

The Rental Car Market: All Things American

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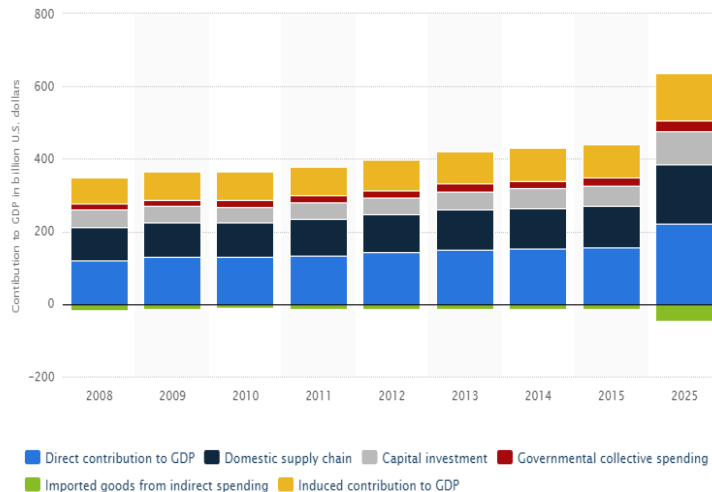
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International Car Rental Show

Total contribution of travel and tourism to GDP in Latin America from 2008 to 2025, by segment (in billion U.S. dollars)*

This statistic shows the total contribution of travel and tourism to GDP in Latin America from 2008 to 2025, by segment. The induced contribution of travel and tourism to the Latin American economy was forecasted to reach 129.3 billion U.S. dollars in 2025.



- World Bank, Latin America's total GDP is USD \$4.775 trillion.
- USA's total GDP is \$17.914 trillion.
- Total travel spending in Latin America was \$231.3 billion a growth of 1.4%. This number is forecasted to grow at 3.8% CAGR by 2025.
- Total travel spending in America was 1,094.1 billion, a growth of 2.8%. This number is forecasted to grow 4.1% CAGR by 2025.

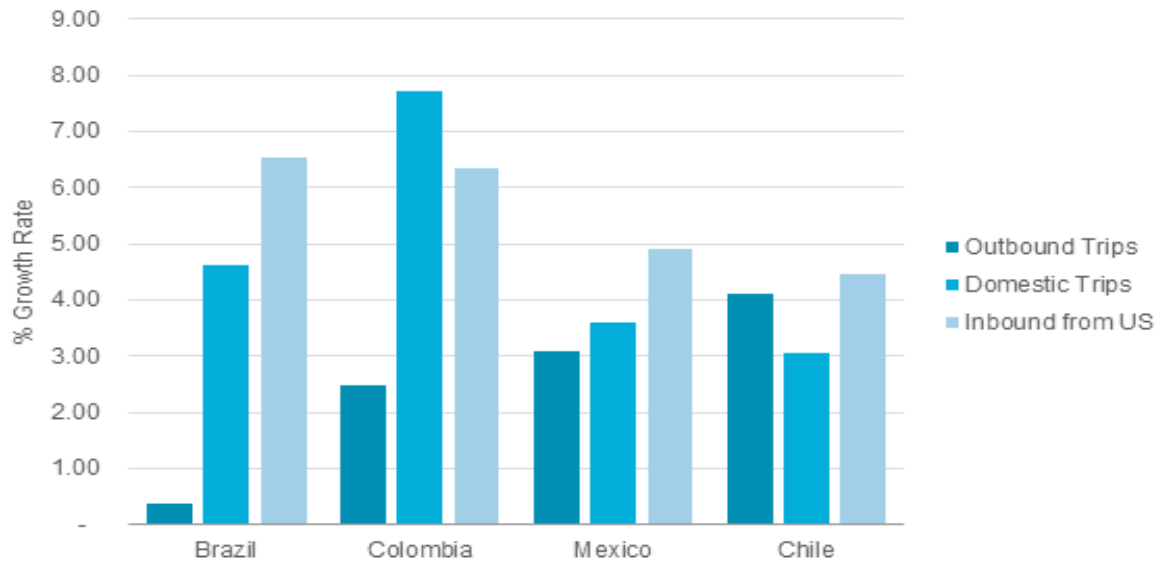
Growth in Latin American Countries

Rank Latin America	Rank Globally	Country	Ave. Annual Growth Rate Projection (%)
1	12	Guatemala	5.3
2	26	Mexico	4.4
3	32	Honduras	3.9
4	43	Brazil	3.6
5	47	Paraguay	3.5
6	48	El Salvador	3.5
7	60	Colombia	3.3
8	71	Dominican Republic	3.1
9	73	Nicaragua	3.1
10	76	Argentina	3.0
11	78	Bolivia	3.0
12	80	Costa Rica	2.9
13	84	Peru	2.8
14	93	Uruguay	2.4
15	98	Ecuador	2.1
16	102	Jamaica	2.0
17	103	Chile	2.0
18	106	Venezuela	1.9
19	119	Cuba	1.2

Source: MasterCard Destination Cities Index



TOURISM FLOW GROWTH PROJECTIONS, 2015-2016



Source: Euromonitor International

Top Travel Destinations

2015 Rank (2014 rank)	Destination City	Country	2015 Overnight International Visitors (Millions)					% Change 2014 & 2015	2015 Visitor Spend (US\$ bn)
			2011	2012	2013	2014	2015		
1 (1)	Lima	Peru	2.94	3.94	5.01	3.94	4.22	7.0%	\$ 1.5
2 (2)	Mexico City	Mexico	2.07	2.38	2.38	2.59	2.82	9.1%	\$ 2.3
3 (3)	São Paulo	Brazil	2.09	2.11	2.22	2.35	2.44	4.0%	\$ 2.2
4 (4)	Punta Cana	Dominican Republic	1.84	2.03	2.11	2.33	2.43	4.1%	\$ 2.7
5 (5)	Buenos	Argentina	2.39	2.22	2.01	2.08	2.18	4.8%	\$ 2.3
6 (6)	San Jose	Costa Rica	1.42	1.41	1.43	1.44	1.51	4.9%	\$ 0.7
7 (7)	Rio de Janeiro	Brazil	0.98	1.13	1.18	1.23	1.27	3.7%	\$ 0.9
8 (8)	Bogota	Colombia	0.80	0.83	0.89	1.01	1.10	8.9%	\$ 1.0
9 (9)	Montevideo	Uruguay	0.85	0.78	0.77	0.84	0.86	2.1%	\$ 0.5
10 (10)	Quito	Ecuador	0.49	0.53	0.63	0.69	0.70	0.2%	\$ 0.4

Source: MasterCard Destination Cities Index



Items on Horizon

- Despite the uncertain economic climate, countries throughout the region have experienced large investments into travel infrastructure to support tourism in recent years.
- Marriot Hotels plan to open 60 new hotels throughout Latin America and the Caribbean through 2018. These hotels will be a JW Marriott Hotel and Resorts.
- There is potential for strong tourism in 2016, however economic factors will decide whether this opportunity can be realized.
- The strong US dollar presents an unique opportunity for those that cater to inbound visitors, which is a benefit for Latin American tourist attractions.

Hotel Construction and Key Markets

Hotel Construction

- Rio de Janeiro has the largest number of rooms under construction. (Mainly due to the Summer Olympics 4,336 rooms in 19 hotels)
- In all there are 472 hotels totaling 74,402 rooms under contract in Central and South America as of January 2016.
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Key Markets

- Sao Paulo, Brazil has 1,326 rooms in 6 hotels
- Panama City, Panama has 1,076 rooms in 6 hotels
- Growing number of hotel rooms under construction in Brazil is a direct result of the Olympics.

Important Aspects When Renting a Car

- Customers want to choose a vehicle that suits them, whether is it fitting children or your gear.
- Safety and reliability
 - Impact of Recalls
 - Ability to sell ancillary services
- Price is always and will always be a factor.
- Previous rental experiences
 - Short lines and available buses are essential
- Certain regions of the global – “eco-friendly” vehicles are a hit
- Insurance relationships



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Items to Monitor for 2016

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Cuba and Effects of Lifting the Embargo

- In the 1950's Cuba was a site that numerous tourists went on vacation in the region.
- With US lifting the embargo and the travel ban for US citizens, look for Cuba to be a big player in travel to this region over the next few years
- In terms of tourism impact, the international Business times says “these changes could help double or triple American visits to Cuba, delivering a significant boost to the island’s \$2.6 billion tourism industry”.
- With the recent announcement of the lifted embargo, The Guardian.com reports, that tour operators around the globe are reporting such a high demand for travel that hotels in Havana are selling out months in advance.
- The Cuban Government is working on 53 investment project in tourism that are estimated to be finished by 2018.

Olympics in Brazil

- The Olympics in Rio de Janeiro will draw the world's attention not just to Brazil, but to Latin America in general.
- Visitors from the US and Europe in particular will benefit from the same exchange rate movements that deter outbound tourists from Latin America.
- This will make trips to the region even more attractive and encouraging inbound travelers to splurge on certain elements of their travel experience.
- In turn this will benefit the Latin American Economy in a positive manner.
- The IOC predicts around 480,000 tourists will travel to Rio for the games.

Zika Impact

- US Center for Disease Control and Prevention issued a travel alert for 22 countries in Latin America and the Caribbean, encouraging travelers to affected areas to take extra precautions to avoid exposure to the virus.
- Cases in the Caribbean and Latin America are now expected to be in the tens of thousands or even millions.
- Brazil currently seems to be the country most affected by the virus from a tourism standpoint, with the greatest number of cases being recorded there.
- Worst case scenario for the cruise liners is booking demand decreases by 6%.
- Airlines such as United, American, JetBlue, and Virgin are providing refunds free of charge to pregnant women with tickets to Panama, Puerto Rico, Virgin Islands and Barbados.
- Flight sales to Brazil had fallen to about 2.0 percent.



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Competitive Environment

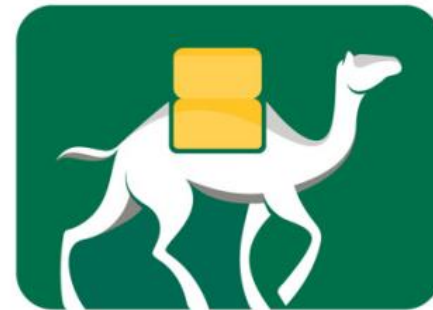
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- Localiza is a rental car company founded in 1973 and is located in Brazil.
- They are the largest rental car company in Latin America, with 75,755 cars and 5.7 million clients.
- They operate from 320 locations, with 4,766 employees.
- In 2015 Localiza had revenue of R\$1.258 billion, a 2.1% decrease year over year.



- OuroVerde was founded in 1973 and is located in Brazil.
- Their fleet size is 25,122 vehicles and 2,129 employees.
- In 2015, Ouro Verde had revenue of R\$981.9 million, a 19.2% increase year over year change.



OUROVERDE

- Locamerica was founded in 1993 and are the second largest rental car company in Brazil.
- They have a 27,000 car fleet size.
- In 4Q15 Locamerica had revenue of R\$ 178.9 million, this is a 0.4% increase change year over year.
- In 2015, Locamerica had revenue of R\$708.2 million, a 12.6% increase year over year change.



- The Company Unidas Veículos e Serviços Ltda. was founded on February 27, 1985 when five car rental companies and two investors joined in the city of São Paulo, State of São Paulo.
- They have 7 branches with about 500 vehicles.
- In 2015, Unidas had revenue of R\$2.25 billion, a 1.3% decrease year over year.



unidas
Rent a Car

- Sixt is a European multinational rental car company with 2,000 locations in over 100 countries with 4,308 employees.
- They were founded in 1912 in Germany.
- Their fleet size is 220,000 vehicles.
- In 2015, Sixt had revenue of EUR 1.94 billion, a 17.9% increase year over year.





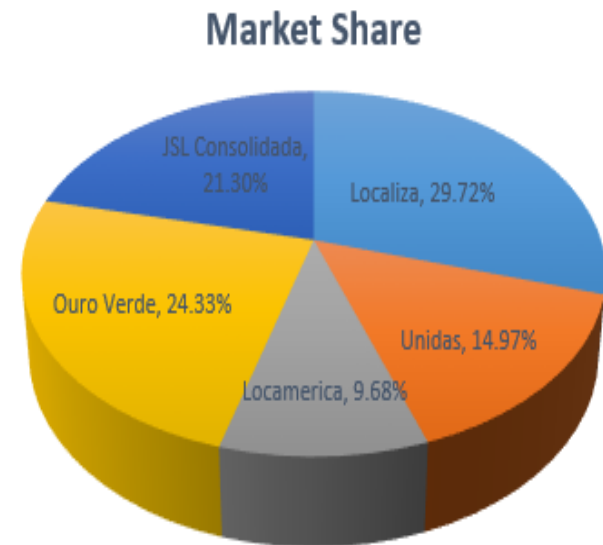
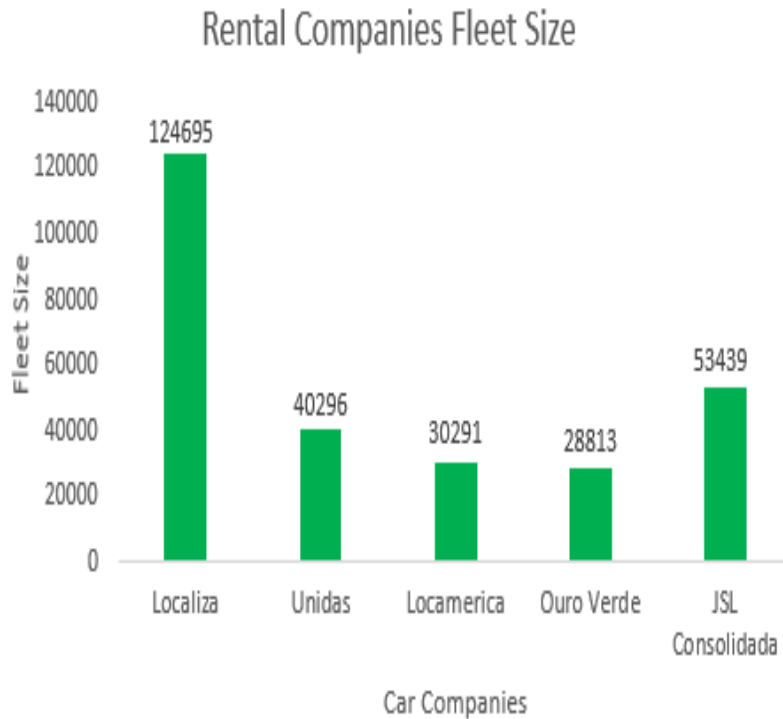
- Hertz was founded in 1918 in Florida and operates in 150 countries world wide.
- They are the largest rental car company in the US.
- They have a fleet size over 460,000 cars in the US and over 177,000 internationally.
- Hertz 2015 revenue was USD10.54 billion, a 4.6% decrease year over year.

Hertz®



Market Share of the Brazilian Market

Fleet Size Comparison



Sharing Economy

- Ride sharing apps are booming in Latin America.
- Brazil based Easy Taxi and Tappi announced recently announced they will merge.
- Uber is in third place out of 10 companies. Uber said there driver base is growing at 10% a week and are arranging 1 million trips a month
- Columbian government drafted a law that proposes to send .5% of all fare costs into a public transit fund. (This is supposedly to be used for improvements to public transportation and repair of infrastructure).
- Both Airbnb and Uber face legal challenges in many cities around the world where authorities claim they are operating illegally.

Investor Interests



- Bulls
 - Industry structure has changed over the last 5-10 years
 - Industry has flexible inventory structure – unique to travel sector
 - Technology and mobility initiatives can provide additional growth and margin potential
 - All of the companies are now rental companies –nothing more nothing less
- Bears
 - Used car market tailwinds are becoming headwinds
 - Ability to maintain/improve margins
 - Recession fears
 - The risk of Uber

- Our View
 - Consolidation helps
 - Costs and pricing strategy are directly tied
 - Strong free cash flow generation
 - Cheap stocks
- Important Questions from Investors
 - Will pricing be positive this summer?
 - How will the return of lease vehicles to the market impact residual values?
 - Impact of new leadership at Hertz?
 - What sort of impact is Uber having on corporate travel volumes?

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