel agencies, airlines and hotel companies, marketing partners such as credit card companies and membership organizations and other entities that help us attract customers; and

- global distribution systems (“GDS”), such as Amadeus, Galileo/Apollo, Sabre and Worldspan, that connect travel agents, travel service providers and corporations to our reservations systems.

Changes in our pricing agreements, commission schedules or arrangements with third-party distribution channels, the termination of any of our relationships or a reduction in the transaction volume of such channels, or a GDS’s inability to process and communicate reservations to us could have an adverse impact on our financial condition or results of operations, particularly if our customers are unable to access our reservation systems through alternate channels.

We face risks related to our leases and vehicle rental concessions.

We lease or have vehicle rental concessions at locations throughout the world, including at airports both in the United States and internationally and train stations throughout Europe where vehicle rental companies are frequently required to bid periodically for the available locations. If we were to lose any lease or vehicle rental concession, particularly at an airport or a train station in a major metropolitan area, there can be no assurance that we would be able to find a suitable replacement on reasonable terms and our business could be adversely impacted.

We face risks related to the seasonality of our business.

In our business, the third quarter of the year has historically been our strongest quarter due to the increased level of summer leisure travel and household moving activity. We vary our fleet size over the course of the year to help manage seasonal variations in demand, as well as localized changes in demand that we may encounter in the various regions in which we operate. In 2016, the third quarter accounted for 30% of our total revenue for the year and was our most profitable quarter as measured by net income and Adjusted EBITDA. Any circumstance or occurrence that disrupts rental activity during the third quarter could have a disproportionately adverse impact on our financial condition or results of operations.

We face risks related to acquisitions, including the acquisition of existing licensees or investments in other related businesses.

We may engage in strategic transactions, including the acquisition of or investment in existing licensees and/or other related businesses. The risks involved in engaging in these strategic transactions include the possible failure to successfully integrate the operations of acquired businesses, or to realize the expected benefits of such transactions within the anticipated time frame, or at all, such as cost savings, synergies or sales or growth opportunities. In addition, the integration may result in material unanticipated challenges, expenses, liabilities or competitive responses, including:

- inconsistencies between our standards, procedures and policies and those of the acquired business;

- the increased scope and complexity of our operations could require significant attention from management and could impose constraints on our operations or other projects;

- unforeseen expenses, delays or conditions, including required regulatory or other third-party approvals or consents;

- an inability to retain the customers, employees, suppliers and/or marketing partners of the acquired business;

- the costs of compliance with U.S. and international laws and regulations, including the acquisition or assumption of unexpected liabilities, litigation, penalties or other enforcement actions;
- provisions in our and the acquired business's contracts with third parties that could limit our flexibility to take certain actions or our ability to retain customers;
- higher than expected costs arising due to unforeseen changes in tax, trade, environmental, labor, safety, payroll or pension policies;
- higher than expected investments required to implement necessary compliance processes and related systems, including accounting systems and internal controls over financial reporting;
- limitations on, or costs associated with, workforce reductions;
- a failure to implement our strategy for a particular acquisition, including successfully integrating the acquired business; and
- the possibility of other costs or inefficiencies associated with the integration and consolidation of operational and administrative systems, processes and infrastructures of the combined company.

Any one of these factors could result in delays, increased costs or decreases in the amount of expected revenues related to combining the companies and could adversely impact our financial condition or results of operations.

We face risks related to our derivative instruments.

We typically utilize derivative instruments to manage fluctuations in interest rates, foreign exchange rates and gasoline prices. The derivative instruments we use to manage our risk are usually in the form of interest rate swaps and caps and foreign exchange and commodity contracts. Periodically, we are required to determine the change in fair value, called the "mark to market," of some of these derivative instruments, which could expose us to substantial mark-to-market losses or gains if such rates or prices fluctuate materially from the time the derivatives were entered into. Accordingly, volatility in rates or prices may adversely impact our financial position or results of operations and could impact the cost and effectiveness of our derivative instruments in managing our risks.

We face risks related to fluctuations in currency exchange rates.

Our international operations generate revenue and incur operating costs in a variety of currencies. The financial position and results of operations of many of our foreign subsidiaries are reported in the relevant local currency and then translated to U.S. dollars at the applicable currency exchange rate for inclusion in our Consolidated Financial Statements. Changes in exchange rates among these currencies and the U.S. dollar will affect the recorded levels of our assets and liabilities in our financial statements. While we take steps to manage our currency exposure, such as currency hedging, we may not be able to effectively limit our exposure to intermediate- or long-term movements in currency exchange rates, which could adversely impact our financial condition or results of operations.

We face risks related to liability and insurance.

Our businesses expose us to claims for bodily injury, death and property damage related to the use of our vehicles, for having our customers on our premises and for workers' compensation claims and other employment-related claims by our employees. We may become exposed to uninsured liability at levels in excess of our historical levels resulting from unusually high losses or otherwise. In addition, liabilities in respect of existing or future claims may exceed the level of our reserves and/or our insurance, which could adversely impact our financial condition and results of operations. Furthermore, insurance with unaffiliated insurers may not continue to be available to us on economically reasonable terms or at all. Should we experience significant liability for which we did not plan, our results of operations or financial position could be negatively impacted.

We reinsure certain insurance exposures as well as offer optional insurance coverages through unaffiliated third-party insurers, which then reinsure all or a portion of their risks through our insurance company subsidiaries that

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in turn subjects us to regulation under various insurance laws and statutes, in the jurisdictions in which our insurance company subsidiaries are domiciled. Any changes in regulations that alter or impede our reinsurance obligations or subsidiary operations in all or certain jurisdictions could adversely impact the economic benefits that we rely upon to support our reinsurance efforts, which in turn would adversely impact our financial condition or results of operations.

Optional insurance products that we offer to renters in the United States, including, but not limited to, supplemental liability insurance, personal accident insurance and personal effects protection, are regulated under state laws governing such products. Our car rental operations outside the United States must comply with certain local laws and regulations regarding the sale of supplemental liability and personal accident and effects insurance by intermediaries. Any changes in U.S. or international laws that change our operating requirements with respect to optional insurance products could increase our costs of compliance or make it uneconomical to offer such products, which would lead to a reduction in revenue and profitability. Should more of our customers decline purchasing optional liability insurance products as a result of any changes in these laws or otherwise, our financial condition or results of operations could be adversely impacted.

We offer loss damage waivers to our customers as an option for them to reduce their financial responsibility that may be incurred as a result of loss or damage to the rental vehicle. Certain states in the United States have enacted legislation that mandates disclosure to each customer at the time of rental that damage to the rented vehicle may be covered to some extent by the customer’s personal automobile insurance and that loss damage waivers may not be necessary. In addition, some states have statutes that establish or cap the daily rate that can be charged for loss damage waivers. Should new state or federal laws or regulations arise that place new limits on our ability to offer loss damage waivers to our customers, our financial condition or results of operations could be adversely impacted.

If the current federal law that pre-empted state laws that imputed tort liability solely based on ownership of a vehicle involved in an accident were to change, our insurance liability exposure could materially increase.

We may be unable to collect amounts that we believe are owed to us by customers, insurers and other third parties related to vehicle damage claims or liabilities. The inability to collect such amounts in a timely manner or to the extent that we expect could adversely impact our financial condition or results of operations.
Costs associated with lawsuits or investigations or increases in the legal reserves that we establish based on our assessment of contingent liabilities may have an adverse effect on our results of operations.

We are involved in various claims and lawsuits and other legal proceedings that arise in and outside of the ordinary course of our business. We have been subject in the past, and may be in the future, to complaints and/or litigation involving our employees, independent contractors, licensees, customers and others with whom we conduct business based on allegations of discrimination, misclassification as exempt employees under the Fair Labor Standards Act, wage and hourly pay disputes, and various other claims. We could incur substantial costs and adverse outcomes to such complaints or litigation, which could have a material adverse effect on our financial condition or results of operations.

From time to time, the vehicle rental industry or our practices may be reviewed or investigated by regulators, which could lead to tax assessments, enforcement actions, fines and penalties or the assertion of private litigation claims. It is not possible to predict with certainty the outcome of claims, investigations and lawsuits, and we could in the future incur judgments, taxes, fines or penalties or enter into settlements of lawsuits or claims that could have an adverse impact on our financial condition or results of operations. In addition, while we maintain insurance coverage with respect to certain claims, we may not be able to obtain such insurance on acceptable terms in the future, if at all, and any such insurance may not provide adequate coverage against any such claims.

As required by U.S. generally accepted accounting principles ("GAAP"), we establish reserves based on our assessment of actual or potential loss contingencies, including contingencies related to legal claims asserted against us. Subsequent developments may affect our assessment and estimates of the loss contingency recorded as a reserve and require us to make payments in excess of our reserves, which could have an adverse effect on our financial condition or results of operations.

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We face risks related to U.S. and international laws and regulations that could impact our global operations.

We are subject to multiple, and sometimes conflicting, laws and regulations in the United States and internationally that relate to, among others, consumer protection, competition, customer privacy and data protection, automotive retail sales, franchising, fraud and anti-bribery, environmental matters, taxes, automobile-related liability, labor and employment matters, currency-exchange and other various banking and financial industry matters, health and safety, insurance rates and products, claims management, protection of our trademarks and other intellectual property and other trade-related laws and regulations in numerous jurisdictions. Recent years have seen a substantial increase in the global enforcement of certain of these laws such as the U.S. Foreign Corrupt Practices Act, the UK Bribery Act and similar foreign laws and regulations. Our continued operation and expansion outside of the United States, including in developing countries, could increase the risk of governmental investigations and violations of such laws. We cannot predict the nature, scope or effect of future regulatory requirements to which our global operations may be subject or the manner in which existing or future laws may be administered or interpreted. Any alleged or actual violations of any law or regulation, change in law or regulation or in the interpretation of existing laws or regulations may subject us to government scrutiny, investigation and civil and criminal penalties, may limit our ability to provide services in any of the countries in which we operate and could result in a material adverse impact on our reputation, business, financial position or results of operations.

In the United States and certain other international locations where we have Company-operated locations, we may recover from consumers various costs associated with the title and registration of our vehicles and certain costs, including concession costs imposed by an airport authority or the owner and/or operator of the premises from which our vehicles are rented. We may in the future be subject to potential U.S. or international laws or regulations that could negatively impact our ability to separately state, charge and recover such costs, which could adversely impact our financial condition or results of operations.

With respect to U.S. and international consumer privacy and data protection laws and regulations in the jurisdictions in which we operate, we may be limited in the types of information that we may collect about individuals with whom we deal or propose to deal, as well as how we collect, process and retain the information that we are permitted to collect, some of which may be non-public personally identifiable information. The centralized nature of our information systems requires the routine flow of information about customers and potential customers across national borders, particularly in the United States and Europe. Should this flow of information become illegal or subject to onerous restrictions, our ability to serve our customers could be negatively impacted for an extended period of time. In addition, our failure to maintain the security of the data we hold, whether as a result of our own error or the actions of others, could harm our reputation or give rise to legal liabilities that adversely impact our financial condition or results of operations. Privacy and data protection regulations impact the ways that we process our transaction information and increase our compliance costs. In addition, the Payment Card Industry imposes strict customer credit card data security standards to ensure that our customers’ credit card information is protected. Failure to meet these data security standards could result in substantial increased fees to credit card companies, other liabilities and/or loss of the right to collect credit card payments, which could adversely impact our financial condition or results of operations.

We face risks related to environmental laws and regulations.

We are subject to a wide variety of environmental laws and regulations in the United States and internationally in connection with our operations, including, among other things, with respect to the ownership or use of tanks for the storage of petroleum products, such as gasoline, diesel fuel and motor and waste oils; the treatment or discharge of waste waters; and the generation, storage, transportation and off-site treatment or disposal of solid or liquid wastes. We maintain liability insurance covering our storage tanks. In the United States, we have instituted an environmental compliance program designed to ensure that these tanks are properly registered in the jurisdiction in which they are located and are in compliance with applicable technical and operational requirements. We are also subject to various environmental regulatory requirements in other countries in which we operate. The tank systems located at each of our locations may not at all times remain free from undetected leaks, and the use of these tanks may result in significant spills, which may require remediation and expose us to material liabilities.

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We may also be subject to requirements related to the remediation of substances that have been released into the environment at properties owned or operated by us or at properties to which we send substances for treatment or disposal. Such remediation requirements may be imposed without regard to fault and liability for environmental remediation can be substantial. These remediation requirements and other environmental regulations differ depending on the country where the property is located. We have made, and will continue to make, expenditures to comply with environmental laws and regulations, including, among others, expenditures for the remediation of contamination at our owned and leased properties, as well as contamination at other locations at which our wastes have reportedly been identified. Our compliance with existing or future environmental laws and regulations may, however, require material expenditures by us or otherwise have an adverse impact on our financial condition or results of operations.

The U.S. Congress and other legislative and regulatory authorities in the United States and internationally have considered, and will likely continue to consider, numerous measures related to climate change and greenhouse gas emissions. Should rules establishing limitations on greenhouse gas emissions or rules imposing fees on entities deemed to be responsible for greenhouse gas emission become effective, demand for our services could be affected, our fleet and/or other costs could increase, and our business could be adversely impacted.

We face risks related to franchising or licensing laws and regulations.

We frequently renew and sometimes sell licenses to third parties to operate locations under our brands in exchange for the payment of a royalty by the third-party licensee. Our licensing activities and sales are subject to various U.S. and international laws and regulations. In particular, in the United States, we are required to make extensive disclosure to prospective licensees in connection with licensing offers and sales, as well as to comply with franchise relationship laws that could limit our ability to, among other things, terminate license agreements or withhold consent to the renewal or transfer of these agreements. We are also subject to certain regulations affecting our license arrangements in Europe and other international locations. Although our licensing operations have not been materially adversely affected by such existing regulations, such regulations could have a greater impact on us if we were to become more active in granting or selling new licenses to third parties. Should our operations become subject to new laws or regulations that negatively impact our ability to engage in licensing activities, our financial condition or results of operations could be adversely impacted.

We face risks related to the actions of, or failures to act by, our licensees, dealers or independent operators.

Our vehicle rental licensee and dealer locations are independently owned and operated. We also operate many of our Company-owned locations through agreements with “independent operators,” which are third-party independent contractors who receive commissions to operate such locations. Our agreements with our licensees, dealers and independent operators (“third-party operators”) generally require that they comply with all laws and regulations applicable to their businesses, including relevant internal policies and standards. Under these agreements, third-party operators retain control over the employment and management of all personnel at their locations. Regulators, courts or others may seek to hold us responsible for the actions of, or failures to act by, third-party operators. Although we actively monitor the operations of these third-party operators, and under certain circumstances have the ability to terminate their agreements for failure to adhere to contracted operational standards, we are unlikely to detect all problems. Moreover, there are occasions when the actions of third-party operators may not be clearly distinguishable from our own. It is our policy to vigorously seek to be dismissed from any claims involving third-party operators and to pursue indemnity for any adverse outcomes that affect the Company. Failure of third-party operators to comply with laws and regulations may expose us to liability, damages and negative publicity that may adversely impact our financial condition or results of operations.

We face risks related to our reliance on communications networks and centralized information systems.

We rely heavily on the satisfactory performance and availability of our information systems, including our reservation systems, websites and network infrastructure to attract and retain customers, accept reservations, process rental and sales transactions, manage our fleet of vehicles, account for our activities and otherwise conduct our business. We have centralized our information systems, and we rely on communications service providers to link our systems with the business locations these systems were designed to serve. A failure or interruption that results in the unavailability of any of our information systems, or a major disruption of communications between a system and the locations it serves, could cause a loss of reservations, interfere with

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our fleet management, slow rental and sales processes, create negative publicity that damages our reputation or otherwise adversely impacts our ability to manage our business effectively. We may experience temporary system interruptions for a variety of reasons, including network failures, power outages, cyber-attacks, software errors or an overwhelming number of visitors trying to access our systems. Because we are dependent in part on independent third parties for the implementation and maintenance of certain aspects of our systems and because some of the causes of system interruptions may be outside of our control, we may not be able to remedy such interruptions in a timely manner, or at all. Our systems' business continuity plans and insurance programs seek to mitigate such risks but they cannot fully eliminate the risks as a disruption could be experienced in any of our information systems.

We face risks related to cyber security breaches of our systems and information technology.

Third parties may have the technology or expertise to breach the security of our customer transaction data and our security measures may not prevent physical security or cyber-security breaches, which could result in substantial harm to our business, our reputation or our results of operations. We rely on encryption and/or authentication technology licensed from and, at times, administered by independent third parties to secure transmission of confidential information, including credit card numbers and other customer personal information. Our outsourcing agreements with these third-party service providers generally require that they have adequate security systems in place to protect our customer transaction data. However, advances in computer capabilities, new discoveries in the field of cryptography or other cyber-security developments could render our security systems and information technology or those employed by our third-party service providers vulnerable to a breach. In addition, anyone who is able to circumvent our security measures could misappropriate proprietary information or cause interruptions in our operations. Cyber-security risks such as malicious software and attempts to gain unauthorized access to data are rapidly evolving and could lead to disruptions in our reservation system or other data systems, unauthorized release of confidential or otherwise protected information or corruption of data. Any successful efforts by individuals to infiltrate, break into, disrupt, damage or otherwise steal from the Company's, its licensees' or its third-party service providers' security or information systems could damage our reputation and expose us to a risk of loss or litigation and possible liability that could adversely impact our financial condition or results of operations.

We face risks associated with our like-kind exchange program.

We utilize a like-kind exchange program whereby we replace vehicles in a manner that allows tax gains on vehicles sold in the United States to be deferred. The program has resulted in a material deferral of federal and state income taxes beginning in 2004. The benefit of deferral is dependent on reinvestment of vehicle disposition proceeds in replacement vehicles within a prescribed period of time (usually six months). An extended downsizing of our fleet could result in reduced deferrals, utilization of tax attributes and increased payment of federal and state income taxes that could require us to make material cash payments. Such a downsizing or reduction in purchases would likely occur if, and to the extent, we are unable to obtain financing when our asset-backed rental car financings mature or in connection with a significant decrease in demand for vehicle rentals. Therefore, we cannot offer assurance that the expected tax deferral will continue or that the relevant law concerning like-kind exchange programs will remain intact in its current form.

In the United States, tax reform has been identified as a high priority for legislative action in 2017. U.S. federal and state income tax laws, legislation or regulations governing like-kind exchange and accelerated depreciation deductions and the administrative interpretations of those laws, legislation or regulations are subject to amendment at any time. We cannot predict when or if any such new federal or state income tax laws, legislation, regulations or administrative interpretations will be adopted or what the structure of such reform would encompass. Any such change could eliminate certain tax deferrals that are currently available with respect to like-kind exchange or accelerated depreciation deductions, which could adversely impact our financial condition or results of operations by reducing or eliminating deferral of federal or state income taxes allowed for our U.S. vehicle rental fleet.

We face risks related to our protection of our intellectual property.

We have registered “Avis,” “Budget,” “Zipcar” and “Payless” and various related marks or designs, such as “We try harder,” a “wheels when you want them,” as trademarks in the United States and in certain other countries. At times, competitors may adopt service names similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered trademarks. From time to time, we have acquired or attempted to acquire Internet domain names held by others when such names have caused consumer confusion or had the potential to cause consumer confusion.

Our efforts to enforce or protect our proprietary rights related to trademarks, trade secrets, domain names, copyrights or other intellectual property may be ineffective and could result in substantial costs and diversion of resources and could adversely impact our financial condition or results of operations.

RISKS RELATED TO OUR INDEBTEDNESS

We face risks related to our current and future debt obligations.

Our ability to satisfy and manage our debt obligations depends on our ability to generate cash flow and on overall financial market conditions. To some extent, this is subject to prevailing economic and competitive conditions and to certain financial, business and other factors, many of which are beyond our control. Our total debt as of December 31, 2016, was $12.4 billion, requiring us to dedicate a significant portion of our cash flows to pay interest and principal on our debt, which reduces the funds available to us for other purposes. Our business may not generate sufficient cash flow from operations to permit us to service our debt obligations and meet our other cash needs, which may force us to reduce or delay capital expenditures, sell or curtail assets or operations, seek additional capital or seek to restructure or refinance our indebtedness. If we must sell or curtail our assets or operations, it may negatively affect our ability to generate revenue. Certain of our debt obligations contain restrictive covenants and provisions applicable to us and our subsidiaries that limit our ability to, among other things:

- incur additional debt to fund working capital, capital expenditures, debt service requirements, execution of our business strategy or acquisitions and other purposes;
- provide guarantees in respect of obligations of other persons;
- pay dividends or distributions, redeem or repurchase capital stock;
- prepay, redeem or repurchase debt;
- create or incur liens;
- make distributions from our subsidiaries;
- sell assets and capital stock of our subsidiaries;
- consolidate or merge with or into, or sell substantially all of our assets to, another person; and
- respond to adverse changes in general economic, industry and competitive conditions, as well as changes in government regulation and changes to our business.

Our failure to comply with the restrictive covenants contained in the agreements or instruments that govern our debt obligations, if not waived, would cause a default under our senior credit facility and could result in a cross-default under several of our other debt obligations, including our U.S. and European asset-backed debt facilities. If such a failure were to occur, certain provisions in our various debt agreements could require that we repay or accelerate debt payments to the lenders or holders of our debt, and there can be no assurance that we would be able to refinance or obtain a replacement for such financing programs.

We face risks related to movements or disruptions in the credit and asset-backed securities markets.

We finance our operations through the use of asset-backed securities and other debt financing structures available through the credit market. Our total asset-backed debt as of December 31, 2016, was approximately $8.9 billion, with remaining available capacity of approximately $3.6 billion. We maintain asset-backed facilities in

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the United States, Canada, Australia and Europe. If the asset-backed financing market were to be disrupted for any reason, we may be unable to obtain refinancing for our operations at current levels, or at all, when our asset-backed financings mature. Likewise, any disruption of the asset-backed financing market could also increase our borrowing costs, as we seek to engage in new financings or refinance our existing asset-backed financings. In addition, we could be subject to increased collateral requirements to the extent that we request any amendment or renewal of any of our existing asset-backed financings.

We face risks related to potential increases in interest rates.

A portion of our borrowings, primarily our vehicle-backed borrowings, bears interest at variable rates that expose us to interest rate risk. If interest rates were to increase, whether due to an increase in market interest rates or an increase in our own cost of borrowing, our debt service obligations for our variable rate indebtedness would increase even though the amount of borrowings remained the same, and our results of operations could be adversely affected. As of December 31, 2016, our total outstanding debt of approximately $12.4 billion included unhedged interest rate sensitive debt of approximately $2.6 billion. During our seasonal borrowing peak in 2016, outstanding unhedged interest rate sensitive debt totaled approximately $3.7 billion.

Approximately $0.7 billion of our corporate indebtedness as of December 31, 2016, and virtually all of our $8.9 billion of debt under vehicle programs, matures within the next five years. If we are unable to refinance maturing indebtedness at interest rates that are equivalent to or lower than the interest rates on our maturing debt, our results of operations or our financial condition may be adversely affected.

RISKS RELATED TO OUR COMMON STOCK

We face risks related to the market price of our common stock.

We cannot predict the prices at which our common stock will trade. The market price of our common stock experienced substantial volatility in the past and may fluctuate widely in the future, depending upon many factors, some of which may be beyond our control, including:

- our quarterly or annual earnings, or those of other companies in our industry, including our key suppliers;

- financial estimates that we provide to the public, any changes in such estimates, or our failure to meet such estimates;

- actual or anticipated fluctuations in our operating results;

- changes in accounting standards, policies, guidance, interpretations or principles;

- announcements by us or our competitors of acquisitions, dispositions, strategies, management or shareholder changes, marketing affiliations, projections, fleet costs, pricing actions or other competitive actions;

- changes in earnings estimates by securities analysts or our ability to meet those estimates;

- changes in investors’ and analysts’ perceptions of our industry, business or related industries;

- the operating and stock price performance of other comparable companies;

- overall market fluctuations;

- success or failure of competitive service offerings or technologies;
- tax or regulatory developments in the United States or foreign countries;
- litigation involving us;
- the timing and amount of share repurchases by us; and

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- general economic conditions and conditions in the credit markets.

If any of the foregoing occurs, it could cause our stock price to fall and may expose us to litigation, including class action lawsuits that, even if unsuccessful, could be costly to defend and a distraction to management.

Our shareholders' percentage of ownership may be diluted in the future.

Our shareholders' percentage of ownership may be diluted in the future due to equity issuances or equity awards that we granted or will grant to our directors, officers and employees. In addition, we may undertake acquisitions financed in part through public or private offerings of securities, or other arrangements. If we issue equity securities or equity-linked securities, the issued securities would have a dilutive effect on the interests of the holders of our common shares. In 2016, we granted approximately 1.1 million restricted stock units. We expect to grant restricted stock units, stock options and/or other types of equity awards in the future.

Certain provisions of our certificate of incorporation and by-laws, Delaware law and our stockholder rights plan could prevent or delay a potential acquisition of control of our Company, which could decrease the trading price of our common stock.

Our amended and restated certificate of incorporation, amended and restated by-laws and laws in the State of Delaware contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the prospective acquirer and to encourage prospective acquirers to negotiate with our Board of Directors rather than to attempt a hostile takeover. Delaware law also imposes restrictions on mergers and other business combinations between us and any holder of 15% or more of our outstanding common stock. In January 2017, our Board of Directors authorized the adoption of a short-term stockholder rights plan, which may cause substantial dilution to a person or group that attempts to acquire control of the Company on terms not approved by our Board of Directors.

We believe these provisions and the stockholder rights plan protect our stockholders from coercive or otherwise unfair takeover tactics by effectively requiring those who seek to obtain control of the Company to negotiate with our Board of Directors and by providing our Board with more time to assess any acquisition of control. However, these provisions could apply even if an acquisition of control of the Company may be considered beneficial by some stockholders and could delay or prevent an acquisition of control that our Board of Directors determines is not in the best interests of our Company and our stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located at 6 Sylvan Way, Parsippany, New Jersey 07054 pursuant to a lease agreement that expires in 2023. We own a facility in Virginia Beach, Virginia, which serves as a satellite administrative facility for our car and truck rental operations. We also lease office space in Tulsa, Oklahoma, and Boston, Massachusetts, pursuant to leases expiring in 2022 and 2023, respectively. These locations primarily provide operational and administrative services or contact center operations. We also lease office space in Bracknell, England, Budapest, Hungary and Barcelona, Spain, pursuant to leases expiring in 2027, 2021 and 2019, respectively, for corporate offices, contact center activities and other administrative functions, respectively, in Europe. Other office locations throughout the world are leased for administrative, regional sales and operations activities.

We lease or have vehicle rental concessions for our brands at locations throughout the world. Avis operates approximately 1,550 locations in the Americas and approximately 1,200 locations in our International segment. Of those locations, approximately 315 in the Americas and approximately 240 in our International segment are at airports. Budget operates at approximately 1,400 locations in the Americas, of which approximately 270 are at airports. Budget also operates approximately 650 locations in our International segment, of which approximately 190 are at airports. Payless operates at approximately 85 locations in the Americas, the majority of which are at or

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near airports, and approximately 5 locations in our International segment. We believe that our properties are sufficient to meet our present needs and we do not anticipate any difficulty in securing additional space, as needed, on acceptable terms.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various legal proceedings related to wage and hour and employee classification claims that involve allegations that we violated the Fair Labor Standards Act and various other state labor laws by misclassifying certain management employees as exempt from receiving overtime compensation. The relief sought in these cases varies but most cases typically seek to recover payment for alleged unpaid overtime compensation and attorneys' fees and costs. These matters are at various stages in the litigation process and we intend to vigorously defend against these suits.

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

In February 2017, following a state court trial in Georgia, a jury found the Company liable for damages in a case brought by a plaintiff who was injured in a vehicle accident allegedly caused by an employee of an independent contractor of the Company who was acting outside of the scope of employment. The Company considers the attribution of liability to the Company, and the amount of damages awarded, to be unsupported by the facts of the case, and intends to appeal the verdict. The Company also faces a similar case from another plaintiff. The Company has recognized a liability for the expected loss related to these cases of $26 million.

We are involved in other claims, legal proceedings and governmental inquiries related, among other things, to our vehicle rental and car sharing operations, including, among others, business practice disputes, contract and licensee disputes, employment and wage-and-hour claims, competition matters, insurance and liability claims, intellectual property claims and other regulatory, environmental, commercial and tax matters. The Company believes that it has adequately accrued for such matters as appropriate. However, litigation is inherently unpredictable and, although the Company believes that its accruals are adequate and/or that it has valid defenses in these matters, unfavorable resolutions could occur, which could adversely impact the Company's financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET PRICE OF COMMON STOCK

Our common stock is currently traded on the NASDAQ Global Select Market ("NASDAQ") under the symbol "CAR." The following table sets forth the quarterly high and low sales prices per share of our common stock as reported by NASDAQ for 2016 and 2015. At January 31, 2017, the number of stockholders of record was 2,811.

	High	Low
2016		
First Quarter	$36.32	$21.73
Second Quarter	34.85	21.85
Third Quarter	39.54	29.72
Fourth Quarter	41.53	30.60

	High	Low
2015		
First Quarter	$68.25	$56.01
Second Quarter	59.45	43.90
Third Quarter	47.75	39.04
Fourth Quarter	53.04	32.76

DIVIDEND POLICY

We neither declared nor paid any cash dividend on our common stock in 2016 and 2015, and we do not currently anticipate paying cash dividends on our common stock. Our ability to pay dividends to holders of our common stock is limited by the Company's senior credit facility, the indentures governing our senior notes and our vehicle financing programs, insofar as we may seek to pay dividends out of funds made available to the Company by certain of its subsidiaries. The declaration and payment of future dividends to holders of our common stock will be at the discretion of our Board of Directors and will depend upon many factors, including our financial condition, earnings, capital requirements of our businesses, covenants associated with certain debt obligations, legal requirements, regulatory constraints, industry practice and other factors that the Board of Directors deems relevant.

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SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information about shares of our common stock that may be issued upon the exercise of options and restricted stock units under all of our existing equity compensation plans as of December 31, 2016.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, Rights and Restricted Stock Units [(a)]	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (Excludes Restricted Stock Units) ($)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column) [(b)]
Equity compensation plans approved by security holders	3,037,882	$ 2.91	7,625,873
Equity compensation plans not approved by security holders	—	—	—
Total	3,037,882		7,625,873

(a) Includes options and other awards granted under the Amended and Restated Equity and Incentive Plan, which plan was approved by stockholders.

(b) Represents 5,182,040 shares available for issuance under the Amended and Restated Equity and Incentive Plan and 2,443,833 shares available for issuance pursuant to the 2009 Employee Stock Purchase Plan.

ISSUER PURCHASES OF EQUITY SECURITIES

The following is a summary of the Company’s common stock repurchases by month for the quarter ended December 31, 2016:

Period	Total Number of Shares Purchased[(a)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased under the Plans or Programs
October 2016	1,050,897	$ 32.39	1,050,897	$ 116,434,853
November 2016	777,559	37.49	777,559	337,284,137
December 2016	972,421	37.85	972,421	300,475,790
Total	2,800,877	$ 35.70	2,800,877	$ 300,475,790

(a) Excludes, for the three months ended December 31, 2016, 34,983 shares which were withheld by the Company to satisfy employees’ income tax liabilities attributable to the vesting of restricted stock unit awards.

The Company’s Board of Directors has authorized the repurchase of up to approximately $1.5 billion of its common stock under a plan originally approved in 2013 and subsequently expanded, most recently in 2016. The Company’s stock repurchases may occur through open market purchases or trading plans pursuant to Rule 10b5-1 of the Securities Exchange Act of 1934. The amount and timing of specific repurchases are subject to market conditions, applicable legal requirements and other factors. The repurchase program may be suspended, modified or discontinued at any time without prior notice. The repurchase program has no set expiration or termination date.

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PERFORMANCE GRAPH

Set forth below are a line graph and table comparing the cumulative total stockholder return of our common stock against the cumulative total returns of peer group indices, the S&P 500 Index and the Dow Jones U.S. Transportation Average Index for the period of five fiscal years commencing December 31, 2011 and ending December 31, 2016. The broad equity market indices used by the Company are the S&P 500 Index, which measures the performance of large-sized companies, and the Dow Jones U.S. Transportation Average Index, which measures the performance of transportation companies. The graph and table depict the result of an investment on December 31, 2011 of $100 in the Company's common stock, the S&P 500 Index and the Dow Jones U.S. Transportation Average Index, including investment of dividends.

	As of December 31,					
	2011	2012	2013	2014	2015	2016
Avis Budget Group, Inc.	$100.00	$184.89	$377.05	$618.75	$338.53	$342.16
S&P 500 Index	$100.00	$116.00	$153.58	$174.60	$177.01	$198.18
Dow Jones U.S. Transportation Average Index	$100.00	$107.55	$152.05	$190.17	$158.30	$193.64

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ITEM 6. SELECTED FINANCIAL DATA

	As of or For the Year Ended December 31,				
	2016	2015	2014	2013	2012
		(In millions, except per share data)			
Results of Operations					
Net revenues	$8,659	$8,502	$8,485	$7,937	$7,357
Net income	$163	$313	$245	$16	$290
Adjusted EBITDA (a)	$838	$903	$876	$769	$840
Earnings per share					
Basic	$1.78	$3.02	$2.32	$0.15	$2.72
Diluted	1.75	2.98	2.22	0.15	2.42
Financial Position					
Total assets	$17,643	$17,634	$16,842	$16,150	$15,090
Assets under vehicle programs	11,578	11,716	11,058	10,452	10,099
Corporate debt	3,523	3,461	3,353	3,321	2,833
Debt under vehicle programs (b)	8,878	8,860	8,056	7,276	6,750
Stockholders' equity	221	439	665	771	757
Ratio of debt under vehicle programs to assets under vehicle	77 %	76 %	73 %	70 %	67 %

programs

(a) The following table reconciles Adjusted EBITDA to Net income within our Selected Financial Data, which we define as income from continuing operations before non-vehicle related depreciation and amortization, any impairment charge, restructuring expense, early extinguishment of debt costs, non-vehicle related interest, transaction-related costs, charges for an unprecedented personal-injury legal matter and income taxes. Charges for the legal matter are recorded within operating expenses in our consolidated statement of operations. We have revised our definition of Adjusted EBITDA to exclude charges for an unprecedented personal-injury legal matter which we do not view as indicative of underlying business results due to its nature. We did not revise prior years' Adjusted EBITDA amounts because there were no charges similar in nature to this legal matter. Our presentation of Adjusted EBITDA may not be comparable to similarly-titled measures used by other companies. See Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7, for an explanation of why we believe Adjusted EBITDA is a useful measure.

	For the Year Ended December 31,				
	2016	2015	2014	2013	2012
Adjusted EBITDA	$838	$903	$876	$769	$840
Less: Non-vehicle related depreciation and amortization	253	218	180	152	125
Interest expense related to corporate debt, net	203	194	209	228	268
Early extinguishment of corporate debt	27	23	56	147	75
Restructuring expense	29	18	26	61	38
Transaction-related costs, net	21	68	13	51	34
Impairment	—	—	—	33	—
Charges for legal matter	26	—	—	—	—
Income before income taxes	279	382	392	97	300
Provision for income taxes	116	69	147	81	10
Net income	$163	$313	$245	$16	$290

(b) Includes related-party debt due to Avis Budget Rental Car Funding (AESOP) LLC ("Avis Budget Rental Car Funding"). See Note 13 to our Consolidated Financial Statements.

In presenting the financial data above in conformity with GAAP, we are required to make estimates and assumptions that affect the amounts reported. See "Critical Accounting Policies" under Item 7 of this Annual Report for a detailed discussion of the accounting policies that we believe require subjective and complex judgments that could potentially affect reported results.

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TRANSACTION-RELATED COSTS, RESTRUCTURING AND OTHER ITEMS

During 2016, 2015, 2014, 2013 and 2012, we recorded $21 million, $68 million, $13 million, $51 million and $34 million, respectively, of transaction-related costs, primarily related to the acquisition and integration of acquired businesses with our operations. In 2016, these costs primarily related to integration-related costs of acquired businesses. In 2015, these costs were primarily related to acquisition- and integration-related costs of acquired businesses, including $25 million of non-cash charges recognized in connection with the acquisition of the Avis and Budget license rights for Norway, Sweden and Denmark and Avis license rights for Poland, costs associated with the acquisition of the remaining 50% equity interest in our Brazilian licensee, which is now a wholly-owned subsidiary, and expenses related to certain pre-acquisition contingencies. In 2014, these costs were primarily related to acquisition- and integration-related costs of acquired businesses, including a non-cash gain recognized in connection with the acquisition of our Budget license rights in southern California and Las Vegas, and contingent consideration related to our Apex Car Rentals acquisition. In 2013, these costs were primarily related to the acquisition of Zipcar and the integration of acquired businesses. During 2012, these costs were primarily related to the integration of Avis Europe's operations with the Company's. See Notes 2 and 5 to our Consolidated Financial Statements.

During 2016 and 2014, we committed to various strategic initiatives to identify best practices and drive efficiency throughout our organization, by reducing headcount, improving processes and consolidating functions. In 2015, in conjunction with recent acquisitions, we identified opportunities to integrate and streamline our operations, primarily in Europe. During 2012, we initiated a strategic restructuring initiative related to our truck rental operations in the United States. During 2011 we implemented a major restructuring initiative subsequent to the acquisition of Avis Europe. We recorded expenses related to these and other restructuring initiatives of $29 million in 2016, $18 million in 2015, $26 million in 2014, $61 million in 2013, and $38 million in 2012. See Note 4 to our Consolidated Financial Statements.

In 2016, 2015, 2014, 2013 and 2012 we recorded $27 million, $23 million, $56 million, $147 million and $75 million, respectively, of expense related to the early extinguishment of corporate debt.

In 2013, we recorded a charge of $33 million for the impairment of our equity-method investment in our Brazilian licensee.

In 2016, we recorded a charge of $26 million related to an adverse legal judgment against us in a personal-injury case. This adverse legal judgment is recorded within operating expenses in our consolidated statement of operations.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our Consolidated Financial Statements and accompanying Notes thereto included elsewhere herein. Our actual results of operations may differ materially from those discussed in forward-looking statements as a result of various factors, including but not limited to those included in Item 1A, "Risk Factors" and other portions of this Annual Report on Form 10-K. Unless otherwise noted, all dollar amounts in tables are in millions and those relating to our results of operations are presented before taxes.

OVERVIEW

OUR COMPANY

We operate three of the most recognized brands in the global vehicle rental and car sharing industry, Avis, Budget and Zipcar. We are a leading vehicle rental operator in North America, Europe, Australia, New Zealand and certain other regions we serve, with a rental fleet of approximately 600,000 vehicles. We also license the use of our trademarks to licensees in the areas in which we do not operate directly. We and our licensees operate our brands in approximately 180 countries throughout the world.

OUR SEGMENTS

We categorize our operations into two reportable business segments: Americas and International, as discussed in Part I of this Form 10-K.

BUSINESS AND TRENDS

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

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

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

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

- general travel demand, including worldwide enplanements;
- fleet, pricing, marketing and strategic decisions made by us and by our competitors;
- changes in fleet costs and in conditions in the used vehicle marketplace, as well as manufacturer recalls;
- changes in borrowing costs and in market willingness to purchase corporate and vehicle-related debt;
- demand for truck rentals and car sharing services;
- changes in the price of gasoline; and

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- changes in currency exchange rates.

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

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

During 2016:

- Our net revenues totaled $8.7 billion and grew 2% compared to the prior year (including a $61 million (1%) negative impact from currency exchange rate movements).
- Our net income was $163 million, representing a $150 million year-over-year decline in earnings, and our Adjusted EBITDA was $838 million, representing a $65 million year-over-year decline, due to lower pricing, higher per-unit fleet costs and a $28 million (3%) negative impact from currency exchange rate movements, partially offset by increased rental volume.
- We repurchased $390 million of our common stock, reducing our shares outstanding by approximately 12.3 million shares, or 13%.
- We issued $350 million of 6 % Senior Notes due 2024, the proceeds of which were used primarily to redeem all $300 million of our outstanding 4 % Senior Notes due 2017.
- We issued €300 million of 4 % Euro-denominated Senior Notes due 2024, the proceeds of which were used primarily to redeem €275 million of our outstanding 6% Euro-denominated Senior Notes due 2021.
- We extended the maturity date for $825 million of our existing $970 million of corporate term loan borrowings by three years, to March 2022.
- We acquired vehicle rental services company France Cars, making us one of the largest light commercial vehicle fleet operators in France.

RESULTS OF OPERATIONS

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

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We assess performance and allocate resources based upon the separate financial information of our operating segments. In identifying our reportable segments, we also consider the nature of services provided by our operating segments, the geographical areas in which our segments operate and other relevant factors. Management evaluates the operating results of each of our reportable segments based upon revenue and "Adjusted EBITDA," which we define as income from continuing operations before non-vehicle related depreciation and amortization, any impairment charges, restructuring expense, early extinguishment of debt costs, non-vehicle related interest, transaction-related costs, charges for an unprecedented personal-injury legal matter and income taxes. Charges for the legal matter are recorded within operating expenses in our consolidated statement of operations. We have revised our definition of Adjusted EBITDA to exclude charges for an unprecedented personal-injury legal matter which we do not view as indicative of underlying business results due to its nature. We did not revise prior years' Adjusted EBITDA amounts because there were no charges similar in nature to this legal matter. We believe Adjusted EBITDA is useful as a supplemental measure in evaluating the aggregate performance of our operating businesses and in comparing our results from period to period. We believe that Adjusted EBITDA is useful to investors because it allows investors to assess our financial condition and results of operations on the same basis that management uses internally. Adjusted EBITDA is a non-GAAP measure and should not be considered in isolation or as a substitute for net income or other income statement data prepared in accordance with U.S. GAAP. Our presentation of Adjusted EBITDA may not be comparable to similarly-titled measures used by other companies.

Year Ended December 31, 2016 vs. Year Ended December 31, 2015

Our consolidated results of operations comprised the following:

	Year Ended December 31,			
	2016	2015	Change	% Change
Revenues				
Vehicle rental	$6,081	$6,026	$55	1 %
Other	2,578	2,476	102	4 %
Net revenues	8,659	8,502	157	2 %
Expenses				
Operating	4,382	4,284	98	2 %
Vehicle depreciation and lease charges, net	2,047	1,933	114	6 %
Selling, general and administrative	1,134	1,093	41	4 %
Vehicle interest, net	284	289	(5)	(2 %)
Non-vehicle related depreciation and amortization	253	218	35	16 %
Interest expense related to corporate debt, net:				
Interest expense	203	194	9	5 %
Early extinguishment of debt	27	23	4	17 %
Restructuring expense	29	18	11	61 %
	21	68	(47)	(69 %)

Transaction-related costs, net				
Total expenses	8,380	8,120	260	3 %
Income before income taxes	279	382	(103)	(27 %)
Provision for income taxes	116	69	47	68 %
Net income	$163	$313	$(150)	(48 %)

During 2016, our net revenues increased as a result of a 3% increase in total rental days, partially offset by a 2% decrease in pricing (including a $36 million (1%) negative impact from currency exchange rate movements).

Total expenses increased as a result of increased volumes, increased marketing costs and commissions, a 3% increase in per-unit fleet costs and a $26 million charge for a legal matter. These increases were partially offset by an approximately $43 million (1%) favorable impact on expenses from currency exchange rate movements. Our effective tax rates were a provision of 42% and 18% in 2016 and 2015, respectively, which in 2015 included a $98 million income tax benefit related to the resolution of a prior-year tax matter. As a result of these items, our net income decreased by $150 million.

For 2016, the Company reported earnings of $1.75 per diluted share, which includes after-tax restructuring expense of ($0.23) per share, after-tax debt extinguishment costs of ($0.18) per share, after-tax charges for legal matter of ($0.17) per share and after-tax transaction-related costs, net, of ($0.17) per share. For 2015, the Company reported earnings of $2.98 per diluted share, which includes after-tax transaction-related costs, net, of ($0.52) per share, after-tax debt extinguishment costs of ($0.13) per share, after-tax restructuring expense of ($0.12) per share and an income tax benefit related to resolution of prior-year tax matter of $0.93 per share.

In the year ended December 31, 2016:

- Operating expenses increased to 50.6% of revenue compared to 50.4% in the prior year.
- Vehicle depreciation and lease charges increased to 23.6% of revenue from 22.7% in 2015, due to higher per-unit fleet costs and lower pricing.
- Selling, general and administrative costs were 13.1% of revenue compared to 12.9% in 2015.
- Vehicle interest costs were 3.3% of revenue compared to 3.4% in the prior year.

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

	Revenues			Adjusted EBITDA		
	2016	2015	% Change	2016	2015	% Change
Americas	$6,121	$6,069	1 %	$633	$682	(7 %)
International	2,538	2,433	4 %	273	277	(1 %)
Corporate and Other (a)	—	—	*	(68)	(56)	*
Total Company	$8,659	$8,502	2 %	838	903	(7 %)
Less: Non-vehicle related depreciation and amortization (b)				253	218	
Interest expense related to corporate debt, net:						
Interest expense				203	194	
Early extinguishment of debt				27	23	
Restructuring expense				29	18	
Transaction-related costs, net (c)				21	68	
Charges for legal matter (d)				26	—	
Income before income taxes				$279	$382	

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*Not meaningful.

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

(b) Amortization of acquisition-related intangible assets was $59 million in 2016 and $55 million in 2015.

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

(d) Reported within operating expenses in our consolidated statement of operations.

Americas

	2016	2015	% Change

Revenue	$6,121	$6,069	1 %
Adjusted EBITDA	633	682	(7 %)

Revenues increased 1% in 2016 compared with 2015, primarily due to 1% growth in rental volumes, partially offset by a $15 million negative impact from currency exchange rate movements. Pricing was essentially unchanged year-over-year.

Adjusted EBITDA decreased 7% in 2016 compared with 2015, primarily due to a 5% increase in per-unit fleet costs and a $5 million (1%) negative impact from currency exchange rate changes, partially offset by increased rental volumes.

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In the year ended December 31, 2016:

- Operating expenses increased to 49.6% of revenue compared to 49.3% in 2015.

- Vehicle depreciation and lease charges increased to 25.5% of revenue from 24.3% in 2015, principally due to higher per-unit fleet costs.

- Selling, general and administrative costs were 11.3% of revenue compared to 11.2% in the prior year.

- Vehicle interest costs were 3.7% of revenue compared to 3.9% in the prior year.

International

	2016	2015	% Change
Revenue	$2,538	$2,433	4 %
Adjusted EBITDA	273	277	(1 %)

Revenues increased 4% during 2016 compared with 2015, primarily due to an 8% increase in rental volumes, partially offset by a 5% decrease in pricing (including a 2% negative impact from currency exchange rate changes). Currency movements negatively impacted revenues by $46 million (2%) year-over-year.

Adjusted EBITDA declined 1% in 2016 compared with 2015, due to lower pricing, a $23 million (8%) negative impact from currency exchange rate changes and increased marketing costs and commissions, partially offset by an increase in rental volumes.

In the year ended December 31, 2016:

- Operating expenses were 52.6% of revenue compared to 52.7% in 2015.

- Vehicle depreciation and lease charges increased to 19.2% of revenue from 18.7% in the prior year, primarily due to lower pricing, partially offset by a 1% decrease in per-unit fleet costs (including a 2% favorable impact from currency exchange rate changes).

- Selling, general and administrative costs were 15.1% of revenue compared to 14.9% in the prior year.

- Vehicle interest costs were 2.3% of revenue compared to 2.2% in the prior year.

Corporate and Other

	2016	2015	% Change
Revenue	$ —	$ —	*
Adjusted EBITDA	(68)	(56)	*

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*Not meaningful

Adjusted EBITDA decreased $12 million in 2016 compared with 2015, primarily due to higher selling, general and administrative expenses which are not attributable to a particular segment.

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Year Ended December 31, 2015 vs. Year Ended December 31, 2014

Our consolidated results of operations comprised the following:

	Year Ended December 31,			
	2015	2014	Change	% Change
Revenues				
Vehicle rental	$6,026	$6,026	$ 0	0 %
Other	2,476	2,459	17	1 %
Net revenues	8,502	8,485	17	0 %
Expenses				
Operating	4,284	4,251	33	1 %
Vehicle depreciation and lease charges, net	1,933	1,996	(63)	(3 %)
Selling, general and administrative	1,093	1,080	13	1 %
Vehicle interest, net	289	282	7	2 %
Non-vehicle related depreciation and amortization	218	180	38	21 %
Interest expense related to corporate debt, net:				
Interest expense	194	209	(15)	(7 %)
Early extinguishment of debt	23	56	(33)	(59 %)
Transaction-related costs, net	68	13	55	*
Restructuring expense	18	26	(8)	(31 %)
Total expenses	8,120	8,093	27	0 %
Income before income taxes	382	392	(10)	(3 %)
Provision for income taxes	69	147	(78)	(53 %)
Net income	$313	$245	$ 68	28 %

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*Not meaningful.

During 2015, our net revenues increased as a result of a 7% increase in total rental days (5% excluding Maggiore), largely offset by a 7% (6%, excluding Maggiore) decrease in pricing (including a 5% negative impact from currency exchange rate movements). Currency movements negatively impacted revenues by $444 million (5%) year-over-year.

Total expenses increased as a result of increased volumes, a 7% increase in our car rental fleet (4% excluding

Maggiore) and transaction-related costs, net, primarily associated with the acquisitions of Scandinavia and Brazil, most of which were non-cash expenses. This increase was largely offset by a favorable impact from currency exchange rate movements of approximately $418 million (5%). Our effective tax rates were a provision of 18% and 38% in 2015 and 2014, respectively, which includes a $98 million income tax benefit related to the resolution of a prior-year tax matter for 2015. As a result of these items, our net income increased by $68 million.

For 2015, the Company reported earnings of $2.98 per diluted share, which includes after-tax transaction-related costs, net, of ($0.52) per share, after-tax debt extinguishment costs of ($0.13) per share, after-tax restructuring expense of ($0.12) per share and an income tax benefit related to resolution of prior-year tax matter of $0.93 per share. For 2014, the Company reported earnings of $2.22 per diluted share, which includes after-tax debt extinguishment costs of ($0.31) per share, after-tax restructuring expense of ($0.16) per share and after-tax transaction costs, net, of ($0.08) per share.

In the year ended December 31, 2015:

- Operating expenses increased to 50.4% of revenue from 50.1% in the prior year.

- Vehicle depreciation and lease charges decreased to 22.7% of revenue from 23.5% in 2014, principally due to 10% lower per-unit fleet costs (including a 5% favorable impact from currency exchange rate movements).

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- Selling, general and administrative costs were 12.9% of revenue compared to 12.7% in 2014.

- Vehicle interest costs were 3.4% of revenue compared to 3.3% in the prior year.

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

	Revenues			Adjusted EBITDA		
	2015	2014	% Change	2015	2014	% Change
Americas	$6,069	$5,961	2 %	$682	$656	4 %
International	2,433	2,524	(4 %)	277	280	(1 %)
Corporate and Other (a)	—	—	*	(56)	(60)	*
Total Company	$8,502	$8,485	0 %	903	876	3 %
Less: Non-vehicle related depreciation and amortization (b)				218	180	
Interest expense related to corporate debt, net:						
Interest expense				194	209	
Early extinguishment of debt				23	56	
Transaction-related costs, net (c)				68	13	
Restructuring expense				18	26	
Income before income taxes				$382	$392	

* Not meaningful

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

(b) Amortization of acquisition-related intangible assets increased to $55 million in 2015 from $33 million in 2014.

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

Americas

	2015	2014	% Change
Revenue	$6,069	$5,961	2 %
Adjusted EBITDA	682	656	4 %

Revenues increased 2% in 2015 compared with 2014, primarily due to 4% growth in rental volumes, partially offset by a 2% decrease in pricing (including a 1% negative impact from currency exchange rate movements). Currency movements negatively impacted revenues by $59 million (1%) year-over-year.

Adjusted EBITDA increased 4% in 2015 compared with 2014, due to increased rental volumes and 4% lower per-unit fleet costs (including a 1% favorable impact from currency exchange rate movements), partially offset by decreased pricing, higher maintenance and damage and insurance costs. Currency movements negatively impacted Adjusted EBITDA by $7 million (1%) year-over-year.

In the year ended December 31, 2015:

- Operating expenses were 49.3% of revenue compared to 49.1% in 2014.

- Vehicle depreciation and lease charges decreased to 24.3% of revenue from 25.0% in 2014, principally due to lower per-unit fleet costs.

- Selling, general and administrative costs increased to 11.2% of revenue from 10.9% in the prior year.

- Vehicle interest costs, at 3.9% of revenue, remained level compared to the prior year.

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International

	2015	2014	% Change
Revenue	$2,433	$2,524	(4 %)
Adjusted EBITDA	277	280	(1 %)

Revenues decreased 4% during 2015 compared with 2014, primarily due to a 19% (18% excluding Maggiore) decrease in pricing (including a 15% negative impact from currency exchange rate movements) partially offset by an 18% increase in rental volumes (9% excluding Maggiore). Currency movements negatively impacted revenues by $385 million (15%) year-over-year. Excluding Maggiore, total revenue per rental day decreased 16% (including a 15% negative impact from currency exchange rate movements).

Adjusted EBITDA declined 1% in 2015 compared with 2014, due to lower pricing and a $42 million (15%) negative impact from currency exchange rate changes, partially offset by an increase in rental volumes, 23% lower per-unit fleet costs (including a 14% favorable impact from currency exchange rate movements) and the acquisitions of Maggiore and Scandinavia.

In the year ended December 31, 2015:

- Operating expenses increased to 52.7% of revenue compared to 52.0% in 2014, primarily due to lower pricing and higher insurance costs, partially offset by increased rental volumes.

- Vehicle depreciation and lease charges decreased to 18.7% of revenue from 20.0% compared to the prior year, driven by lower per-unit fleet costs.

- Selling, general and administrative costs decreased to 14.9% of revenue compared to 15.0% in the prior year.

- Vehicle interest costs increased to 2.2% of revenue compared to 1.9% in the prior year.

Corporate and Other

	2015	2014	% Change
Revenue	$ —	$ —	*
Adjusted EBITDA	(56)	(60)	*

* Not meaningful

Adjusted EBITDA increased $4 million in 2015 compared with 2014, primarily due to lower selling, general and administrative expenses which are not attributable to a particular segment.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

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

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FINANCIAL CONDITION

	As of December 31,		
	2016	2015	Change
Total assets exclusive of assets under vehicle programs	$6,065	$5,918	$ 147
Total liabilities exclusive of liabilities under vehicle programs	5,775	5,680	95
Assets under vehicle programs	11,578	11,716	(138)
Liabilities under vehicle programs	11,647	11,515	132
Stockholders' equity	221	439	(218)

Total assets exclusive of assets under vehicle programs increased 2% compared to 2015. Total liabilities exclusive of liabilities under vehicle programs increased by 2% (see "Liquidity and Capital Resources—Debt and Financing Arrangements" regarding the changes in our corporate financings).

Assets under vehicle programs decreased by 1% compared to 2015, and liabilities under vehicle programs increased by 1%.

The decrease in stockholders' equity is primarily due to the repurchase of our common stock, partially offset by our net income.

LIQUIDITY AND CAPITAL RESOURCES

Overview

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

During 2016, we issued $350 million of 6 % Senior Notes due 2024 at par. The proceeds from these borrowings were used to redeem $300 million principal amount of our 4 % Senior Notes due 2017 during second quarter 2016 and for general corporate purposes. We also issued €300 million of 4 % Euro-denominated Senior Notes due 2024, the proceeds of which were used primarily to redeem a portion of our outstanding 6% Euro-denominated Senior Notes due 2021. In addition, we repurchased approximately 12.3 million shares of our outstanding common stock for approximately $390 million during 2016.

Cash Flows

Year Ended December 31, 2016 vs. Year Ended December 31, 2015

The following table summarizes our cash flows:

	Year Ended December 31,		
	2016	2015	Change
Cash provided by (used in):			
Operating activities	$2,629	$2,584	$ 45
Investing activities	(2,149)	(2,830)	681
Financing activities	(438)	115	(553)
Effects of exchange rate changes	(4)	(41)	37
Net change in cash and cash equivalents	38	(172)	210
Cash and cash equivalents, beginning of period	452	624	(172)
Cash and cash equivalents, end of period	$490	$452	$ 38

Cash provided by operating activities during 2016 increased 2% compared with 2015.

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The decrease in cash used in investing activities during 2016 compared with 2015 is primarily due to a net decrease in investment in vehicles and reduced business acquisition activity.

The increase in cash used in financing activities during 2016 compared with 2015 is primarily due to an increase in net payments under vehicle programs.

We anticipate that our non-vehicle property and equipment additions will be approximately $210 million in 2017. As of December 31, 2016, we had approximately $300 million of authorized share repurchase capacity. We currently anticipate that we will utilize most of such capacity to repurchase common stock in 2017.

Year Ended December 31, 2015 vs. Year Ended December 31, 2014

The following table summarizes our cash flows:

	Year Ended December 31,		
	2015	2014	Change
Cash provided by (used in):			
Operating activities	$2,584	$2,579	$5
Investing activities	(2,830)	(2,807)	(23)
Financing activities	115	182	(67)
Effects of exchange rate changes	(41)	(23)	(18)
Net change in cash and cash equivalents	(172)	(69)	(103)
Cash and cash equivalents, beginning of period	624	693	(69)
Cash and cash equivalents, end of period	$452	$624	$(172)

Cash provided by operating activities was substantially unchanged during 2015 compared with 2014.

Cash used in investing activities was substantially unchanged during 2015 compared with 2014.

The decrease in cash provided by financing activities in 2015 compared with 2014 is primarily due to an increase in our stock repurchases.

Debt and Financing Arrangements

At December 31, 2016, we had approximately $12.4 billion of indebtedness (including corporate indebtedness of approximately $3.5 billion and debt under vehicle programs of approximately $8.9 billion). We use various hedging strategies, including derivative instruments, to manage a portion of the risks associated with our floating rate debt.

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Corporate indebtedness consisted of:

	Maturity Date	As of December 31, 2016	2015	Change
4 % Senior Notes	November 2017	$—	$300	$(300)
Floating Rate Senior Notes (a)	December 2017	249	249	—
Floating Rate Term Loan (b)	March 2019	144	970	(826)
6% Euro-denominated Senior Notes	March 2021	194	502	(308)
Floating Rate Term Loan (c)	March 2022	816	—	816
5 % Senior Notes	June 2022	400	400	—
5½% Senior Notes	April 2023	675	674	1
6 % Senior Notes	April 2024	350	—	350
4 % Euro-denominated Senior Notes	November 2024	316	—	316
5¼% Senior Notes	March 2025	375	375	—
Other (d)		57	46	11
Deferred financing fees		(53)	(55)	2
Total		$3,523	$3,461	$62

(a) The interest rate on these notes is equal to three-month LIBOR plus 275 basis points, for an aggregate rate of 3.68% at December 31, 2016; the Company has entered into an interest rate swap to hedge its interest rate exposure related to these notes at an aggregate rate of 3.58%.

(b) The floating rate term loan is part of the Company's senior revolving credit facility, which is secured by pledges of capital stock of certain subsidiaries of the Company, and liens on substantially all of the Company's intellectual property and certain other real and personal property. As of December 31, 2016, the floating rate term loan due 2019 bears interest at the greater of three-month LIBOR or 0.75%, plus 225 basis points, for an aggregate rate of 3.25%.

(c) The floating rate term loan is part of the Company's senior credit facility, which is secured by pledges of capital stock of certain subsidiaries of the Company, and liens on substantially all of the Company's intellectual property and certain other real and personal property. As of December 31, 2016, the floating rate term loan due 2022 bears interest at the greater of three-month LIBOR or 0.75%, plus 250 basis points, for an aggregate rate of 3.50%. The Company has entered into a swap to hedge $600 million of its interest rate exposure related to the floating rate term loan at an aggregate rate of 4.21%.

(d) Primarily includes capital leases that are secured by liens on the related assets.

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

	As of December 31, 2016	2015	Change
Americas – Debt due to Avis Budget Rental Car Funding	$6,733	$6,837	$(104)
Americas – Debt borrowings	577	643	(66)
International – Debt borrowings (a)	1,449	1,187	262
International – Capital leases	162	238	(76)
Other	7	8	(1)
Deferred financing fees (b)	(50)	(53)	3
Total	$8,878	$8,860	$18

(a) The increase reflects additional borrowings principally to fund increases in the Company's car rental fleet and to replace capital lease financing.

(b)

Deferred financing fees related to Debt due to Avis Budget Rental Car Funding as of December 31, 2016 and 2015 were $38 million and $41 million, respectively.

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The following table provides the contractual maturities for our corporate debt and our debt under vehicle programs, including related party debt due to Avis Budget Rental Car Funding, at December 31, 2016:

	Corporate Debt	Debt under Vehicle Programs
Due in 2017	$ 279	$ 1,094
Due in 2018	17	2,508
Due in 2019	158	2,613
Due in 2020	12	1,618
Due in 2021	205	950
Thereafter	2,905	145
	$ 3,576	$ 8,928

At December 31, 2016, we had approximately $4.6 billion of available funding under our various financing arrangements (comprised of $1.0 billion of availability under our committed credit facilities and approximately $3.6 billion available for use in our vehicle programs). As of December 31, 2016, the committed non-vehicle-backed credit facilities available to us and/or our subsidiaries included:

	Total Capacity	Outstanding Borrowings	Letters of Credit Issued	Available Capacity
Senior revolving credit facility maturing 2021 [(a)]	$ 1,800	$ —	$ 753	$ 1,047
Other credit facilities [(b)]	5	5	—	—

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

(b) These facilities encompass bank overdraft lines of credit, bearing interest of 1.50% to 3.10% as of December 31, 2016.

At December 31, 2016, the Company had various other uncommitted credit facilities available, which bear interest at rates of 0.75% to 4.50%, under which it had drawn approximately $5 million.

The following table presents available funding under our debt arrangements related to our vehicle programs, including related party debt due to Avis Budget Rental Car Funding, at December 31, 2016:

	Total Capacity[(a)]	Outstanding Borrowings	Available Capacity
Americas – Debt due to Avis Budget Rental Car Funding[(b)]	$ 9,083	$ 6,733	$ 2,350
Americas – Debt borrowings[(c)]	895	577	318
International – Debt borrowings[(d)]	2,373	1,449	924
International – Capital Leases[(e)]	194	162	32
Other	7	7	—
Total	$ 12,552	$ 8,928	$ 3,624

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

(b) The outstanding debt is collateralized by $8.2 billion of underlying vehicles and related assets.

(c) The outstanding debt is collateralized by $0.8 billion of underlying vehicles and related assets.

(d) The outstanding debt is collateralized by $1.9 billion of underlying vehicles and related assets.

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

The significant terms for our outstanding debt instruments, credit facilities and available funding arrangements as of December 31, 2016, can be found in Notes 12 and 13 to our Consolidated Financial Statements.

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LIQUIDITY RISK

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

As discussed above, as of December 31, 2016, we have cash and cash equivalents of $490 million, available borrowing capacity under our committed credit facilities of $1.0 billion, and available capacity under our vehicle programs of approximately $3.6 billion. In 2016, the Company’s Board of Directors increased the Company’s share repurchase program authorization by a total of $550 million.

Our liquidity position could be negatively affected by financial market disruptions or a downturn in the U.S. and worldwide economies, which may result in unfavorable conditions in the vehicle rental industry, in the asset-backed financing market, and in the credit markets, generally. We believe these factors have in the past affected and could in the future affect the debt ratings assigned to us by credit rating agencies and the cost of our borrowings. Additionally, a downturn in the worldwide economy or a disruption in the credit markets could impact our liquidity due to (i) decreased demand and pricing for vehicles in the used vehicle market, (ii) increased costs associated with, and/or reduced capacity or increased collateral needs under, our financings, (iii) the adverse impact of vehicle manufacturers, including Ford, General Motors, Chrysler, Peugeot, Kia, Volkswagen, Fiat, Mercedes, Toyota and Volvo, being unable or unwilling to honor their obligations to repurchase or guarantee the depreciation on the related program vehicles and (iv) disruption in our ability to obtain financing due to negative credit events specific to us or affecting the overall debt market (see Item 1A. Risk Factors for further discussion).

Our liquidity position could also be negatively impacted if we are unable to remain in compliance with the financial and other covenants associated with our senior revolving credit facility and other borrowings, including a maximum leverage ratio. As of December 31, 2016, we were in compliance with the financial covenants governing our indebtedness.

CONTRACTUAL OBLIGATIONS

The following table summarizes our principal future contractual obligations as of December 31, 2016:

	2017	2018	2019	2020	2021	Thereafter	Total
Corporate debt	$279	$17	$158	$12	$205	$ 2,905	$3,576
Debt under vehicle programs	1,094	2,508	2,613	1,618	950	145	8,928
Debt interest	386	339	240	193	152	219	1,529
Operating leases [(a)]	710	473	426	313	174	605	2,701
Commitments to purchase vehicles [(b)]	7,707	—	—	—	—	—	7,707
Defined benefit pension plan contributions [(c)]	11	—	—	—	—	—	11
Other purchase commitments [(d)]	71	34	12	12	11	1	141
Total [(e)]	$10,258	$3,371	$3,449	$2,148	$1,492	$ 3,875	$24,593

(a) Operating lease obligations are presented net of sublease rentals to be received (see Note 14 to our Consolidated Financial Statements) and include commitments to enter into operating leases.

(b) Represents commitments to purchase vehicles, the majority of which are from Ford, General Motors and Chrysler. These commitments are generally subject to the vehicle manufacturers satisfying their obligations under the repurchase and guaranteed depreciation agreements. The purchase of such vehicles is generally financed through borrowings under vehicle programs in addition to cash received upon the sale of vehicles, many of which were purchased under repurchase and guaranteed depreciation programs (see Note 14 to our Consolidated Financial Statements).

(c) Represents the expected contributions to our defined benefit pension plans in 2017. The amount of future contributions to our defined benefit pension plans will depend on the rates of return generated from plan assets and other factors (see Note 17 to our Consolidated Financial Statements) and are not included above.

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(d) Primarily represents commitments under service contracts for information technology, telecommunications and marketing agreements with travel service companies.

(e) Excludes income tax uncertainties of $40 million, $15 million of which is subject to indemnification by Realogy and Wyndham. We are unable to estimate the period in which these income tax uncertainties are expected to be settled.

For more information regarding guarantees and indemnifications, see Note 14 to our Consolidated Financial Statements.

ACCOUNTING POLICIES

Critical Accounting Policies

In presenting our financial statements in conformity with GAAP, we are required to make estimates and assumptions that affect the amounts reported therein. Several of the estimates and assumptions we are required to make relate to matters that are inherently uncertain as they pertain to future events and/or events that are outside of our control. If there is a significant unfavorable change to current conditions, it could result in a material adverse impact to our consolidated results of operations, financial position and liquidity. We believe that the estimates and assumptions we used when preparing our financial statements were the most appropriate at that time. Presented below are those accounting policies that we believe require subjective and complex judgments that could potentially affect reported results. However, our businesses operate in environments where we are paid a fee for a service performed, and therefore the results of the majority of our recurring operations are recorded in our financial statements using accounting policies that are not particularly subjective, nor complex.

Goodwill and Other Indefinite-lived Intangible Assets. We have reviewed the carrying value of our goodwill and other indefinite-lived intangible assets for impairment. In performing this review, we are required to make an assessment of fair value for our goodwill and other indefinite-lived intangible assets. When determining fair value, we utilize various assumptions, including the fair market trading price of our common stock and management’s projections of future cash flows. A change in these underlying assumptions will cause a change in the results of the tests and, as such, could cause the fair value to be less than the respective carrying amount. In such event, we would then be required to record a charge, which would impact earnings. We review the carrying value of goodwill and other indefinite-lived intangible assets for impairment annually, or more frequently if circumstances indicate that an impairment may have occurred.

Our goodwill and other indefinite-lived intangible assets are allocated among our reporting units. During 2016, 2015 and 2014, there was no impairment of goodwill or other intangible assets. In the future, failure to achieve our business plans, a significant deterioration of the macroeconomic conditions of the countries in which we operate, or significant changes in the assumptions and estimates that are used in our impairment testing for goodwill and indefinite-lived intangible assets (such as the discount rate) could result in significantly different estimates of fair value that could trigger an impairment of the goodwill or intangible assets of our reporting units.

Vehicles. We present vehicles at cost, net of accumulated depreciation, on the Consolidated Balance Sheets. We record the initial cost of the vehicle, net of incentives and allowances from manufactures. We acquire our rental vehicles either through repurchase and guaranteed depreciation programs with certain automobile manufacturers or outside of such programs. For rental vehicles purchased under such programs, we depreciate the vehicles such that the net book value on the date of sale or return to the manufacturers is intended to equal the contractual guaranteed residual values. For risk vehicles, acquired outside of manufacturer repurchase and guaranteed depreciation programs, we depreciate based on the vehicles’ estimated residual market values and their expected dates of disposition. The estimation of residual values requires the Company to make assumptions regarding the age and mileage of the vehicle at the time of disposal, as well as expected used vehicle market conditions. The Company periodically evaluates estimated residual values and adjusts depreciation rates as appropriate. Differences between actual residual values and those estimated result in a gain or loss on disposal and are recorded as part of vehicle depreciation and lease charges, net, at the time of sale. See Note 2 to our Consolidated Financial Statements.

Income Taxes. We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been reflected in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

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We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent results of operations. In the event we were to determine that we would be able to realize deferred income tax assets in the future in excess of their net recorded amount, we would make an adjustment to the valuation allowance which would reduce the provision for income taxes. Currently we do not record valuation allowances on the majority of our tax loss carryforwards as there are adequate deferred tax liabilities that could be realized within the carryforward period.

See Notes 2 and 8 to our Consolidated Financial Statements for more information regarding income taxes.

Public Liability, Property Damage and Other Insurance Liabilities. Insurance liabilities on our Consolidated Balance Sheets include supplemental liability insurance, personal effects protection insurance, public liability, property damage and personal accident insurance claims for which we are self-insured. We estimate the required liability of such claims on an undiscounted basis utilizing an actuarial method that is based upon various assumptions which include, but are not limited to, our historical loss experience and projected loss development factors. The required liability is also subject to adjustment in the future based upon changes in claims experience, including changes in the number of incidents for which we are ultimately liable and changes in the cost per incident.

Adoption of New Accounting Pronouncements

For a description of our adoption of new accounting pronouncements and the impact thereof on our business, see Note 2 to our Consolidated Financial Statements.

Recently Issued Accounting Pronouncements

For a description of recently issued accounting pronouncements and the impact thereof on our business, see Note 2 to our Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of market risks, including changes in currency exchange rates, interest rates and gasoline prices. We manage our exposure to market risks through our regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments, particularly swap contracts, futures and options contracts, to manage and reduce the interest rate risk related to our debt; currency forward contracts to manage and reduce currency exchange rate risk; and derivative commodity instruments to manage and reduce the risk of changing unleaded gasoline prices.

We are exclusively an end user of these instruments. We do not engage in trading, market-making or other speculative activities in the derivatives markets. We manage our exposure to counterparty credit risk related to our use of derivatives through specific minimum credit standards, diversification of counterparties, and procedures to monitor concentrations of credit risk. Our counterparties are substantial investment and commercial banks with significant experience providing such derivative instruments.

Our total market risk is influenced by a wide variety of factors including the volatility present within the markets and the liquidity of the markets. There are certain limitations inherent in the sensitivity analyses discussed below. These “shock tests” are constrained by several factors, including the necessity to conduct the analysis based on a single point in time and the inability to include the complex market reactions that normally would arise from the market shifts modeled. For additional information regarding our borrowings and financial instruments, see Notes 12, 13 and 18 to our Consolidated Financial Statements.

Currency Risk Management

We have currency rate exposure to exchange rate fluctuations worldwide and particularly with respect to the Australian, Canadian and New Zealand dollars, the Euro and British pound sterling. We use currency forward contracts and currency swap contracts to manage exchange rate risk that arises from certain intercompany transactions and from non-functional currency denominated assets and liabilities and earnings denominated in non-U.S. dollar currencies. Our currency forward contracts are often not designated as hedges and therefore

changes in the fair value of these derivatives are recognized in earnings as they occur. We anticipate that such currency exchange rate risk will remain a market risk exposure for the foreseeable future.

We assess our market risk based on changes in currency exchange rates utilizing a sensitivity analysis. The sensitivity analysis measures the potential impact on earnings, cash flows and fair values based on a hypothetical 10% appreciation or depreciation in the value of the underlying currencies being hedged, against the U.S. dollar at December 31, 2016. With all other variables held constant, a hypothetical 10% change (increase or decrease) in currency exchange rates would not have a material impact on our 2016 earnings. Because unrealized gains or losses related to foreign currency forward and swap contracts are expected to be offset by corresponding gains or losses on the underlying exposures being hedged, when combined, these foreign currency contracts and the offsetting underlying commitments do not create a material impact on our Consolidated Financial Statements.

Interest Rate Risk Management

Our primary interest rate exposure at December 31, 2016 was interest rate fluctuations in the United States, specifically LIBOR and commercial paper interest rates due to their impact on variable rate borrowings and other interest rate sensitive liabilities. We use interest rate swaps and caps to manage our exposure to interest rate movements. We anticipate that LIBOR and commercial paper rates will remain a primary market risk exposure for the foreseeable future.

We assess our market risk based on changes in interest rates utilizing a sensitivity analysis. Based on our interest rate exposures and derivatives as of December 31, 2016, we estimate that a 10% change in interest rates would not have a material impact on our 2016 earnings. Because gains or losses related to interest rate derivatives are expected to be offset by corresponding gains or losses on the underlying exposures being hedged, when combined, these interest rate contracts and the offsetting underlying commitments do not create a material impact on our Consolidated Financial Statements.

Commodity Risk Management

We have commodity price exposure related to fluctuations in the price of gasoline. We anticipate that such commodity risk will remain a market risk exposure for the foreseeable future. We determined that a hypothetical 10% change in the price of gasoline would not have a material impact on our earnings as of December 31, 2016.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Consolidated Financial Statements and Consolidated Financial Statement Index commencing on Page F-1 hereof.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures. Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)). Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

(b) Management’s Annual Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2016. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework (2013). Based on this assessment, our management believes that, as of December 31, 2016, our internal control over financial reporting was effective. The effectiveness of the Company’s internal control over financial reporting as of December 31, 2016, has been audited by Deloitte &

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Touche LLP, an independent registered public accounting firm. Their attestation report is included below.

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Avis Budget Group, Inc.
Parsippany, New Jersey

We have audited the internal control over financial reporting of Avis Budget Group, Inc. and subsidiaries (the "Company") as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2016 of the Company and our report dated February 21, 2017 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP
New York, New York
February 21, 2017

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ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information contained in the Company's Annual Proxy Statement under the sections titled "Corporate Governance - Board of Directors," "Corporate Governance - Functions and Meetings of the Board of Directors," "Corporate Governance - Functions and Meetings of the Board of Directors - Codes of Conduct," "Corporate Governance - Committees of the Board of Directors," "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated herein by reference in response to this item.

ITEM 11. EXECUTIVE COMPENSATION

The information contained in the Company's Annual Proxy Statement under the section titled "Executive Compensation" is incorporated herein by reference in response to this item.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information contained in the Company's Annual Proxy Statement under the section titled "Security Ownership of Certain Beneficial Owners" is incorporated herein by reference in response to this item.

Information concerning our equity compensation plans is included in Part II of this report under the caption "Securities Authorized for Issuance under Equity Compensation Plans."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information contained in the Company's Annual Proxy Statement under the section titled "Corporate Governance - Related Person Transactions" and "Corporate Governance - Functions and Meetings of the Board of Directors - Director Independence" is incorporated herein by reference in response to this item.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information contained in the Company's Annual Proxy Statement under the section titled "Proposals To Be Voted On At Meeting-Proposal No. 2: Ratification of Appointment of Auditors" is incorporated herein by reference in response to this item.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

ITEM 15(A)(1). FINANCIAL STATEMENTS

See Consolidated Financial Statements and Consolidated Financial Statements Index commencing on page F-1 hereof.

ITEM 15(A)(2). FINANCIAL STATEMENT SCHEDULES

See Schedule II – Valuation and Qualifying Accounts for the years ended December 31, 2016, 2015 and 2014 commencing on page G-1 hereof.

ITEM 15(A)(3). EXHIBITS

See Exhibit Index commencing on page H-1 hereof.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AVIS BUDGET GROUP, INC.

By:	/s/ DAVID T. CALABRIA
	David T. Calabria
Senior Vice President and Chief Accounting Officer	
Date:	February 21, 2017

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ LARRY D. DE SHON (Larry D. De Shon)	Chief Executive Officer and Director	February 21, 2017
/s/ DAVID B. WYSHNER (David B. Wyshner)	President and Chief Financial Officer	February 21, 2017
/s/ DAVID T. CALABRIA (David T. Calabria)	Senior Vice President and Chief Accounting Officer	February 21, 2017
/s/ W. ALUN CATHCART (W. Alun Cathcart)	Director	February 21, 2017
/s/ BRIAN CHOI (Brian Choi)	Director	February 21, 2017
/s/ MARY C. CHOKSI (Mary C. Choksi)	Director	February 21, 2017
/s/ LEONARD S. COLEMAN, JR. (Leonard S. Coleman, Jr.)	Director	February 21, 2017
/s/ JEFFREY H. FOX (Jeffrey H. Fox)	Director	February 21, 2017
/s/ JOHN D. HARDY, JR. (John D. Hardy, Jr.)	Director	February 21, 2017
/s/ LYNN KROMINGA (Lynn Krominga)	Director	February 21, 2017
/s/ EDUARDO G. MESTRE (Eduardo G. Mestre)	Director	February 21, 2017
/s/ RONALD L. NELSON (Ronald L. Nelson)	Executive Chairman of the Board of Directors	February 21, 2017
/s/ F. ROBERT SALERNO (F. Robert Salerno)	Director	February 21, 2017
/s/ STENDER E. SWEENEY (Stender E. Sweeney)	Director	February 21, 2017
/s/ SANOKE VISWANATHAN (Sanoke Viswanathan)	Director	February 21, 2017

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Avis Budget Group, Inc.
Parsippany, New Jersey

We have audited the accompanying consolidated balance sheets of Avis Budget Group, Inc. and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 21, 2017 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
New York, New York
February 21, 2017

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Avis Budget Group, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)

	Year Ended December 31,		
	2016	2015	2014
Revenues			
Vehicle rental	$6,081	$6,026	$6,026
Other	2,578	2,476	2,459
Net revenues	8,659	8,502	8,485
Expenses			
Operating	4,382	4,284	4,251
Vehicle depreciation and lease charges, net	2,047	1,933	1,996
Selling, general and administrative	1,134	1,093	1,080
Vehicle interest, net	284	289	282
Non-vehicle related depreciation and amortization	253	218	180
Interest expense related to corporate debt, net:			
Interest expense	203	194	209
Early extinguishment of debt	27	23	56
Restructuring expense	29	18	26
Transaction-related costs, net	21	68	13
Total expenses	8,380	8,120	8,093
Income before income taxes	279	382	392
Provision for income taxes	116	69	147
Net income	$163	$313	$245
Earnings per share			
Basic	$1.78	$3.02	$2.32
Diluted	$1.75	$2.98	$2.22

See Notes to Consolidated Financial Statements.

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Avis Budget Group, Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Year Ended December 31,		
	2016	2015	2014
Net income	$ 163	$ 313	$ 245
Other comprehensive income (loss), net of tax			
Currency translation adjustments, net of tax of $(9), $(22) and $(30), respectively	$ 41	$ (131)	$ (115)
Available-for-sale securities:			
Net unrealized gains (losses) on available-for-sale securities, net of tax of $(1), $1,and $0, respectively	1	(2)	—
Cash flow hedges:			
Net unrealized holding gains (losses), net of tax of $(1), $4, and $4, respectively.	—	(6)	(7)
Less: Cash flow hedges reclassified to earnings, net of tax of $(2), $(3) and $(3), respectively	4	5	5
Minimum pension liability adjustment:			
Pension and post-retirement benefits, net of tax of $21, $(1) and $25, respectively.	(57)	6	(24)
Less: Pension and post-retirement benefits reclassified to earnings, net of tax of $(2), $(2) and $(1), respectively	4	3	2
	(7)	(125)	(139)
Total comprehensive income	$ 156	$ 188	$ 106

See Notes to Consolidated Financial Statements.

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

	December 31, 2016	2015
Assets		
Current assets:		
Cash and cash equivalents	$490	$452
Receivables (net of allowance for doubtful accounts of $38 and $34, respectively)	808	668
Other current assets	519	507
Total current assets	1,817	1,627
Property and equipment, net	685	681
Deferred income taxes	1,493	1,488
Goodwill	1,007	973
Other intangibles, net	870	917
Other non-current assets	193	232
Total assets exclusive of assets under vehicle programs	6,065	5,918
Assets under vehicle programs:		
Program cash	225	258
Vehicles, net	10,464	10,658
Receivables from vehicle manufacturers and other	527	438
Investment in Avis Budget Rental Car Funding (AESOP) LLC—related party	362	362
	11,578	11,716
Total assets	$17,643	$17,634
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and other current liabilities	$1,488	$1,485
Short-term debt and current portion of long-term debt	279	26
Total current liabilities	1,767	1,511
Long-term debt	3,244	3,435
Other non-current liabilities	764	734
Total liabilities exclusive of liabilities under vehicle programs	5,775	5,680
Liabilities under vehicle programs:		