

The Tennant Group

Spring, 2009 Roundtable
Las Vegas Hilton



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- Roundtable members:
 - Independent and franchise owners – no systems or corporate members
 - Owners or GMs
 - Non-competing
 - New members must be approved

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- Roundtable activities:
 - Submit monthly financials in standard format
 - Entered into database and monthly reports distributed
 - Meet twice a year in location chosen by members (Puerto Rico, San Diego, Cabo San Lucas, Bermuda, Palm Springs, Quebec City, Napa, Boca Raton, Charleston SC, Miami Beach, Jacksonville, Las Vegas)

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- Roundtable activities:
 - Next Meeting – Phoenix October 22 – 24
 - (Backup dates September 24 - 26)

- Roundtable subjects covered at meetings:
 - Every meeting:
 - Profit Idea, Financials, Spotlight on one member's operation, Commitments
 - We also cover from time to time:
 - Best Fleet Deals, Insurance, Personnel, Financing, Management Issues, Employee Fraud, Exit Strategies and any other issues that members feel are important

- Joining the Roundtable
 - We have room for new members.
 - Talk to me or any member

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- Profit Idea
 - Each member contributes \$50, or \$100 if no idea is presented
 - Each member has 5 minutes to present an idea to increase profits
 - Handouts must be provided
 - Group votes for best idea – prize is split 75% for best, 25% for 2nd best

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- All Slides and Profit Idea Handouts will be available as downloads on:

www.TennantGroup.com

- Expense Ratios
 - GAAP (Generally Accepted Accounting Principles) determine how financial statements are presented
 - Standard format across industries
 - Not very useful in analyzing vehicle rental businesses

- Standard Chart of Accounts
 - Developed by Fred Mudgett
 - Groups expenses in logical manner
 - Used in all Roundtables
 - Used by DTAG licensees

• **REVENUE**

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

• **UNIT EXPENSE (The cost of having the vehicle in the fleet)**

- 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 (The cost of running the vehicle)**

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

• **INDIRECT OPERATING (Other variable expenses)**

- GAS EXPENSE
- (GAS COLLECTIONS, except prepaid)
- OIL & ANTIFREEZE
- CAR WASH SUPPLIES
- SHUTTLING 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 BONUSES
- 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 | - SOFTWARE AMORTIZATION |
| - POSTAGE AND SHIPPING | - SOFTWARE MAINTENANCE |
| - BANK CHARGES | - TELEPHONE & COMPUTER COMMUNICATIONS |
| - BUSINESS PERMITS | - PROFESSIONAL FEES |
| - LEASED OFFICE EQUIPMENT | - TRAVEL & MEETING |
| - DEPRECIATION OFFICE EQUIPMENT | - MEALS AND ENTERTAINMENT |
| - INTEREST OFFICE EQUIPMENT | - DONATIONS |
| - (G)L DISPOSAL OF OFFICE EQUIPMENT | - DUES & SUBSCRIPTIONS |
| - OFFICE EQUIPMENT REPAIR & MAINTENANCE | - CASH SHORT - (OVER) |
| | - BAD DEBT |
| | - COLLECTION EXPENSE |
| | - NET PARKING TICKET EXPENSE |

- **Useful Grouping in Analyzing Business**
 - Unit Expense varies with fleet size
 - Direct Operating varies with Fleet size and revenue
 - Indirect Operating varies with revenue/transactions
 - Marketing is partially fixed and varies with revenue
 - Personnel Partially fixed, partially fleet size/transactions, partially revenue (commissions)
 - Occupancy is fixed in the short term, may vary with revenue
 - G & A is generally fixed in the short term

- **Which metric is most important?**
 - In 2004, we analyzed financial results from 40 different companies over 3 years, a total of 85 financials in all, for a seminar we gave at the Car Rental Show that year.
 - We used a mathematical technique to determine which of 10 metrics was the best predictor of profitability. In the case of some expenses, we used \$ per vehicle and % of Revenue, so we had a total of 17 measurements.

- **Which metric is most important?**
- **The metrics we analyzed were:**
 - Size of operation – Total Revenue and Fleet Size
 - Length of Rental
 - Non-rental activity revenue – e. g. parking
 - Revenue per day – T & M, Incremental and Total per day
 - Utilization
 - Revenue per Vehicle
 - Fleet expense, /vehicle and % of revenue
 - Personnel expense, /vehicle and % of revenue
 - Direct Operating, /vehicle and % of revenue
 - All other expenses (Indirect Operating, Marketing, Occupancy and G & A), /vehicle and % of revenue

- **Which metric is most important?**

Sorted in Decreasing Order of Correlation	Correlation	Average of 43 Least Profitable	Average of 43 Most Profitable
Profit as a % of Sales		-1.4%	10.1%
Fleet Expense % of Revenue	(0.4934)	48.9%	43.4%
Fleet Expense \$ Per Vehicle	(0.3486)	\$447.31	\$412.89
T & M Per Day	0.3062	\$35.21	\$36.54
Revenue Per Unit	0.2791	\$922.26	\$961.17
Total Rev Per Day	0.2731	\$40.62	\$41.59
Indirect Operating, Marketing, Occupancy and G & A % Revenue	(0.2661)	25.0%	22.2%
Fleet Size	(0.2334)	713.5	597.3
LOR	0.1905	4.6	5.1
Total Revenue	(0.1754)	\$8,008,489	\$7,058,982
Indirect Operating, Marketing, Occupancy and G & A \$ Per Vehicle	(0.1529)	\$231.75	\$214.69
Personnel Expense \$ Per Vehicle	0.1241	\$204.29	\$213.00
Direct Operating % of Revenue	(0.1108)	9.0%	8.6%
Direct Operating \$ Per Vehicle	(0.0590)	\$84.29	\$81.94
Non Rental Activities	0.0571	\$340,650	\$480,098
Incr Sales per day	(0.0102)	\$5.41	\$5.05
Utilization	0.0036	74.9%	76.4%
Personnel Expense % of Revenue	0.0031	22.0%	22.1%

Hertz Global Holdings, Inc.		
	2008	2007
Revenue		
Car Rental Revenue	6,858	6,921
Equipment rental	1,658	1,756
Other Income	9	9
Total Revenue	8,525	8,686
Expenses		
Direct Operating	4,930	4,644
Dep'n Revenue Earning Equipmt	2,194	2,003
Selling, G & A	770	776
Net Interest Expense	845	875
Impairment	1,169	
Total Expenses	9,908	8,299
Pre-Tax Profit (Loss)	(1,383)	387

Avis Budget Group, Inc.		
	2008	2007
Revenue		
Vehicle Rental	4,564	4,667
Other Income	1,420	1,319
Total Revenue	5,984	5,986
Expenses		
Operating	3,147	3,033
Veh Dep'n & Lease	1,697	1,571
Selling, G & A	655	658
Veh Interest	321	315
Other Dep'n & Amort	88	84
Interest Non-Veh	129	127
Separation Costs	0	(5)
Restructuring	28	0
Impairment	1,262	1,195
Total Expenses	7,327	6,978
Pre-Tax Profit (Loss)	(1,343)	(992)

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Dollar Thrifty Automotive Group Inc		
	2008	2007
Revenue		
Vehicle Rental	1,616	1,676
Other	82	84
Total Revenue	1,698	1,761
Expenses		
Direct vehicle and operating	888	887
Vehicle Dep'n and Lease	539	478
Selling, G & A	214	231
Interest expense, net	110	110
Impairment	367	4
Total Expenses	2,119	1,709
Loss on Derivatives	36	39
Pre-Tax Profit (Loss)	(457)	13

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Recast Without Impairments & Restructuring, Similar Groupings Hertz Global Holdings, Inc.			Recast Without Impairments & Restructuring, Similar Groupings Avis Budget Group, Inc.		
	2008	2007		2008	2007
Revenue			Revenue		
Car Rental Revenue	6,858 80.4%	6,921 79.7%	Car Rental Revenue	4,564 76.3%	4,667 78.0%
Other Income	1,667 19.6%	1,765 20.3%	Other Income	1,420 23.7%	1,319 22.0%
Total Revenue	8,525 100.0%	8,686 100.0%	Total Revenue	5,984 100.0%	5,986 100.0%
Expenses			Expenses		
Direct Operating	4,930 57.8%	4,644 53.5%	Direct Operating	3,147 52.6%	3,033 50.7%
Rental Veh & Equipmt Dep'n & Lease	2,194 25.7%	2,003 23.1%	Rental Veh & Equipmt Dep'n & Lease	1,697 28.4%	1,571 26.2%
Selling, G & A	770 9.0%	776 8.9%	Selling, G & A	743 12.4%	742 12.4%
Net Interest Expense	845 9.9%	875 10.1%	Net Interest Expense	450 7.5%	442 7.4%
Total Expenses	8,739 102.5%	8,299 95.5%	Total Expenses	6,037 100.9%	5,788 96.7%
Pre-Tax Profit (Loss)	(214) (2.5%)	387 4.5%	Pre-Tax Profit (Loss)	(53) (0.9%)	198 3.3%

Recast Without Impairments & Restructuring, Similar Groupings Dollar Thrifty Automotive Group Inc			Recast Without Impairments & Restructuring, Similar Groupings Three Public Corporations Combined		
	2008	2007		2008	2007
Revenue			Revenue		
Car Rental Revenue	1,616 95.2%	1,676 95.2%	Car Rental Revenue	13,038 80.4%	13,264 80.7%
Other Income	82 4.8%	84 4.8%	Other Income	3,169 19.6%	3,168 19.3%
Total Revenue	1,698 100.0%	1,761 100.0%	Total Revenue	16,207 100.0%	16,432 100.0%
Expenses			Expenses		
Direct Operating	888 52.3%	887 50.4%	Direct Operating	8,965 55.3%	8,564 52.1%
Rental Veh & Equipmt Dep'n & Lease	539 31.8%	478 27.1%	Rental Veh & Equipmt Dep'n & Lease	4,431 27.3%	4,052 24.7%
Selling, G & A	214 12.6%	231 13.1%	Selling, G & A	1,726 10.7%	1,748 10.6%
Net Interest Expense	110 6.5%	110 6.2%	Net Interest Expense	1,406 8.7%	1,427 8.7%
Total Expenses	1,752 103.2%	1,705 96.8%	Total Expenses	16,528 102.0%	15,792 96.1%
Pre-Tax Profit (Loss)	(54) (3.2%)	56 3.2%	Pre-Tax Profit (Loss)	(321) (2.0%)	640 3.9%

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Recast Without Impairments & Restructuring, Similar Groupings				
Three Public Corporations Combined				
Revenue	2008		2007	
Car Rental Revenue	13,038	80.4%	13,264	80.7%
Other Income	3,169	19.6%	3,168	19.3%
Total Revenue	16,207	100.0%	16,432	100.0%
Expenses				
Direct Operating	8,965	55.3%	8,564	52.1%
Rental Veh & Equipmt Dep'n & Lease	4,431	27.3%	4,052	24.7%
Selling, G & A	1,726	10.7%	1,748	10.6%
Net Interest Expense	1,406	8.7%	1,427	8.7%
Total Expenses	16,528	102.0%	15,792	96.1%
Pre-Tax Profit (Loss)	(321)	(2.0%)	640	3.9%

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3 Year Comparison of Average of Individual Results - Same Store						
Year	2008	% Rev	2007	% Rev	2006	% Rev
Time & Mileage	\$3,473,956	89%	\$3,493,756	88%	\$3,661,601	88%
Incremental Revenue	\$437,138	11%	\$467,042	12%	\$483,679	12%
Total Revenue	\$3,911,094	100%	\$3,960,798	100%	\$4,145,280	100%
Unit Expense	\$1,538,147	39%	\$1,565,183	40%	\$1,638,138	40%
Direct Operating Expense	\$288,419	7%	\$295,974	7%	\$408,424	10%
Indirect Operating Expense	\$110,289	3%	\$87,317	2%	\$86,446	2%
Advertising & Sales Expense	\$424,779	11%	\$354,748	9%	\$416,510	10%
Personnel Expense	\$962,965	25%	\$959,678	24%	\$1,001,451	24%
Occupancy Expense	\$184,488	5%	\$183,524	5%	\$169,717	4%
G & A Expense	\$142,095	4%	\$121,008	3%	\$170,338	4%
Total Expense	\$3,651,182	93%	\$3,567,433	90%	\$3,891,023	94%
Gross Operating Income	\$259,912	7%	\$393,365	10%	\$254,256	6%
Other Income	\$44,839	1%	\$6,023	0%	\$0	0%
Other Expense	(\$2,864)	0%	\$0	0%	\$0	0%
Net Operating Income	\$307,615	8%	\$399,389	10%	\$254,256	6%

Selected Operating Stats			
	2008	2007	2006
T&M/Unit	\$939	\$932	\$900
Incremental Revenue/Unit	\$118	\$125	\$119
Total Revenue/Unit	\$1,057	\$1,056	\$1,019
Unit Expense/Unit	\$416	\$417	\$403
Personnel Expense/Unit	\$260	\$256	\$246
Total Expenses/Unit	\$987	\$951	\$956
Revenue/Rental Day	\$47.85	\$47.84	\$47.22
Utilization	72.4%	72.6%	70.9%
Net Income/Unit	\$83	\$106	\$62

- Reasons your results will vary:
 - Perhaps you have a maintenance staff – higher personnel, but lower direct operating
 - Local Sales Staff – higher personnel, but lower advertising or better rates or better utilization in slow periods
 - Franchise System – System and Ad fees high but better rates and more volume
 - Airport Operation – Longer hours, higher costs
 - Etc.

