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November 19, 2014 – Invest in the Rental Car Industry With Avis – By Jeffrey Hagenmeier



Declining gas prices in the United States will be a great benefit to travelers and the tourist industry in general. If one considers how lower fares will encourage more air travel, the same will be true once individuals land and are looking for transport. **Avis Budget Group** has been the largest general use vehicle rental company not only in North America, but Australia and New Zealand as well since 2011. There are four corporate entities that come under the Avis umbrella which include Avis Rent A Car, Budget Rent A Car, Budget Truck Rental, and Zipcar.

The company was founded in 2006 when it separated from Cendant. It is headquartered in Parsippany, New Jersey located in the United States. The company now employs 22,000 individuals and has a total equity of \$771 million USD (United States Dollar). Operating income is \$523 million USD on revenue of \$7.9 billion USD.



In 2013 Avis purchased Zipcar for about \$500 million USD. An extremely wise investment for the company as it turns out.

Beginning in 2008, Avis became the first United States rental car company to install RFID transponders. This allows cars with an active RFID tag to pass through nearly all electronic toll systems in the United States.

The **Avis Budget Group stock** closed at **\$59.94 USD** yesterday after an increase in the share price of \$1.16. This was a 1.97% daily advance for the stock. The previous close for a share was \$58.78. The low for the day was \$58.83 and a high of \$60.69. The 5 day low was seen last Friday, when the stock dipped to \$56.37. The high was achieved yesterday for the same period. The 1 month low for Avis stock was arrived at on October 22<sup>nd</sup>, when a share could have been purchased for \$51.90. The 3 month low was seen on October 9<sup>th</sup> when the share price plunged to **\$46.62**. The 52 week range has seen the stock reaching a low of **\$34.45 USD** and a high of **\$69.76 USD**.



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Volume on the shares traded yesterday was at 2,785,735. The 3 month average volume comes in at 2,327,810. Market capitalization is now close to \$6.37 billion USD. The P/E (Price Earnings Ratio) is 32.97 and the EPS (Earning Per Share) is \$1.82.

Revenue per employee has reached \$291,310 USD

Why an investment in Avis? Valuation remains attractive especially since the acquisition of Zipcar. Shares in the company have outperformed competitors in the market, for a number of years. Avis has a large market share of the car rental industry with 5,450 locations in more than 165 countries. Share prices for the company were all the way down to less than a dollar, during the Great Recession of 2008 and 2009, when so many other companies had seen stock values collapse.



When the purchase of Zipcar was completed, the car sharing network already had more than 760,000 customers last year. Avis itself values Zipcar business at \$400 million USD in just the United States alone. Zipcar is expanding internationally, most recently in Europe. Travelers from the United States who use the service domestically, are more than likely to use it overseas as well. It has become the largest international car sharing network in the world. This makes it much more difficult for competitors to enter the market.

There are two strategies an investor might follow at this time.

The share price is near \$60.00 USD which is approaching the 52 week high. One could purchase the stock at this point, and look for holiday travel to push it to the **\$64.00 to \$65.00 USD**. This strategy has some merit for **short term and medium term investors**. One could also wait for the stock to hit **\$70.00 USD** for **longer term investors**. This would mean **holding the stock into 2015**.

Another strategy would be to **wait for the next pull back on the share price**, when an investor can purchase the stock in the **mid \$50s**. This would allow for **much larger gains in the long term**, if one were to **sell their position** in the **\$60s** are



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even the **\$70s**. There is no doubt that the company will continue to grow in value, as expansion in the industry continues unabated in the long term.