



CAR RENTAL SHOW

APRIL 7-8, 2014 / RIO ALL-SUITE HOTEL & CASINO / LAS VEGAS





El Grupo Tennant

Jim Tennant

Principal

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Car Rental
SHOW

THE GLOBAL MARKETPLACE FOR THE CAR RENTAL INDUSTRY

IN COLLABORATION WITH
ACRA
AMERICAN CAR RENTAL ASSOCIATION

IN PARTNERSHIP WITH
Auto Rental
GROUP



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Cómo Hacer Ver Su Negocio Más Atractivo Para Los Inversores



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How to Make Your Business Attractive to Investors



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- Hoy abarcaremos demasiado en un periodo muy breve
- Copias de las diapositivas en Inglés y Español están disponibles en la exhibición
- Copias de las diapositivas y explicaciones están disponibles más detalladamente en

www.TennantGroup.com

www.AutoRentalNews.com



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- We are covering a lot in a short time today.
- Copies of the slides in English and Spanish are available at the Show
- Copies of the slides and more detailed explanations are available for downloading at

www.TennantGroup.com

www.AutoRentalNews.com



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Inversores:

- Dispuesto a tomar riesgos, para un mayor beneficio
- Podría ser propietario parcial, en lugar de obtener un préstamo

Prestamistas:

- No estar dispuesto a aceptar demasiado riesgo
- Requiere gravámenes sobre artículos comprados, convenios y garantías probablemente personales
- Por lo general, para la financiación de compras de vehículos o inmobiliario



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Investors:

- Willing to accept more risk for a higher potential return
- Could take some ownership of the business as opposed to a loan

Lenders:

- Not willing to accept much risk
- Require liens on items purchased, covenants and probably personal guarantees
- Usually for financing vehicle purchases or real estate



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Usted debe conocer su empresa y tener la habilidad de explicarla:

- Asumimos que usted entiende su negocio **PERO**
- Usted informará a las personas que no están familiarizadas con el alquiler de vehículos
- Puede ser difícil explicarles de que se trata su negocio
- Explique claramente los conductores principales – Utilización, Tarifas, Gastos de Vehículos, Etc.
- Si usted se beneficia, ¿por qué y cómo va a mejorar?
- Demuestre una mejor trayectoria a seguir, si usted aún no se ha beneficiado
- Ejemplo – Mi empresa está mejorando con los márgenes actuales y tendrá ganancias en término de 1 año



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You must understand and be able to explain your business:

- We can assume you understand your business **BUT**
- You will be talking to people not familiar with car rental
- Explaining your business to them can be difficult
- Explain clearly the major drivers – Utilization, rates, vehicle expense, etc.
- If you are profitable, why and how will you improve?
- If you are not yet profitable, show a clear path to profitability
- Example – My business is growing and with current margins will be profitable within 1 year



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Presentación de Estados Financieros:

- **G**enerally **A**ccepted **A**ccounting **P**inciples
- Generalmente Aceptados los Principios de Contabilidad
- GAAP presenta de una forma regular los resultados financieros
- Permite a los inversores comparar las diferentes industrias
- Por Ejemplo - Walmart vs Banco de Brasil vs Petrobras
- Los estados financieros estilo GAAP no son muy útiles para el funcionamiento de sus negocios



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Financial Statement Presentation:

- **G**enerally **A**ccepted **A**ccounting **P**inciples
- GAAP is a standard way of presenting financial results
- Allows investors to compare different industries
- For example - Walmart vs Banco do Brasil vs Petrobras
- GAAP style financial statements are not very useful for running your business



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Presentación de Estados Financieros:

The format was developed by industry veteran Fred Mudgett and is widely used.

	12 Months Ending December 31, 2013	% of Revenue	Per Vehicle per Month	
Average Useable Fleet	2,220			
Time & Mileage Revenue	\$21,318,739	80.3%	\$800	
Incremental Revenue	\$5,244,551	19.7%	\$197	
Total Revenue	\$26,563,290	100.0%	\$997	
Unit Expense	\$8,511,566	32.0%	\$320	Cost of owning your fleet
Direct Operating Exp	\$2,388,596	9.0%	\$90	Cost of running your fleet
Indirect Operating Exp	\$1,154,091	4.3%	\$43	Other expenses that vary with fleet size or volume
Advertising & Sales Exp	\$2,949,294	11.1%	\$111	
Personnel Exp	\$6,284,618	23.7%	\$236	
Occupancy Exp	\$1,199,719	4.5%	\$45	
G & A Exp	\$748,375	2.8%	\$28	
Total Expense	\$23,236,259	87.5%	\$872	
Gross Operating Income	\$3,327,031	12.5%	\$125	Car rental profit
Other Income	\$36,860	0.1%	\$1	Non car rental revenue
Other Expense	(\$3,401)	0.0%	(\$0)	Non car rental expenses
Net Operating Income	\$3,367,292	12.7%	\$126	Net profit before taxes



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Presentación de Estados Financieros:

Este desglose de cuentas está detallado y disponible para su descargo.

The Tennant Group Account Guidelines

REVENUE
TIME & MILEAGE
(DISCOUNTS)
COLLISION DAMAGE WAIVER
PERSONAL ACCIDENT INSURANCE
PERSONAL EFFECTS COVERAGE
SLI
BABY SEAT
ADDITIONAL DRIVER
UNDERAGE DRIVER
OTHER INCREMENTAL SALES REVENUE

UNIT EXPENSE
RENTAL VEHICLE DEPRECIATION
RENTAL VEHICLE INTEREST
RENTAL VEHICLE LEASE EXPENSE
RENTAL VEHICLE TAGS, TAXES & INSPECTION
GAIN/LOSS, RENTAL VEHICLE SALES
VEHICLE SALES EXPENSE
(FLEET REBATES)

DIRECT OPERATING
PARTS
TIRES
OUTSIDE MECHANICAL REPAIRS
TOWING
(VEHICLE WARRANTY)
DAMAGE REPAIRS
SALVAGE & STOLEN WRITE OFFS
(SUBROGATION & CUSTOMER COLLECTION)
VEHICLE INSURANCE EXPENSE

INDIRECT OPERATING
GAS EXPENSE
(GAS COLLECTIONS)
OIL & ANTIFREEZE
CAR WASH SUPPLIES
SHUTTLE EXPENSE
DEPRECIATION / LEASE SHOP EQUIPMENT
REPAIRS & MAINTENANCE SHOP EQUIPMENT
BUS DEPRECIATION
REPAIRS & MAINTENANCE Busing
DEPRECIATION / LEASE SERVICE VEHICLE
REPAIRS & MAINTENANCE SERVICE VEHICLE
NON RENTAL VEHICLE TAGS & LICENSE

ADVERTISING & SALES EXPENSE
ADVERTISING FEES - NATIONAL
ADVERTISING & SALES PROMOTION - LOCAL
YELLOW PAGES
DEPRECIATION - SIGNS
SIGNS & SIGN MAINTENANCE
RESERVATION EXPENSE
SYSTEM FEES
AMORTIZATION FRANCHISE PURCHASE
COMMISSIONS TRAVEL AGENTS
CREDIT CARD COMMISSIONS

PERSONNEL EXPENSE
SALARIES EXEMPT REGULAR
SALARIES EXEMPT BONUS
WAGES NON-EXEMPT REGULAR
WAGES NON-EXEMPT OVERTIME
WAGES NON-EXEMPT COMMISSIONS
CONTRACT LABOR
PAYROLL TAXES
WORKERS' COMPENSATION INSURANCE
GROUP MEDICAL
OTHER BENEFIT PROGRAMS
TRAINING

OCCUPANCY EXPENSE
FACILITY RENT
CONCESSION FEES
DEPRECIATION FACILITIES
AMORTIZATION LEASEHOLD IMPROVEMENTS
INTEREST EXPENSE FACILITIES & LEASEHOLDS
REAL ESTATE TAXES
FACILITY INSURANCE
UTILITIES
FACILITY REPAIR & MAINTENANCE

GENERAL & ADMINISTRATIVE
OFFICE SUPPLIES
POSTAGE AND SHIPPING
BANK CHARGES
BUSINESS PERMITS
LEASED OFFICE EQUIPMENT
DEPRECIATION OFFICE EQUIPMENT
INTEREST OFFICE EQUIPMENT
(G)L DISPOSAL OF OFFICE EQUIPMENT
OFFICE EQUIPMENT REPAIR & MAINTENANCE
SOFTWARE AMORTIZATION
SOFTWARE MAINTENANCE
TELEPHONE & COMPUTER COMMUNICATIONS
PROFESSIONAL FEES
TRAVEL & MEETING
MEALS AND ENTERTAINMENT
DONATIONS
DUES & SUBSCRIPTIONS
CASH SHORT - (OVER)
BAD DEBT
COLLECTION EXPENSE
NET PARKING TICKET EXPENSE

NOTE:
If the owner has an active management role in the business you should include a reasonable portion of their income in Personnel Expense. "Reasonable" should reflect what you would pay a qualified manager to perform the owners duties. Any amount above that should then be reflected in Operating Income.



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Financial Statement Presentation:

This detailed breakdown of accounts is available for downloading.

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Presentación de Estados Financieros:

Las Ventajas de Este Formato:

- Demuestra por separado su gasto mayor
- Separa variables, comercialización, personal y costos fijos
- Para el mejor uso de su empresa y darle la mejor imagen
- Entender fácilmente, explicar los planes de su empresa y el por qué usted necesita el dinero
- Cada categoría principal está detalladamente separada y disponible para su descargo



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Financial Statement Presentation:

Advantages of this format:

- Shows your biggest expense (fleet) separately
- Separates variable, marketing, personnel and fixed costs
- Much better picture of your business for your own use
- Easier to understand and explain your business and plans and why you need the money
- A detailed breakdown of each major category will be available for downloading



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Ganancias Antes de Intereses, Impuestos, Depreciación y Amortización

- EBITDA es ampliamente utilizado por los analistas financieros
- No es muy útil en el alquiler de vehículos
- Nuestros mayores gastos son los intereses y la amortización, así que si se eliminaran darían una imagen engañosa
- Si es presentado el EBITDA, debe considerar los intereses y depreciación de vehículos de alquiler como **gastos de funcionamiento** y **no** como parte de la calculación de EBITDA



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Earnings Before Interest, Taxes, Depreciation and Amortization

- EBITDA is widely used by financial analysts.
- Not very useful in car rental
- Our biggest expenses are interest and depreciation so eliminating them gives a misleading picture
- If EBITDA is presented, you should consider rental vehicle interest and depreciation as **operating expenses** and **not** part of the EBITDA calculation



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Depreciar sus Vehículos de Manera Realista

- La tasa de depreciación de su vehículo es la mejor estimación promedio la reducción mensual y al valor del vehículo del alquiler, del día que lo compró hasta el día que lo vendió
- No tiene nada que ver con la tasa con la cual usted está pagando el préstamo
- No tiene nada que ver con la tasa de depreciación para deducible fiscales
- Si usted demuestra consistentemente una ganancia en las ventas de vehículos al por mayor, está sobre-depreciando. **No tuviste ganancia, lo sobre-depreciaste!** Sólo obtuviste ganancias si lo vendiste por más de lo que pagaste
- Desde un punto de vista práctico, su tasa de depreciación de vehículos de riesgos debe ser constante de año a año y debe ser la base de su experiencia



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Depreciate Your Vehicles Realistically

- Your vehicle depreciation rate is your best estimate of the average monthly reduction in the value of the rental vehicle from the day you bought it to the day you sold it.
- It has nothing to do with the rate you are paying down the loan.
- It has nothing to do with the allowable depreciation rate for tax purposes.
- If you consistently show a profit on wholesale vehicle sales, you are over-depreciating. **You did not make a profit, you over-depreciated!** You only made a profit if you sold it for more than you paid for it.
- From a practical point of view, your depreciation rate on risk vehicles should be consistent year to year and should be based on your actual experience.



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Presentación de Vehículos y Financiamiento de Vehículos en su Hoja de Balance

- En el negocio de alquiler de vehículos, los vehículos no son Bienes Fijos
- En el negocio de alquiler de vehículos, el financiamiento de vehículos no es un Riesgo a Largo Plazo
- Bienes Fijos es algo así como una fábrica o una máquina
- En el alquiler de vehículos, los vehículos son como si fuesen inventario
- Vehículos de alquiler y vehículos de alquiler de financiación deberán presentarse por separado en su hoja de balance



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Presentation of Vehicles and Vehicle Financing on Your Balance Sheet

- In the car rental business, vehicles are **not** Fixed Assets
- In the car rental business, vehicle financing is **not** a Long Term Liability
- A Fixed Asset is something like a factory or a machine
- In car rental, vehicles are more like inventory
- Rental vehicles and rental vehicle financing should be presented separately on your balance sheet



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Presentación de Vehículos y Financiamiento de Vehículos en su Hoja de Balance

Suggested Balance Sheet Presentation			
Assets:		Liabilities:	
Cash on hand and in bank	\$450,000	Accounts Payable	\$175,000
Accounts Receivable	\$275,000	Other Current Liabilities	\$45,000
Other Current Assets	\$150,000	Total Current Liabilities	\$220,000
Total Current Assets	\$875,000		
		GE Capital	\$9,800,000
Rental Vehicles	\$22,000,000	Banco do Brasil	\$8,000,000
Less Accumulated Depreciation	(\$2,640,000)	Total Rental Vehicle Financing	\$17,800,000
Total Rental Vehicles	\$19,360,000		
		Mortgage	\$875,000
Building	\$1,500,000	Equipment Financing	\$280,000
Shuttle buses	\$125,000	Total Long Term Liabilities	\$1,155,000
Equipment	\$500,000		
Less Accumulated Depreciation	(\$150,000)	Capital Stock	\$1,000,000
Total Fixed Assets	\$1,975,000	Retained Earnings	\$2,035,000
		Total Owners Equity	\$3,035,000
Total Assets	\$22,210,000	Total Liabilities and Equity	\$22,210,000



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GE Capital

Jeffrey Iverson

Vice Presidente de Ventas
Alquiler y Programas OEM



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GE Capital

Jeffrey Iverson

Vice President, Sales

Rental and OEM Programs



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Criterios de Suscripción

Revisión Prestamista

- Resultados de Operación : 3 años de estados financieros, declaraciones provisionales y actuales, con declaraciones comparables de años anteriores (puede requerirse declaraciones CPA auditado/revisado). Además, puede ser necesario mantener información tales como declaraciones de impuestos
- Mercados Servidos: aeropuerto, local, sustitución de seguro
- Plan de Negocios : Plan de 3 – 5 años (revisará el plan y los resultados actuales)
- La experiencia del Propietario/Operador en el mercado de alquiler (conocen el negocio de alquiler de vehículos) : Cuánto tiempo en éste negocio, el comienzo, y la adquisición
- Fuerza de Propietario – Puede ser necesaria la garantía personal del propietario por lo que necesitará los estados financieros personales y los principales
- Revisión de los vehículos – Número de vehículos ,fabricante, modelos, riesgo o recompra
- Estadísticas Operacionales de los vehículos: RPU, utilización, etc.



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Underwriting Criteria

Lender Review

- Operating Results : 3 years financial statements, current interim statements with comparable statements from prior year (may require statements be CPA audited/reviewed). Additionally, supporting information such as tax returns may be required
- Markets Served: airport, local, insurance replacement
- Business Plan : 3 – 5 year plan (will review plan to actual results)
- Experience of Owner/Operator in rental market (do they know car rental business) : how long in business, start up, acquisition
- Strength of Owner – Personal Guaranty of owner may be required so will need personal financial statements of principals
- Fleet review – number of vehicles, manufacturer, models, risk or repurchase
- Fleet Operating Statistics: RPU, utilization, etc



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Criterios de Suscripción

Criterios de Aprobación de Prestamista

- Comodidades: Sin compromiso y sujetas generalmente a una revisión anual (desempeño financiero y necesidad de financiación)
- Colateral: generalmente restringido a los vehículos estándar y camiones ligeros (no vehículos exóticos)
- Valor Avanzado: típicamente 100%, la garantía adicional para mejoras a través de las tasas de poco avance o las cartas de crédito que pueden ser necesarias para los estados financieros más débiles
- Convenios: Variación de su estado financiero y la solicitud de financiación. Convenios típicos que pueden incluir los requisitos mínimos de proporción (cobertura del flujo de fondos, apalancamiento), valor neto y requisitos de liquidez
- Inversión Máxima: Los prestamistas suelen limitar la concentración a 50% o menos de la financiación total del vehículo. Aunque algunos prestamistas pueden pedir exclusividad



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Underwriting Criteria

Lender Approval Criteria

- Facilities: uncommitted and generally subject to annual review (financial performance and funding needs)
- Collateral: generally restricted to standard cars and light trucks (no exotic vehicles)
- Advance Rate: typically 100%, but additional collateral enhancements through lower advance rates or letters of credit may be required for weaker financial profiles
- Covenants: vary depending on financial profile and financing request. Typical covenants may include minimum ratio requirements (cash flow coverage, leverage), tangible net worth and liquidity requirements
- Maximum Investment: Lenders typically limit concentration to 50% or less of total vehicle funding. Although some lenders may ask for exclusivity



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APRIL 7-9, 2014 / RIO ALL-SUITE HOTEL & CASINO / LAS VEGAS



¿Preguntas?



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