Avis Budget Group, Inc.

1Q14 Takeaways; YE14 PT $59; Leisure & Commercial Pricing Is Encouraging

Overweight

CAR, CAR US

Price: $51.79

▲ **Price Target: $59.00**
Previous: $53.00

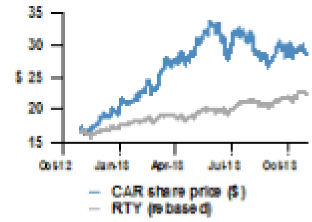
Leisure

Kevin Milota [AC]
[redacted]
Bloomberg JPMA MILOTA <GO>
J.P. Morgan Securities LLC

This note serves as a follow up to our first look at CAR's 1Q EPS of $0.16 beating our estimate of $0.06 and the Street's $0.08 (with a range of $0.06 to $0.09). We were surprised to see CAR's -4.1% move today (versus the SPX -0.1%) on what we'd characterize as a very solid print that was driven by solid rental demand and positive pricing (both including and excluding its Payless brand). Additionally, we found management's commentary on the forward pricing environment to be compelling, with North American RPD up "at least" +1% (including a Payless brand overhang of 50bps) and commercial pricing expected to grow 1% as well. The commercial pricing inflection point came as a pleasant surprise to us, and likely not factored into investor models as well. We reiterate our OW rating and are taking our YE14 price-target to $59. While CAR has been a strong performer year-to-date, we continue to see upside in the name on what we think will be a story driven by better pricing, and sustained free cash flow generation which will allow CAR to consistently invest in its business and return cash to shareholders. We acknowledge the rental car business is a volatile model, with many moving pieces, but we believe that two substantial contributors to pre-tax income—RPD and Volumes—are on the upswing, and we are not overly concerned about the used car market and residual values.

- **Why is CAR's pricing up only +1% in FY14?** Management addressed this on the call, and the answer is threefold, 1) the tough winter created incremental insurance replacement demand, which tightened industry fleets more than previously expected in 1Q, and this dynamic is unexpected to unwind through the remainder of the year. 2) Given CAR's shorter booking window it only has a "tiny" portion of its summer reservations booked at this point (during the Q that generates ~65% of FY EPS). 3) CAR's pricing N.A. RPD guidance of +1% includes Payless, which is expected to be a -50bps pricing headwind.
- **Leisure pricing commentary remains encouraging.** CAR expects pricing for FY14 to increase "at least" +1% in North America, on rental day growth of +4-6%. CAR's 1% RPD guidance includes the Payless brand, which is expected to be a 50bp overhand on the pricing environment in 2014. Leisure pricing and demand was solid in the Q, as CAR posted solid results in the Q with rental day growth of +5%, and RPD up +2% (excluding Payless), and +11% rental day growth and RPDs of +1% (including Payless). CAR continues to lead price increases for the industry, where it has seen "moderate" success. Vehicle mix continues to benefit CAR, with specialty and premium vehicle revenues growing +13%.

Price Performance



	YTD	1m	3m	12m
Abs	44.8%	-0.5%	-6.2%	73.6%
Rel	18.2%	-3.5%	-12.1%	37.7%

Avis Budget Group, Inc. (CAR;CAR US)

FYE Dec	2012A	2013A	2014E (Prev)	2014E (Curr)	2015E (Prev)	2015E (Curr)
EPS Reported ($)						
Q1 (Mar)	0.12	0.08	0.06	0.16A	-	-
Q2 (Jun)	0.94	0.50	0.59	0.61	-	-
Q3 (Sep)	1.46	1.48	1.82	1.84	-	-
Q4 (Dec)	(0.07)	0.15	0.27	0.25	-	-
FY	2.44	2.20	2.74	2.87	3.55	3.71
Bloomberg EPS FY ($)	2.42	2.17	-	2.71	-	3.46

Source: Company data, Bloomberg, J.P. Morgan estimates. 'Bloomberg' above denotes Bloomberg consensus estimates.

Company Data	
Price ($)	51.79
Date Of Price	08-May-14
52-week Range ($)	56.05-26.57
Market Cap ($ mn)	5,831.55
Fiscal Year End	Dec
Shares O/S (mn)	113
Price Target ($)	59.00
Price Target End Date	31-Dec-14

See page 16 for analyst certification and important disclosures.

- **Commercial pricing has turned and expected to grow +1% in FY14.** From a commercial perspective, CAR posted solid results in the Q with rental day growth of +3%, and RPD up +2% (excluding Payless), and +3% rental day growth and RPDs of +2% (including Payless). CAR expects commercial pricing to post "at least" a +1% increase year-over-year for FY14. 1Q Results benefited from the work that CAR has done to take up rates with its commercial accounts (during contract renewal periods) and to shift its mix of business to more profitable customers/channels. Small business accounts experienced revenue growth of +8%, where the rates are tied—though at a discount—to the prevailing leisure rates (which also experienced growth). In April, 100% of the commercial contracts that CAR renewed were at equal or higher prices (versus the 60% rate on 4Q13 call), which is certainly a positive data point, but likely an unsustainable percentage renewal level.

- **Fleet depreciation expense was +1.6% higher than our estimate.** CAR's net fleet cost/unit/mos came in at $304 versus our estimate of $298. In N.A. net fleet cost/unit/mos grew +7.6% year-over-year to $299, which was lower than our $303, though internationally, net fleet costs were higher than our estimate.

- **Net fleet costs to grow +2% to +5% worldwide and ~+2% at the mid-point in North America.** CAR's guidance for per-unit fleet costs worldwide are $295 - $305 per month, and $300 - $310 per month in North America. Management continues to expect residual values to decrease by roughly two points in 2014. At YE13, residual values as a percent of net purchase price stood at ~82%, which is consistent with historical norms, versus the outsized levels in 2011 and 2012. CAR believes the used car market will see good demand in 2014 on the heels of a growing U.S. economy and given the availability in consumer financing at rates that still low by historical standards. The supply of off-lease vehicles is expected to increase in 2014, which will have a mild dampening effect on used car prices. The company believes it should be able to mitigate the impact of higher off-lease vehicle supply through fleet utilization increases, shifting cars to Payless brand (and lengthening the holding period of those cars) and divesting cars through its expanded alternative distribution channels (direct to dealer, and direct to consumer via AutoNation). Program cars will comprise ~60-65% of CAR's NA fleet in 2014.

- **Total rental days beat our estimate.** CAR's total rental days increased +6.1% as they came in at 28,883 versus our estimate of 28,387, or a 1.7% beat versus our estimate. N.A. rental days increased +7.1% coming in at 21,129 versus our 20,512 estimate, or a 3.0% beat. For North America, excluding Payless, rental days increased +4%. International rental days +3.4% coming in at 7,754 versus our 7,875 estimate, or a -1.5% miss.

- **T&M pricing in the Q was slightly softer than we expected, but ancillary spend made up for the shortfall.** CAR's North American T&M RPD was $41.77 +1.0% year-over-year. Excluding Payless, in North America, T&M revenues were 1.9%. Worldwide T&M RPD was flat on a total company basis and excluding Payless.

- **Rental car utilization was higher than we expected.** We are pleased to see total rental car utilization up +141bps year-over-year ending the Q at 70.2%. By region, North America utilization increased +141bps, and International utilization was up +137bps, year-over-year.

- **CAR bought back $75m of its shares in the Q at an average price of $46.88.** Included in its guidance, CAR stated that it expects to repurchase $200-300m worth of shares in 2013, so an additional $125-225m of stock excluding the repurchases made to date. CAR's priorities for its ~$400m in free cash flow that it expects to generate in

2014 are 1) tuck-in acquisitions (such as Budget & Payless licensees) but likely won't spend more than $100m on those investments and 2) share repurchases. We are modeling $300m in share repurchases in 2014-2016, though believe given CAR's stated net corporate leverage target of 3-4x that it has substantial capacity to buy in more stock. Using our 2014-2016 estimates as a guide and assuming a 3.5x net corporate leverage target, we believe CAR's debt capacity is ~$382m, ~$1.064B and ~$1.750B, respectively.

- **FY14 guidance.** Revenues $8.4-8.6B (from $8.3-8.5B), EBITDA $825-900m (unchanged), WW fleet costs of $295-305 (unchanged), diluted EPS of $2.50-2.95 (from $2.45-2.85). CAR reiterated its $1B+ EBITDA target for 2015.
- **We are tweaking our estimates following earnings,** as our FY14 adjusted EPS estimate goes to $2.87 (from $2.74) on rental car volume growth of +5.4% and T&M RPDs of 0.2%. Our FY15 goes to $3.71 (from $3.55), on rental car volume growth of +4.0% and T&M RPDs of +0.9%.
- **Our year-end 2014 price target goes to $59 (from $53).** We are taking our year-end 2014 price target to $59 (from $53), which is derived by using a 16.0x target multiple (from 15.0x) on our 2015 EPS estimate of $3.71 (up from $3.55). We believe a premium multiple to the SPX's 2015E P/E multiple of 14.3x (Bloomberg consensus), is warranted given CAR's +25% EPS CAGR (from 2014E-2016E), driven by a more rational pricing environment for the rental car business in general, the inflection point in pricing for the commercial side of its business and the company's significantly improved European operations.
- **Read on,** for quarterly earnings comparison versus our estimates, valuation, key driver sensitivity analysis and full model.

Investment Thesis, Valuation and Risks

Avis Budget Group, Inc. *(Overweight; Price Target: $59.00)*

Investment Thesis

We reiterate our OW rating. We continue to believe that CAR is being undervalued given its EBITDA, EPS and FCF growth profile. We acknowledge the rental car business is a volatile model, with many moving pieces, but we believe that two substantial contributors to pre-tax income—RPD and Volumes—are on the upswing. We believe the pricing environment will continue to play out nicely as we move through 2014, and look to a stronger GDP environment to drive incremental rental demand during the year. While used car values, and their impact to residual values, remains a concern, we think CAR has put structures in place to mitigate some of the impacts to EPS and EBITDA, versus years prior.

Valuation

We are taking our year-end 2014 price target to $59 (from $53), which is derived by using a 16.0x target multiple (from 15.0x) on our 2015 EPS estimate of $3.71 (up from $3.55). We believe a premium multiple to the SPX's 2015E P/E multiple of 14.3x (Bloomberg consensus), is warranted given CAR's +25% EPS CAGR (from 2014E-2016E), driven by a more rational pricing environment for the rental car business in general, the inflection point in pricing for the commercial side of its business and the company's significantly improved European operations.

Figure 1: CAR YE14 Price Target Methodology

$ in millions

	Existing Valuation			Valuation Multiple Sensitivity Analysis		
	2014E	2015E	2016E		2015E	
Recurring EPS	2.87	3.71	4.45	3.71	3.71	3.71
x Implied/Target Multiple	18.1x	14.0x	11.6x	15.0x	16.0x	17.0x
= YE14 Price Target				**$56**	**$59**	**$63**
Current Price	**51.79**	51.79	51.79	51.79	51.79	51.79
Appreciation Potential	**--**	**--**	**--**	**8%**	**15%**	**22%**
EV/EBITDA Multiple Approach						
2015E EBITDA				1,018	1,018	1,018
Target Multiple				**8.3x**	**8.7x**	**9.1x**
= Enterprise Value				8,475	8,873	9,272
Less Net Debt (EOP 2015)				2,499	2,499	2,499
= Equity Value				5,976	6,375	6,773
Average Diluted Shares				107	107	107
= YE14 Price Target				**$56**	**$59**	**$63**

Source: J.P. Morgan estimates.

Given the emerging free cash flow story for CAR, we believe that free cash flow yield is a relevant metric for investors to consider. Presently, CAR is trading at a 6.7%, 8.6% and 9.9% free cash flow yield on our free cash flow estimates for 2014E-2016E, which is a inline, +186bps and +314bps premium to the average SPX free cash flow yield. We believe this gap is too high, given the company's EBITDA growth profile, which is expected to grow 15% in 2014 and 2015, respectively.

EFTA00295403

Figure 2: CAR FCF per share analysis

$ in millions

	JPMe FCF Estimates		
	2014E	2015E	2016E
Free Cash Flow	401	514	591
Free Cash Flow / Share	$3.48	$4.45	$5.12
Current Free Cash Flow Yield	6.71%	8.60%	9.88%
Discount / Premium to Avg. SPX FCF Yield	-0.03%	1.86%	3.14%
= YE14 Price Target		**$59**	
Estimated Yield at Price Target		***8%***	

	Sensitivity to FCF Yield Chgs. / Implied YE14 PT		
---------->	*7%*	*6%*	*5%*
+100bps of Yields =	$69	$81	$99
$ Change to YE14 PT	*$9*	*$22*	*$40*

Source: J.P. Morgan estimates, Bloomberg.

Valuation remains compelling, in our view, as CAR is presently trading at 18.1x, 14.0x and 11.6x our 2014, 2015 and 2016 EPS estimates, respectively. Historically, CAR has traded at an average discount of 4.0x to the SPX, and currently stands at 1.1x. Since January of 2009, CAR has traded at an average forward P/E multiple of 9.3x, with a low of 0.4x (in February 2009—recent trough multiple) to a high of 14.5x (in September 2009—recent peak multiple).

On an EV/EBITDA basis, CAR is presently trading at 9.8x, 8.3x and 7.2x our 2014, 2015 and 2016 estimates, respectively. Since 2006, CAR's average forward EV/EBITDA multiple has been 7.5x, with a high of 9.8x (in December 2008) and a low of 4.8x (in December 2011).

Figure 3: CAR P/E and EV/EBITDA Valuation

$ in millions

Historical P/E Ratio

Year	EPS	EPS Growth	P/E Multiples	PEG	CAGR 2014E-2016E	Realized EPS 1-Yr. Fwd.	Consensus Estimates 1-Yr. Fwd.	Consensus Estimates 2-Yr. Fwd.
2016E	4.45	20%	11.6x	0.6	24.6%	LT Average 9.3x	LT Average 11.4x	LT Average 7.8x
2015E	3.71	30%	14.0x	0.5				
2014E	2.87	30%	18.1x	0.6				

Historical EV/EBITDA

Year	Mkt Cap	Net Debt	EV	EBITDA	EV/EBITDA	Since 2009
2016E	5,977	2,208	8,185	1,131	7.2x	LT Average 7.5x
2015E	5,977	2,499	8,475	1,018	8.3x	
2014E	5,977	2,713	8,689	884	9.8x	

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Car Rental Earnings Could Be Volatile

While our near-to-medium term outlook for the Industry (and CAR earnings) is favorable, it is possible that quarterly earnings may prove volatile. For example, airline enplanements could be affected by terrorist threats; the company's transaction volumes may fall short of expectations if competitors use opportunistic pricing (particularly, in leisure markets) to gain share (perhaps, to address bloated fleet levels). Further, decreases in levels of airline passenger traffic, given that CAR derived ~71% of time and mileage revenues at on-airport locations in 2012, could materially adversely affect the company's financial and operating performance. In addition, as mentioned earlier, short-term declines in used car prices could also affect results.

Economic Risks Could Impact Rental Car and Equipment Rental Demand

Given the high correlation between rental car demand and GDP growth, we believe that a sluggish recovery in the U.S. or global economy could impact demand for CAR's business segments. Should the company not effectively match its fleet levels with demand, that could lead to over-fleeting, which would have downward pressure on pricing and financial results. CAR's truck rental business can also be impacted by the housing market. If conditions in the housing market were to weaken, CAR may see a decline in truck rental transactions, which could have an adverse impact on its business. Additionally, key risks facing all leisure and travel-related companies include terrorism, geopolitical, and weather-related uncertainties that could severely curtail travel volume and spending levels.

Highly Competitive Marketplace Could Lead to Downward Pricing Pressure

While the industry is effectively an oligopoly, with three large competitors (HTZ, CAR and privately held Enterprise), CAR's business segments are highly competitive. Price is a significant competitive factor for the car and equipment rental business, and increasing prices could prove challenging. If CAR tries to increase prices, its competitors, some of which have greater resources and better access to capital (i.e. Enterprise) may seek to compete aggressively on price to gain a competitive position in a market, or to offset reduced rental demand. In a downward or overly competitive pricing environment, if CAR does not reduce its operating costs then its margins, financial results and cash flow could be at risk. The risk of competition on the basis of pricing in the truck rental industry can be even more intense than in the car rental industry because it can be more difficult to reduce the size of its truck rental fleet in response to reduced demand.

Figure 4: CAR FY14 Guidance & JPM Estimates

$ in millions

	FY14E (as of 4Q13)			FY14E (as of 1Q14)					
	High-end	Low-end	Mid-point	High-end	Low-end	Mid-point	% Chg.	JPM Est.	% High/(Low)
Revenue	8,300	8,500	8,400	8,400	8,600	8,500	1.2%	8,498	1%
EBITDA	825	900	863	825	900	863	unchanged	884	3%
WW Fleet Costs	295	305	300	295	305	300	unchanged	303	1%
NA Fleet Costs	300	310	305	300	310	305	unchanged	305	0%
Interest Expense	220	220	220	215	215	215	-2.3%	215	-2%
Non-vehicle D&A	150	155	153	150	155	153	unchanged	153	1%
Pretax Income	450	530	490	455	535	495	1.0%	516	5%
Diluted EPS	**$2.45**	**$2.85**	**$2.65**	**$2.50**	**$2.95**	**$2.73**	2.8%	**$2.87**	**8%**
NA RAC Segment:									
Rental Days	3%	5%	4%	4%	6%	5%	100bps	5%	
Pricing	1%	1%	1%	1%	1%	1%	unchanged	1%	

Source: Company reports.

EFTA00295406

Figure 5: CAR Financial & Operating Results Summary, 1Q14

$ in millions

	CAR Actuals				J.P. Morgan Estimates		
			Change			Difference	
	1Q14	1Q13	$	% / % Pts.	1Q14	$	% / % Pts.
Vehicle Rental Revenue	1,261	1,203	58	4.8%	1,264	(3)	-0.2%
Other Revenue	533	474	59	12.4%	500	33	6.7%
Zipcar	68	14	54	na	83	(15)	-18.3%
Net Revenue	**1,862**	**1,691**	171	10.1%	**1,846**	16	0.8%
Total Expenses	**1,836**	**1,686**	150	8.9%	**1,835**	1	0.0%
Income (loss) before income taxes	**26**	**5**	21	420.0%	**11**	15	134.9%
Provision for (benefit from) income taxes	8	-4	12	-300.0%	4	4	90.2%
Tax Rate	*30.8%*	*-80.0%*			*38.0%*		
Adjusted Net Income/(Loss)	18	9	9	100.0%	7	11	162.3%
Adjusted EPS	**$0.16**	**$0.08**	$0.08	95.7%	**$0.06**	$0.10	167.8%
Shares Outstanding - Diluted for Adjusted EPS	113	110	2	2.2%	115	(2)	-2.1%
Adjusted EBITDA	**117**	**93**	24	25.8%	**101**	16	15.7%
EBITDA Margin	*6.3%*	*5.5%*			*5.5%*		

	CAR Actuals				CAR Actuals		
			Change			Difference	
Income Statement Expense Drivers:	1Q14	1Q13	$	% / % Pts.	1Q14	$	% / % Pts.
North America Car Rental							
Rental Days (000s)	21,129	19,723	1,406	7.1%	20,512	617	3.0%
Time & Mileage Revenue per Day	$41.77	$41.34	$0.43	1.0%	$41.75	0	0.0%
Total N.A. Revenue	**$1,236**	**$1,098**	138	12.6%	**$1,224**	12	1.0%
Fleet Utilizaton	*70.7%*	*69.3%*		1.41%	*69.8%*	0.9%	1.3%
International Car Rental							
Rental Days (000s)	7,754	7,500	254	3.4%	7,875	(121)	-1.5%
Time & Mileage Revenue per Day	$42.86	$43.89	($1.03)	-2.3%	$43.89	(1)	-2.3%
Total Intl. Revenue	**$551**	**$517**	34	6.6%	**$546**	5	0.9%
Fleet Utilizaton	*68.8%*	*67.4%*		1.37%	*67.4%*	1.4%	2.0%
Total Car Rental							
Rental Days (000s)	28,883	27,223	1,660	6.1%	28,387	496	1.7%
Time & Mileage Revenue per Day	$42.06	$42.05	$0.01	0.0%	$42.35	(0)	-0.7%
Total Car Rental Revenue	**$1,719**	**$1,601**	118	7.4%	**$1,687**	32	1.9%
Fleet Utilizaton	70.2%	68.8%		1.41%	69.1%	1.1%	1.5%
Truck Rental Segment							
Rental Days (000s)	824	853	(29)	-3.4%	810	14	1.7%
Time & Mileage Revenue per Day	$74.18	$71.03	$3.15	4.4%	$76.00	(2)	-2.4%
Total Revenue	**$75**	**$76**	(1)	-1.3%	**$76**	(1)	-1.6%
Fleet Utilizaton	*39.4%*	*35.2%*		4.18%	*35.7%*	3.7%	10.3%

Source: Company reports and J.P. Morgan estimates.

Sensitivity Analysis to CAR's Key Drivers

Figure 6: CAR EPS Sensitivity Analysis to Change in T&M Revenue per Day (RPD)

$ in millions

+1% Change in RPD	2014E	2015E	2016E
Total U.S. Time & Mileage Revenue ($B)	3,844	4,034	4,196
/ Transaction days	93,842	97,596	100,523
= RPD	$40.96	$41.33	$41.74
x 1% Change	1%	1%	1%
= New RPD	$41.37	$41.74	$42.16
Hypothetical Incremental Revenue ($m)	$38.44	$40.34	$41.96
Assumed Flow-thru to pre-tax	90%	90%	90%
Equals pre-tax sensivity to 1% move in RPD ($m)	**$34.59**	**$36.30**	**$37.77**
Total Intl. Time & Mileage Revenue ($B)	1,646	1,724	1,793
/ Transaction days	39,418	40,995	42,430
= RPD	$41.76	$42.05	$42.26
x 1% Change	1%	1%	1%
= New RPD	$42.18	$42.47	$42.68
Hypothetical Incremental Revenue ($m)	$16.46	$17.24	$17.93
Assumed Flow-thru to pre-tax	90%	90%	90%
Equals pre-tax sensivity to 1% move in RPD ($m)	**$14.82**	**$15.51**	**$16.14**
Equals pre-tax sensivity to 1% move in RPD ($m)	**$49.41**	**$51.82**	**$53.90**
Shares	112	107	103
Annual Per Share Impact post tax (assuming 38% tax rate)	**$0.27**	**$0.30**	**$0.33**
Assumed Target Multiple		16.0x	
Hypothetical Change in Equity Value		**$4.80**	

Note: Assumes 16.0x target multiple.

Source: J.P. Morgan estimates.

Figure 7: CAR EPS Sensitivity Analysis to Change in Rental Days

$ in millions

+1% Change in Rental Days	2014E	2015E	2016E
N.A. RPD Assumption	54	55	55
/ Rental days	93,842	97,596	100,523
= N.A. RAC Revenue	$5,093.90	$5,349.41	$5,564.99
x 1% Change in Volumes	1%	1%	1%
= New Rental Days	94,780	98,572	101,529
Hypothetical Incremental Revenue ($m)	$50.94	$53.49	$55.65
Assumed Flow-thru to pre-tax	30%	30%	30%
Equals pre-tax sensitivity to 1% move in RPD ($m)	**$15.28**	**$16.05**	**$16.69**
Intl. RPD Assumption	69	69	70
/ Rental days	39,418	40,995	42,430
= Intl. RAC Revenue	$2,705.86	$2,847.26	$2,981.30
x 1% Change in Volumes	1%	1%	1%
= New Rental Days	39,812	41,405	42,854
Hypothetical Incremental Revenue ($m)	$27.06	$28.47	$29.81
Assumed Flow-thru to pre-tax	30%	30%	30%
Equals pre-tax sensitivity to 1% move in RPD ($m)	**$8.12**	**$8.54**	**$8.94**
Equals pre-tax sensitivity to 1% move in RPD ($m)	**$23.40**	**$24.59**	**$25.64**
Shares	112	107	103
Annual Per Share Impact post tax (assuming 38% tax rate)	**$0.08**	**$0.09**	**$0.10**
Assumed Target Multiple		16.0x	
Hypothetical Change in Equity Value		**$1.49**	

Note: Assumes 16.0x target multiple.

Source: J.P. Morgan estimates.

Figure 8: CAR EPS Sensitivity Analysis to Change in Residual Values

$ in millions

	2014E	2015E	2016E
Change in Residual Value	**1%**	**1%**	**1%**
x Average Value of Risk Vehicle at Disposition	$16,000	$16,000	$16,000
Change in Residual Value	**$160**	**$160**	**$160**
/ Average Hold Period (months)	16	16	16
Fleet Cost per Month Impact	**$10**	**$10**	**$10**
x Risk Cars in NA Fleet (62.5% in '14, 65% in '15)	223,268	239,820	244,652
Monthly Impact of 1% Change in Residual Values ($m)	**$2.23**	**$2.40**	**$2.45**
x	12	12	12
Annual Impact of 1% Change in Residual Values ($m), to NA, pretax	**$27**	**$29**	**$29**
Annual Per Share Impact post tax (assuming 38% tax rate)	**$0.15**	**$0.17**	**$0.18**
Assumed Target Multiple		16.0x	
Hypothetical Change in Equity Value		**$2.66**	

Note: Assumes 16.0x target multiple.

Source: J.P. Morgan estimates.

CAR Model with Drivers

Figure 9: CAR Income Statement

$ in millions

	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Vehicle Rental Revenue	5,297	1,203	1,362	1,652	1,244	5,461	1,261	1,460	1,745	1,317	5,783	6,067	6,315
Other Revenue	2,060	474	564	661	531	2,230	533	600	702	555	2,389	2,501	2,618
Zipcar		14	76	82	74	246	68	84	91	82	326	358	394
Net Revenue	**7,357**	**1,691**	**2,002**	**2,395**	**1,849**	**7,937**	**1,862**	**2,144**	**2,538**	**1,953**	**8,498**	**8,926**	**9,327**
Y-o-Y % Chg.	*24.7%*	*4.2%*	*7.3%*	*10.4%*	*8.9%*	*7.9%*	*10.1%*	*7.1%*	*6.0%*	*5.6%*	*7.1%*	*5.0%*	*4.5%*
Direct Operating Expenses	3,824	918	937	1,068	931	3,854	937	996	1,123	976	4,032	4,181	4,304
Zipcar costs		13	70	74	63	220	63	76	82	74	295	322	353
Zipcar synergies			-1	0	0	-1	0	-10	-10	-10	-30	-65	-70
Vehicle Depreciation & Lease Charges, net	1,471	386	476	524	424	1,810	433	505	550	445	1,933	2,017	2,081
Selling, general & administrative	925	224	274	274	248	1,020	248	297	294	265	1,104	1,161	1,227
Vehicle interest, net	297	57	66	72	69	264	64	80	74	62	280	293	302
Non-vehicle related D&A	110	30	31	33	38	132	35	36	39	43	153	166	183
Interest expense on Corporate debt	268	58	55	57	58	228	56	53	53	53	215	209	209
Other	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenses	**6,895**	**1,686**	**1,908**	**2,102**	**1,831**	**7,527**	**1,836**	**2,033**	**2,205**	**1,908**	**7,982**	**8,283**	**8,589**
Y-o-Y % Chg.	*23.7%*	*5.1%*	*12.5%*	*11.5%*	*7.1%*	*9.2%*	*8.9%*	*6.5%*	*4.9%*	*4.2%*	*6.0%*	*3.8%*	*3.7%*
Income (loss) before income taxes	462	5	94	293	18	410	26	112	333	45	516	643	738
Provision for (benefit from) income taxes	171	-4	36	122	1	155	8	43	127	17	195	244	281
Tax Rate	*37.0%*	*-80.0%*	*38.3%*	*41.6%*	*5.6%*	*37.8%*	*30.8%*	***38.3%***	***38.3%***	***38.3%***	***37.9%***	***38.0%***	***38.0%***
Adjusted Net Income/(Loss)	291	9	58	171	17	255	18	69	205	28	321	398	458
Adjusted EPS	**$2.44**	**$0.08**	**$0.50**	**$1.48**	**$0.15**	**$2.20**	**$0.16**	**$0.61**	**$1.84**	**$0.25**	**$2.87**	**$3.71**	**$4.45**
Y-o-Y % Chg.	*48.0%*	*-30.5%*	*-46.7%*	*1.6%*	*-325.0%*	*-10.0%*	*95.7%*	*22.7%*	*24.3%*	*72.2%*	*30.3%*	*29.6%*	*19.9%*
Non-recurring adjustments/ (charges)	-1	-55	-86	-53	-45	-239							
GAAP Net Income/ (loss)	290	-46	-28	118	-28	16	18	69	205	28	321	398	458
GAAP EPS - Diluted	**$2.38**	**-$0.42**	**-$0.24**	**$1.02**	**-$0.26**	**$0.14**	**$0.16**	**$0.61**	**$1.84**	**$0.25**	**$2.87**	**$3.71**	**$4.45**
Shares Outstanding - Diluted for Adjusted EPS	122	110	116	116	115	115	113	113	112	110	112	107	103

Source: Company filings, J.P. Morgan estimates.

Figure 10: CAR Adjusted EBITDA and Income Statement Expense Drivers

$ in millions

Income Statement Expense Drivers:	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Income (loss) before income taxes	462	5	94	293	18	410	26	112	333	45	516	643	738
Pre-tax Margin	6.3%	0.3%	4.7%	12.2%	1.0%	5.2%	1.4%	5.2%	13.1%	2.3%	6.1%	7.2%	7.9%
Non-vehicle related D&A	110	30	31	33	38	132	35	36	39	43	153	166	183
Interest expense on Corporate debt	268	58	55	57	58	228	56	53	53	53	215	209	209
Other	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted EBITDA	**840**	**93**	**180**	**383**	**114**	**771**	**117**	**201**	**424**	**141**	**884**	**1,018**	**1,131**
EBITDA Margin	11.4%	5.5%	9.0%	16.0%	6.2%	9.7%	6.3%	9.4%	15.7%	7.2%	10.4%	11.4%	12.1%
Y-o-Y % Chg.	37.8%	-21.6%	-32.3%	1.6%	46.2%	-8.2%	25.8%	11.9%	10.8%	24.0%	14.7%	15.1%	11.1%
As % of Total Net Revenue													
Operating Expenses	52.0%	54.3%	46.8%	44.6%	50.4%	48.6%	50.3%	46.4%	44.2%	50.0%	47.4%	46.8%	46.1%
Vehicle Depreciation & Lease Charges, net	20.0%	22.8%	23.8%	21.9%	22.9%	22.8%	23.3%	23.5%	21.7%	22.8%	22.7%	22.6%	22.3%
SG &A	12.6%	13.2%	13.7%	11.4%	13.4%	12.9%	13.3%	13.8%	11.6%	13.6%	12.9%	13.0%	13.2%
Vehicle interest, net	4.0%	3.4%	3.3%	3.0%	3.7%	3.3%	3.4%	3.7%	2.9%	3.2%	3.3%	3.3%	3.2%
Non-vehicle related D&A	1.5%	1.8%	1.5%	1.4%	2.1%	1.7%	1.9%	1.7%	1.5%	2.2%	1.8%	1.9%	2.0%
Interest expense on Corporate debt	3.6%	3.4%	2.7%	2.4%	3.1%	2.9%	3.0%	2.5%	2.1%	2.7%	2.5%	2.3%	2.2%
Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Fleet Size	**495,308**	**461,486**	**530,619**	**578,530**	**478,899**	**512,384**	**475,089**	**557,791**	**600,960**	**495,506**	**532,337**	**547,903**	**559,038**
Y-o-Y % Chg.	21.0%	3.5%	2.6%	4.5%	3.1%	3.4%	2.9%	5.1%	3.9%	3.5%	3.9%	2.9%	2.0%
Vehicle Depreciation & Lease Charges, net	1,471	386	476	524	424	1,810	433	505	550	445	1,933	2,017	2,081
Y-o-Y % Chg.	20.3%	21.4%	42.5%	20.2%	10.7%	23.0%	12.2%	6.0%	5.1%	4.6%	6.8%	3.0%	3.0%
Fleet Depreciation per month	248	279	299	302	295	294	304	302	305	300	303	307	310
Y-o-Y % Chg.	-0.6%	17.3%	38.9%	15.0%	7.4%	18.9%	9.0%	0.8%	1.1%	1.5%	2.8%	1.3%	1.1%
NA Average Rental Fleet	329,186	312,604	358,943	380,964	317,210	342,430	328,230	379,581	393,499	327,604	357,229	368,955	376,388
NA Vehicle Depreciation & Lease Charges, net	945	261	325	348	293	1,227	294	344	363	306	1,307	1,364	1,405
N.A. Fleet Depreciation per month	239	278	302	305	308	299	299	302	308	311	305	308	311
Y-o-Y % Chg.	-6.7%	26.9%	60.6%	15.0%	8.0%	24.8%	7.6%	0.0%	1.0%	1.0%	2.1%	1.0%	1.0%
% Risk	62.0%					65.0%					62.5%		
Depreciation / Car	2,970	3,346	3,588	3,623	3,541	3,533	3,646	3,618	3,664	3,594	3,632	3,681	3,723
Y-o-Y % Chg.	-0.6%	17.3%	38.9%	15.0%	7.4%	18.9%	9.0%	0.8%	1.1%	1.5%	2.8%	1.3%	1.1%
Core Direct Operating Expenses	3,824	918	937	1,068	931	3,854	937	996	1,123	976	4,032	4,181	4,304
Zipcar Costs		13	70	74	63	220	63	76	82	74	295	322	353
Total Direct Operating Expenses	3,824	931	1,007	1,142	994	4,074	1,000	1,072	1,205	1,050	4,327	4,503	4,657
As % of Revenue	52.0%	55.1%	50.3%	47.7%	53.8%	51.3%	53.7%	50.0%	47.5%	53.7%	50.9%	50.4%	49.9%
Direct Operating Expenses / Rental Days	30.4	32.7	28.1	27.7	30.5	29.5	31.5	28.2	27.9	30.7	29.4	29.4	29.4
Fixed Direct Operating Expenses (~27%)	1,032	251	272	308	268	1,100	270	274	311	271	1,126	1,143	1,160
YoY % Chg.	26.4%	4.3%	5.7%	10.2%	5.5%	6.5%	7.4%	0.9%	0.9%	0.9%	2.4%	1.5%	1.5%
Variable Direct Operating Expenses (~73%)	2,792	670	684	780	680	2,813	684	722	812	705	2,923	3,037	3,144
Rentals Days	125,719	28,076	33,335	38,501	30,527	130,439	29,707	35,293	40,246	31,783	137,029	142,209	146,571
Variable Direct Operating Expenses / Rental Days	22	23.9	20.5	20.2	22.3	21.6	23.0	20.4	20.2	22.2	21.3	21.4	21.4
Value Chg.	1.0	0.4	-0.9	-0.5	-1.5	-0.6	-0.8	-0.1	-0.1	-0.1	-0.2	0.0	0.1
YoY % Chg.	4.5%	1.9%	-4.2%	-2.5%	-6.1%	-2.9%	-3.5%	-0.4%	-0.4%	-0.3%	-1.1%	0.1%	0.4%
Zipcar cost as % of Revenue		92.9%	92.1%	90.2%	85.1%	90.1%	92.6%	90.0%	90.0%	90.0%	90.7%	90.7%	90.7%

Source: Company filings, J.P. Morgan estimates.

Figure 11: CAR Income Statement Revenue Drivers

$ in millions

	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
North America Car Rental													
Rental Days (000s)	85,954	19,723	23,016	25,511	20,836	89,086	21,129	24,512	26,531	21,669	93,842	97,596	100,523
Y-o-Y % Chg.	5.4%	1.5%	2.0%	5.4%	5.5%	3.6%	7.1%	6.5%	4.0%	4.0%	5.3%	4.0%	3.0%
Time & Mileage Revenue per Day	$40.16	$41.34	$39.26	$42.07	$39.38	$40.51	$41.77	$39.65	$42.49	$39.77	$40.92	$41.33	$41.74
Y-o-Y % Chg.	-2.4%	3.9%	1.3%	-0.2%	-1.4%	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Time & Mileage Revenue	$3,457	$815	$904	$1,073	$821	$3,613	$883	$972	$1,127	$862	$3,844	$4,034	$4,196
Y-o-Y % Chg.	2.8%	5.5%	3.3%	5.2%	4.0%	4.5%	8.2%	7.6%	5.0%	5.0%	6.4%	4.9%	4.0%
Other Revenue	$1,183	$269	$299	$345	$270	$1,183	$285	$322	$362	$284	$1,254	$1,316	$1,369
Other Revenue/Rental Day	13.8	13.6	13.0	13.5	13.0	13.3	13.5	13.1	13.6	13.1	13.4	13.5	13.6
Y-o-Y % Chg.	28.4%	1.4%	-3.2%	2.0%	-0.2%	0.0%	6.2%	7.6%	5.0%	5.0%	6.0%	0.9%	1.0%
as % of Time & Mileage Revenue	34.2%	32.9%	33.1%	32.1%	33.0%	32.8%	32.3%	33.1%	32.1%	33.0%	32.6%	32.6%	32.6%
Zipcar Revenue	$279	$14	$76	$82	$74	$246	$68	$84	$91	$82	$326	$358	$394
			7.3%	4.8%	4.7%		nm	11.0%	11.0%	11.0%		10.0%	10.0%
Total Revenue	**$4,640**	**$1,098**	**$1,279**	**$1,500**	**$1,165**	**$5,042**	**$1,236**	**$1,378**	**$1,580**	**$1,228**	**$5,423**	**$5,707**	**$5,959**
Y-o-Y % Chg.	8.3%	5.8%	8.0%	10.5%	9.9%	8.7%	12.6%	7.8%	5.4%	5.4%	7.6%	5.2%	4.4%
Average Rental Fleet	329,186	312,604	358,943	380,964	317,210	342,430	328,230	379,581	393,499	327,604	357,229	368,955	376,388
Y-o-Y % Chg.	6.0%	2.4%	2.9%	5.9%	4.6%	4.0%	5.0%	5.7%	3.3%	3.3%	4.3%	3.3%	2.0%
Fleet Utilization	71.5%	69.3%	70.5%	72.8%	71.4%	71.3%	70.7%	71.0%	73.3%	71.9%	72.0%	72.5%	73.0%
Zipcar Adjusted EBITDA	$16	$1	$6	$8	$11	$26	$5	$8	$9	$8	$31	$36	$41
Margin	5.9%	7.1%	7.9%	9.8%	14.9%	10.6%	7.4%	10.0%	10.0%	10.0%	9.4%	9.9%	10.4%
International Car Rental													
Rental Days (000s)	35,551	7,500	9,312	11,950	8,638	37,400	7,754	9,824	12,727	9,113	39,418	40,995	42,430
Y-o-Y % Chg.	96.2%	-0.3%	5.7%	7.9%	6.0%	5.2%	3.4%	5.5%	6.5%	5.5%	5.4%	4.0%	3.5%
Time & Mileage Revenue per Day	$43.36	$43.89	$41.79	$42.11	$42.50	$42.57	$42.86	$41.16	$41.48	$41.86	$41.84	$42.05	$42.26
Y-o-Y % Chg.	-13.5%	-1.3%	-2.3%	-1.5%	-2.2%	-1.8%	-2.3%	-1.5%	-1.5%	-1.5%	-1.7%	0.5%	0.5%
Time & Mileage Revenue	$1,538	$329	$389	$503	$367	$1,589	$332	$404	$528	$381	$1,646	$1,724	$1,793
Y-o-Y % Chg.	72.6%	-1.6%	3.3%	6.4%	3.7%	3.3%	1.0%	3.9%	4.9%	3.9%	3.6%	4.7%	4.0%
Other Revenue	$804	$188	$232	$283	$232	$934	$219	$259	$320	$258	$1,057	$1,123	$1,188
Other Revenue/Rental Day	22.6	25.0	24.9	23.7	26.8	25.0	28.2	26.4	25.2	28.3	26.8	27.4	28.0
Y-o-Y % Chg.	130.4%	7.0%	14.7%	23.0%	18.3%	16.3%	16.4%	11.9%	13.3%	11.4%	13.1%	2.2%	2.2%
as % of Time & Mileage Revenue	52.2%	57.1%	59.6%	56.2%	63.2%	58.8%	65.8%	64.1%	60.7%	67.7%	64.2%	65.2%	66.3%
Total Revenue	**$2,342**	**$517**	**$621**	**$786**	**$599**	**$2,523**	**$551**	**$664**	**$848**	**$640**	**$2,703**	**$2,847**	**$2,981**
y/y growth	88.9%	1.4%	7.3%	11.8%	8.9%	7.7%	6.6%	6.9%	7.9%	6.8%	7.1%	5.3%	4.7%
Average Fleet Size	139,348	122,250	146,538	173,955	138,303	145,262	123,866	154,598	185,262	145,910	152,409	157,395	161,328
Y-o-Y % Chg.	91.8%	5.5%	3.6%	4.8%	3.1%	4.2%	1.3%	5.5%	6.5%	5.5%	4.9%	3.3%	2.5%
Fleet Utilization	69.9%	67.4%	69.8%	74.7%	67.9%	70.5%	68.8%	69.8%	74.7%	67.9%	70.9%	71.4%	71.9%
Total Car Rental													
Rental Days (000s)	121,505	27,223	32,328	37,461	29,474	126,486	28,883	34,336	39,258	30,783	133,260	138,590	142,953
Y-o-Y % Chg.	22.0%	1.0%	3.0%	6.2%	5.7%	4.1%	6.1%	6.2%	4.8%	4.4%	5.4%	4.0%	3.1%
Time & Mileage Revenue per Day	$41.07	$42.05	$39.99	$42.08	$40.29	$41.10	$42.06	$40.08	$42.16	$40.39	$41.18	$41.54	$41.90
Y-o-Y % Chg.	-3.5%	2.4%	0.3%	-0.6%	-1.7%	0.1%	0.0%	0.2%	0.2%	0.3%	0.2%	0.9%	0.9%
Time & Mileage Revenue	$4,995	$1,145	$1,293	$1,576	$1,188	$5,201	$1,215	$1,376	$1,655	$1,243	$5,490	$5,758	$5,989
Y-o-Y % Chg.	17.6%	3.4%	3.3%	5.6%	3.9%	4.1%	6.1%	6.5%	5.0%	4.7%	5.5%	4.9%	4.0%
Other Revenue	$1,987	$456	$531	$628	$502	$2,118	$504	$581	$682	$542	$2,310	$2,439	$2,557
Other Revenue/Rental Day	16.4	16.8	16.4	16.8	17.0	16.7	17.5	16.9	17.4	17.6	17.3	17.6	17.9
Y-o-Y % Chg.	56.4%	3.6%	3.8%	10.5%	7.5%	6.6%	10.4%	9.4%	8.7%	8.0%	9.1%	1.5%	1.6%
as % of Time & Mileage Revenue	39.8%	39.9%	41.1%	39.8%	42.3%	40.7%	41.5%	42.2%	41.2%	43.6%	42.1%	42.4%	42.7%
Total Revenue	**$6,982**	**$1,601**	**$1,824**	**$2,204**	**$1,690**	**$7,319**	**$1,719**	**$1,958**	**$2,338**	**$1,786**	**$7,800**	**$8,197**	**$8,546**
Y-o-Y % Chg.	26.6%	3.4%	3.5%	6.9%	5.0%	4.8%	7.4%	7.3%	6.1%	5.7%	6.6%	5.1%	4.3%
Average Fleet Size	468,534	434,854	505,481	554,919	455,513	487,692	452,096	534,178	578,762	473,514	509,637	526,349	537,716
Y-o-Y % Chg.	22.2%	3.3%	3.1%	5.6%	4.1%	4.1%	4.0%	5.7%	4.3%	4.0%	4.5%	3.3%	2.2%
Fleet Utilization	71.0%	68.8%	70.3%	73.4%	70.3%	71.1%	70.2%	70.6%	73.7%	70.7%	71.6%	72.1%	72.6%
Truck Rental Segment													
Rental Days (000s)	4,214	853	1,007	1,040	1,053	3,953	824	957	988	1,000	3,769	3,618	3,618
Y-o-Y % Chg.	-2.1%	-2.7%	-6.5%	-8.2%	-4.5%	-6.2%	-3.4%	-5.0%	-5.0%	-5.0%	-4.7%	-4.0%	0.0%
Time & Mileage Revenue per Day	$71.44	$71.03	$81.90	$85.32	$68.36	$76.65	$74.18	$87.63	$91.29	$73.15	$81.56	$85.64	$89.92
Y-o-Y % Chg.	0.9%	3.6%	8.9%	9.2%	7.1%	7.3%	4.4%	7.0%	7.0%	7.0%	6.4%	5.0%	5.0%
Time & Mileage Revenue	$302	$61	$82	$89	$72	$304	$61	$84	$90	$73	$308	$310	$325
Y-o-Y % Chg.	-1.4%	0.8%	-0.4%	0.2%	2.3%	0.6%	0.9%	1.7%	1.7%	1.6%	1.5%	0.5%	5.0%
Other Revenue	$72	$15	$20	$20	$13	$68	$14	$19	$19	$12	$64	$61	$61
Other Revenue/Rental Day	17.1	18.1	19.4	19.5	12.4	17.3	16.8	19.4	19.5	12.4	17.0	17.0	17.0
Y-o-Y % Chg.	3.2%	3.6%	-3.2%	-0.9%	-21.6%	-5.4%	-10.0%	-5.0%	-5.0%	-5.0%	-6.1%	0.0%	0.0%
as % of Time & Mileage Revenue	23.9%	25.4%	23.7%	22.8%	18.1%	22.5%	22.7%	22.1%	21.3%	16.9%	20.8%	19.8%	18.9%
Total Revenue	**$374**	**$76**	**$102**	**$109**	**$85**	**$372**	**$75**	**$102**	**$109**	**$86**	**$372**	**$371**	**$387**
Y-o-Y % Chg.	-0.5%	1.3%	-1.0%	0.0%	-2.3%	-0.5%	-1.3%	0.4%	0.4%	0.6%	0.1%	-0.3%	4.2%
Average Fleet Size	26,774	26,632	25,138	23,611	23,386	24,692	22,993	23,613	22,199	21,992	22,699	21,554	21,322
Y-o-Y % Chg.	3.4%	6.0%	-6.6%	-15.1%	-14.1%	-7.8%	-13.7%	-6.1%	-6.0%	-6.0%	-8.1%	-5.0%	-1.1%
Fleet Utilization	43.1%	35.2%	44.0%	47.9%	48.9%	43.9%	39.4%	44.5%	48.4%	49.4%	45.5%	46.0%	46.5%

Source: Company filings, J.P. Morgan estimates.

EFTA00295412

Figure 12: CAR Balance Sheet & Key Balance Sheet Statistics/Drivers

$ in millions

BALANCE SHEET	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Cash and cash equivalents	606	569	503	589	693	693	841	838	1,037	983	983	1,197	1,488
Restricted cash	0	0	0	0	0	0	0	0	0	0	0	0	0
Recievables	553	591	691	681	619	619	651	740	722	654	654	696	725
Deferred income taxes	146	153	153	163	177	177	177	177	177	177	177	177	177
Other current assets	405	558	599	575	455	455	455	455	455	455	455	455	455
Total current assets	**1,710**	**1,871**	**1,946**	**2,008**	**1,944**	**1,944**	**2,124**	**2,210**	**2,391**	**2,269**	**2,269**	**2,525**	**2,845**
Property and equipment, net	529	559	560	570	614	614	616	622	630	661	661	694	721
Goodwill & deferred income taxes	1,829	1,992	1,981	2,040	1,990	1,990	1,990	1,990	1,990	1,990	1,990	1,990	1,990
Other intangibles and other non-current assets	1,051	1,271	1,247	1,303	1,284	1,284	1,284	1,284	1,284	1,284	1,284	1,284	1,284
Total assets excluding assets under vehicle programs	**5,119**	**5,693**	**5,734**	**5,921**	**5,832**	**5,832**	**6,014**	**6,107**	**6,295**	**6,204**	**6,204**	**6,494**	**6,841**
Assets under vehicle programs:													
Program cash	24	53	139	210	116	116	116	116	116	116	116	116	116
Vehicles, net	9,274	10,162	12,099	10,805	9,582	9,582	10,617	12,104	10,620	9,284	9,284	10,969	11,347
Receivables from vehicle manuf and other	439	287	162	506	391	391	391	391	391	391	391	391	391
Investment in AESOP LLC - related party	362	362	362	362	363	363	363	363	363	363	363	363	363
Total assets under vehicle programs	10,099	10,864	12,762	11,883	10,452	10,452	11,487	12,974	11,490	10,154	10,154	11,839	12,217
Total assets	**15,218**	**16,557**	**18,496**	**17,804**	**16,284**	**16,284**	**17,501**	**19,081**	**17,785**	**16,358**	**16,358**	**18,333**	**19,058**
Accounts payable and other current liabilities	1,421	1,546	1,601	1,680	1,479	1,479	1,479	1,479	1,479	1,479	1,479	1,479	1,479
Short-term debt and CP of LTD	57	29	221	181	89	89	89	89	89	89	89	89	89
Total current liabilities	**1,478**	**1,575**	**1,822**	**1,861**	**1,568**	**1,568**	**1,568**	**1,568**	**1,568**	**1,568**	**1,568**	**1,568**	**1,568**
Long-term debt	2,848	3,318	3,195	3,203	3,305	3,305	3,607	3,607	3,607	3,607	3,607	3,607	3,607
Other non-current liabilities	871	884	875	878	847	847	847	847	847	847	847	847	847
Total liabilities excl. of liabilities under vehicle programs	**5,197**	**5,777**	**5,892**	**5,942**	**5,720**	**5,720**	**6,022**	**6,022**	**6,022**	**6,022**	**6,022**	**6,022**	**6,022**
Total liabilities under vehicle programs	**9,264**	**10,086**	**11,958**	**11,058**	**9,793**	**9,793**	**10,776**	**12,369**	**10,943**	**9,563**	**9,563**	**11,440**	**12,007**
Shareholder's Equity	757	694	646	804	771	771	703	689	820	773	773	871	1,029
Total Liabilities & Equity	**15,218**	**16,557**	**18,496**	**17,804**	**16,284**	**16,284**	**17,501**	**19,081**	**17,785**	**16,358**	**16,358**	**18,333**	**19,058**
CREDIT STATISTICS	**2012**	**1Q13**	**2Q13**	**3Q13**	**4Q13**	**2013**	**1Q14**	**2Q14E**	**3Q14E**	**4Q14E**	**2014E**	**2015E**	**2016E**
Adjusted EBITDA TTM	840	814	728	734	770	771	794	815	857	884	884	1,018	1,131
Interest expense TTM	565	533	505	490	492	492	497	509	507	495	495	502	511
Total Corporate Debt	2,905	3,347	3,416	3,384	3,394	3,394	3,696	3,696	3,696	3,696	3,696	3,696	3,696
Net Corporate Debt	2,299	2,778	2,913	2,795	2,701	2,701	2,855	2,858	2,659	2,713	2,713	2,499	2,208
Total Fleet Debt	9,264	10,086	11,958	11,058	9,793	9,793	10,776	12,369	10,943	9,563	9,563	11,440	12,007
Net Fleet Debt	9,240	10,033	11,819	10,848	9,677	9,677	10,660	12,253	10,827	9,447	9,447	11,324	11,891
Adjusted EBITDA TTM / Interest Expense	1.5	1.5	1.4	1.5	1.6	1.6	1.6	1.6	1.7	1.8	1.8	2.0	2.2
Corporate Debt / EBITDA	3.5	4.1	4.7	4.6	4.4	4.4	4.7	4.5	4.3	4.2	4.2	3.6	3.3
Net Corporate Debt / Adj. EBITDA	2.7	3.4	4.0	3.8	3.5	3.5	3.6	3.5	3.1	3.1	3.1	2.5	2.0
Target (mid-point of 3.0-4.0x)											**3.5x**	**3.5x**	**3.5x**
Delta											0.4x	1.0x	1.5x
Target Net Debt level (mid-point)											3,095	3,563	3,957
Incremental Debt											382	1,064	1,749
Fleet Debt / EBITDA	11.0	12.4	16.4	15.1	12.7	12.7	13.6	15.2	12.8	10.8	10.8	11.2	10.6
Net Fleet Debt / Adj. EBITDA	11.0	12.3	16.2	14.8	12.6	12.6	13.4	15.0	12.6	10.7	10.7	11.1	10.5
Total Corp. & Fleet Debt / EBITDA	14.5	16.5	21.1	19.7	17.1	17.1	18.2	19.7	17.1	15.0	15.0	14.9	13.9
Net Corp. & Fleet Debt / EBITDA	13.7	15.7	20.2	18.6	16.1	16.1	17.0	18.5	15.7	13.8	13.8	13.6	12.5
FCF / Share	$4.26					$3.99					$3.59	$4.79	$5.74
FCF Yield						8%					7%	9%	11%
Days Receivables	27.4	31.8	31.4	26.2	30.8	28.5	31.8	31.4	26.2	30.8	28.5	28.5	28.5
Book Value per Share	$6.23	$6.44	$5.96	$7.42	$7.20	$7.15	$6.56	$6.43	$7.65	$7.21	$7.16	$8.07	$9.54
Corporate Debt / Total Capital	79.3%	82.8%	84.1%	80.8%	81.5%	81.5%	84.0%	84.3%	81.9%	82.7%	82.7%	80.9%	78.2%

Source: Company filings, J.P. Morgan estimates.

Figure 13: CAR Cash Flow Statement

$ in millions

	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Corporate EBITDA	840	93	180	383	114	771	117	201	424	141	884	1,018	1,131
Uses of cash:													
Corporate interest expense	-268	-58	-56	-57	-58	-228	-56	-53	-53	-53	-215	-209	-209
Cash Taxes	-65	-10	-13	-7	-28	-60	0	-16	-48	-7	-70	-80	-90
Change in Current Accounts (ex taxes)	135	-53	-2	62	102	109	-83	-89	18	68	-86	-42	-29
Non-fleet capital expenditures	-132	-21	-35	-38	-60	-154	-37	-43	-47	-74	-200	-200	-210
Other	8	99	-106	-98	126	21	29	98	-3	-36	88	27	-2
Free Cash Flow	**518**	**50**	**-31**	**245**	**196**	**460**	**-30**	**99**	**293**	**40**	**401**	**514**	**591**
Early extinguishment of debt	0												
Transaction related payments	-33	-14	-14			-28	-5				-5		
Borrowings, net	-378	406	-9			397	301				301		
Financing costs, foreign exchange effects and other	1	15	-11	-32	10	-18	-7				-7		
Stock buybacks				-21	-27	-48	-67	-83	-75	-75	-300	-300	-300
Other/Acquisitions	-36	-494	-1	-102	70	-527	-44	-19	-19	-19	-100		
Net increase in cash and cash equivalents	**72**	**-37**	**-66**	**86**	**104**	**236**	**148**	**-3**	**199**	**-54**	**290**	**214**	**291**

Source: Company filings, J.P. Morgan estimates.

EFTA00295413

Avis Budget Group, Inc.: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Revenues	7,937	8,498	8,926	9,327	Revenues	1,862A	2,144	2,538	1,953
Cost of goods sold	(3,854)	(4,032)	(4,181)	(4,304)	Cost of goods sold	(937)A	(996)	(1,123)	(976)
Gross profit	-	-	-	-	Gross profit	-	-	-	-
SG&A	(1,020)	(1,104)	(1,161)	(1,227)	SG&A	(248)A	(297)	(294)	(265)
D&A	(1,942)	(2,087)	(2,183)	(2,264)	D&A	(468)A	(541)	(589)	(488)
Operating income	1,121	1,276	1,402	1,532	Operating income	209A	311	532	224
EBITDA	771	884	1,018	1,131	EBITDA	117A	201	424	141
Net interest income / (expense)	(492)	(495)	(502)	(511)	Net interest income / (expense)	(120)A	(133)	(127)	(115)
Other income / (expense)	-	-	-	-	Other income / (expense)	-	-	-	-
Pretax income	410	516	643	738	Pretax income	26A	112	333	45
Income taxes	(155)	(195)	(244)	(281)	Income taxes	(8)A	(43)	(127)	(17)
Net income - GAAP	16	321	398	458	Net income - GAAP	18A	69	205	28
Net income - recurring	255	321	398	458	Net income - recurring	18A	69	205	28
Diluted shares outstanding	115	112	107	103	Diluted shares outstanding	116A	115	115	115
EPS - GAAP	2.20	2.87	3.71	4.45	EPS - GAAP	0.16A	0.61	1.84	0.25
EPS - recurring	2.23	2.87	3.71	4.45	EPS - recurring	0.16A	0.60	1.78	0.24

Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	809	1,099	1,313	1,604	Sales growth	7.9%	7.1%	5.0%	4.5%
Accounts receivable	1,010	1,045	1,087	1,116	EBITDA growth	(8.2%)	14.7%	15.1%	11.1%
Inventories	-	-	-	-	EPS growth	(10.0%)	30.3%	29.6%	19.9%
Other current assets	632	632	632	632					
Current assets	2,451	2,776	3,032	3,352	Gross margin	-	-	-	-
PP&E	10,196	9,945	11,663	12,068	EBIT margin	(14.8%)	(14.1%)	(13.1%)	(12.2%)
Total assets	16,284	16,358	18,333	19,058	EBITDA margin	9.7%	10.4%	11.4%	12.1%
					Tax rate	37.8%	37.9%	38.0%	38.0%
Total debt	10,731	11,483	12,853	13,148	Net margin	3.2%	3.8%	4.5%	4.9%
Total liabilities	15,513	15,585	17,462	18,029					
Shareholders' equity	771	773	871	1,029	Net debt / EBITDA	1286.9%	1174.3%	1133.7%	1021.2%
					Net debt / capital (book)	92.8%	93.1%	93.0%	91.8%
Net income (including charges)	771	884	1,018	1,131					
D&A	1,942	2,087	2,183	0	Return on assets (ROA)	1.6%	2.0%	2.3%	2.4%
Change in working capital	109	(86)	(42)	(29)	Return on equity (ROE)	33.4%	41.5%	48.5%	48.2%
Other	-	-	-	-	Return on invested capital (ROIC)	(11.5%)	(11.1%)	(10.1%)	(5.7%)
Cash flow from operations	2,822	2,885	3,159	1,101					
Capex	(154)	(200)	(200)	(210)					
Free cash flow	3,201	3,229	3,524	1,477					
Cash flow from investing activities	(133)	(112)	(173)	(212)					
Cash flow from financing activities	(196)	(106)	(300)	(300)					
Dividends	-	-	-	-					

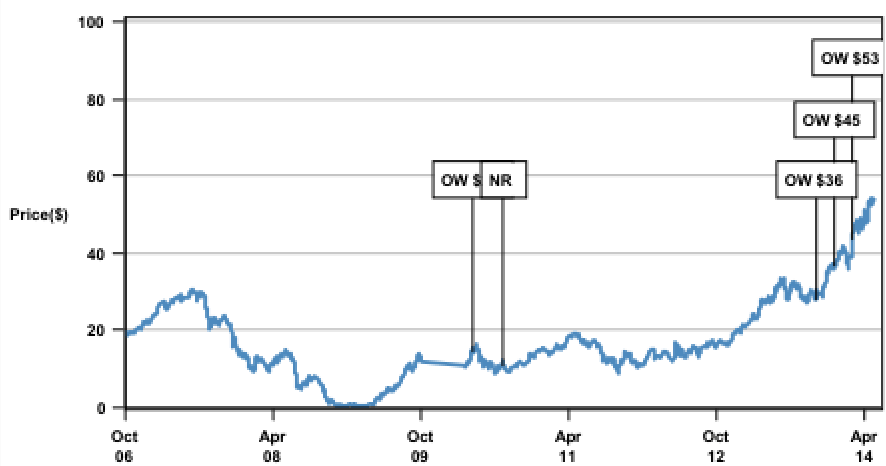
Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Dec

Analyst Certification: The research analyst(s) denoted by an "AC" on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an "AC" on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. For all Korea-based research analysts listed on the front cover, they also certify, as per KOFIA requirements, that their analysis was made in good faith and that the views reflect their own opinion, without undue influence or intervention.

Important Disclosures

- **Client:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients: Avis Budget Group, Inc..
- **Client/Investment Banking:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as investment banking clients: Avis Budget Group, Inc..
- **Client/Non-Investment Banking, Securities-Related:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-investment-banking, securities-related: Avis Budget Group, Inc..
- **Client/Non-Securities-Related:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-securities-related: Avis Budget Group, Inc..
- **Investment Banking (past 12 months):** J.P. Morgan received in the past 12 months compensation from investment banking Avis Budget Group, Inc..
- **Investment Banking (next 3 months):** J.P. Morgan expects to receive, or intends to seek, compensation for investment banking services in the next three months from Avis Budget Group, Inc..
- **Non-Investment Banking Compensation:** J.P. Morgan has received compensation in the past 12 months for products or services other than investment banking from Avis Budget Group, Inc..

Company-Specific Disclosures: Important disclosures, including price charts, are available for compendium reports and all J.P. Morgan–covered companies by visiting https://jpmm.com/research/disclosures, calling [redacted], or e-mailing [redacted] with your request. J.P. Morgan's Strategy, Technical, and Quantitative Research teams may screen companies not covered by J.P. Morgan. For important disclosures for these companies, please call [redacted] or e-mail [redacted].



Date	Rating	Share Price ($)	Price Target ($)
12-Apr-10	OW	14.74	20.00
28-Jul-10	NR	11.08	--
09-Oct-13	OW	28.21	36.00
10-Dec-13	OW	36.98	45.00
20-Feb-14	OW	43.61	53.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Break in coverage Jul 28, 2010 - Oct 09, 2013.

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.
J.P. Morgan ratings or designations: OW = Overweight, N= Neutral, UW = Underweight, NR = Not Rated

Explanation of Equity Research Ratings, Designations and Analyst(s) Coverage Universe:
J.P. Morgan uses the following rating system: Overweight [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Neutral [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Underweight [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Not Rated (NR): J.P. Morgan has removed the rating and, if applicable, the price target, for this stock because of either a lack of a sufficient fundamental basis or for legal, regulatory or policy reasons. The previous rating and, if applicable, the price target, no longer should be relied upon. An NR designation is not a recommendation or a rating. In our Asia (ex-Australia) and U.K. small- and mid-cap equity research, each stock's expected total return is compared to the expected total return of a benchmark country market index, not to those analysts' coverage universe. If it does not appear in the Important Disclosures section of this report, the certifying analyst's coverage universe can be found on J.P. Morgan's research website, www.jpmorganmarkets.com.

Coverage Universe: Milota, Kevin: Avis Budget Group, Inc. (CAR), Carnival Corporation (CCL), Harley-Davidson (HOG), Hertz Global Holdings, Inc. (HTZ), Norwegian Cruise Line (NCLH), Royal Caribbean Cruises (RCL), Ryman Hospitality Properties (RHP)

J.P. Morgan Equity Research Ratings Distribution, as of March 31, 2014

	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage	44%	44%	11%
IB clients*	58%	49%	40%
JPMS Equity Research Coverage	45%	48%	7%
IB clients*	78%	67%	60%

*Percentage of investment banking clients in each rating category.
For purposes only of FINRA/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category. Please note that stocks with an NR designation are not included in the table above.

Equity Valuation and Risks: For valuation methodology and risks associated with covered companies or price targets for covered companies, please see the most recent company-specific research report at http://www.jpmorganmarkets.com, contact the primary analyst or your J.P. Morgan representative, or email [redacted].

Equity Analysts' Compensation: The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues.

Other Disclosures

J.P. Morgan ("JPM") is the global brand name for J.P. Morgan Securities LLC ("JPMS") and its affiliates worldwide. J.P. Morgan Cazenove is a marketing name for the U.K. investment banking businesses and EMEA cash equities and equity research businesses of JPMorgan Chase & Co. and its subsidiaries.

All research reports made available to clients are simultaneously available on our client website, J.P. Morgan Markets. Not all research content is redistributed, e-mailed or made available to third-party aggregators. For all research reports available on a particular stock, please contact your sales representative.

Options related research: If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC's website at http://www.optionsclearing.com/publications/risks/riskstoc.pdf

Legal Entities Disclosures
U.S.: JPMS is a member of NYSE, FINRA, SIPC and the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC. **U.K.**: JPMorgan Chase N.A., London Branch, is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and to limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from J.P. Morgan on request. J.P. Morgan Securities plc (JPMS plc) is a member of the London Stock Exchange and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered in England & Wales No. 2711006. Registered Office 25 Bank Street, London, E14 5JP. **South Africa**: J.P. Morgan Equities South Africa Proprietary Limited is a member of the Johannesburg Securities Exchange and is regulated by the Financial Services Board. **Hong Kong**: J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong and/or J.P. Morgan Broking (Hong Kong) Limited (CE number AAB027) is regulated by the Securities and Futures Commission in Hong Kong. **Korea**: J.P. Morgan Securities (Far East) Ltd, Seoul Branch, is regulated by the Korea Financial Supervisory Service. **Australia**: J.P. Morgan Australia Limited (JPMAL) (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (JPMSAL) (ABN 61 003 245 234/AFS Licence No: 238066) is regulated by ASIC and is a Market, Clearing and Settlement Participant of ASX Limited and CHI-X. **Taiwan**: J.P.Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India**: J.P. Morgan India Private Limited, having its registered office at J.P. Morgan Tower, Off. C.S.T. Road, Kalina, Santacruz East, Mumbai - 400098, is a member of the National Stock Exchange of India Limited (SEBI Registration Number - INB 230675231/INF 230675231/INE 230675231) and Bombay Stock Exchange Limited (SEBI

Registration Number - INB 010675237/INF 010675237) and is regulated by Securities and Exchange Board of India. For non local research reports, this material is not distributed in India by J.P. Morgan India Private Limited. **Thailand**: This material is issued and distributed in Thailand by JPMorgan Securities (Thailand) Ltd., which is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission and its registered address is 3rd Floor, 20 North Sathorn Road, Silom, Bangrak, Bangkok 10500. **Indonesia**: PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the OJK a.k.a. BAPEPAM LK. **Philippines**: J.P. Morgan Securities Philippines Inc. is a Trading Participant of the Philippine Stock Exchange and a member of the Securities Clearing Corporation of the Philippines and the Securities Investor Protection Fund. It is regulated by the Securities and Exchange Commission. **Brazil**: Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico**: J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore**: This material is issued and distributed in Singapore by or through J.P. Morgan Securities Singapore Private Limited (JPMSS) [MCI (P) 199/03/2014 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. This material is provided in Singapore only to accredited investors, expert investors and institutional investors, as defined in Section 4A of the Securities and Futures Act, Cap. 289. Recipients of this document are to contact JPMSS or JPMCB Singapore in respect of any matters arising from, or in connection with, the document. **Japan**: JPMorgan Securities Japan Co., Ltd. is regulated by the Financial Services Agency in Japan. **Malaysia**: This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-X) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission in Malaysia. **Pakistan**: J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan. **Saudi Arabia**: J.P. Morgan Saudi Arabia Ltd. is authorized by the Capital Market Authority of the Kingdom of Saudi Arabia (CMA) to carry out dealing as an agent, arranging, advising and custody, with respect to securities business under licence number 35-07079 and its registered address is at 8th Floor, Al-Faisaliyah Tower, King Fahad Road, P.O. Box 51907, Riyadh 11553, Kingdom of Saudi Arabia. **Dubai**: JPMorgan Chase Bank, N.A., Dubai Branch is regulated by the Dubai Financial Services Authority (DFSA) and its registered address is Dubai International Financial Centre - Building 3, Level 7, PO Box 506551, Dubai, UAE.

Country and Region Specific Disclosures
U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by JPMS plc. Investment research issued by JPMS plc has been prepared in accordance with JPMS plc's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. This material does not take into account the specific investment objectives, financial situation or particular needs of the recipient. The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the term "wholesale client" has the meaning given in section 761G of the Corporations Act 2001. **Germany:** This material is distributed in Germany by J.P. Morgan Securities plc, Frankfurt Branch and J.P.Morgan Chase Bank, N.A., Frankfurt Branch which are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider/market maker for derivative warrants, callable bull bear contracts and stock options listed on the Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: http://www.hkex.com.hk. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. 82 Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan, Type II Financial Instruments Firms Association and Japan Investment Advisers Association. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Ltd, Seoul Branch. **Singapore:** JPMSS and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **Brazil**: Ombudsman J.P. Morgan: [redacted] / [redacted].

General: Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMS and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMS distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised April 5, 2014.