

Rental Car and Mobility

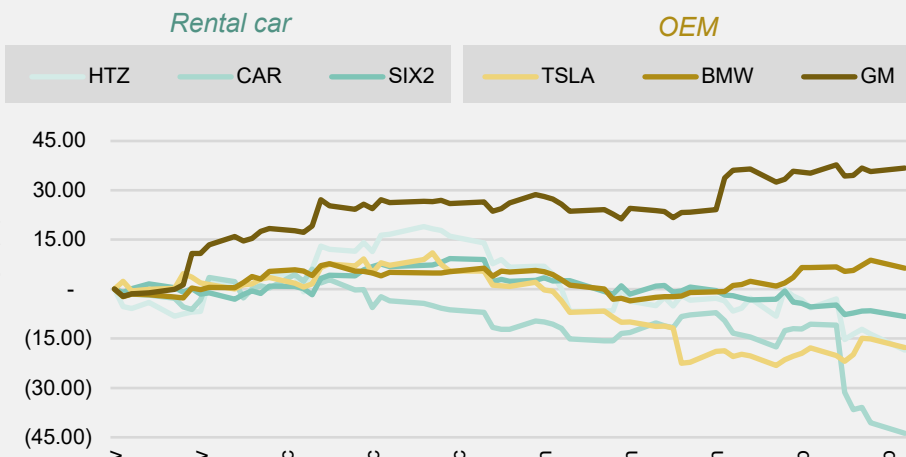
FEBRUARY 2024
NEWSLETTER



MARKET UPDATE

Auto Index Performance

The auto index **underperformed** the broader S&P 500 and NASDAQ markets over the past three months posting a loss of 11.1%



Stock	Price Change
HTZ – Hertz Global Holdings	(18.6%)
CAR – Avis Budget Group	(43.8%)
SIX2 – Sixt SE	(8.4%)
TSLA – Tesla Inc.	(17.8%)
BMW – BMW Corp.	6.4%
GM – General Motors	36.8%
Auto Sub Index	(11.1%)*

*Weighted change of S&P Composite 1500 Automobiles & Components (*SP1500-2510); Source: Capital IQ as of February 21, 2024

State of the Vehicle Market

It is well known that the demand for vehicles spiked during and post-COVID, creating a supply/demand imbalance in which inventories declined and prices rapidly spiked. Used car prices played a significant role (along with many other consumer goods) in the drastic increase in the Consumer Price Index.

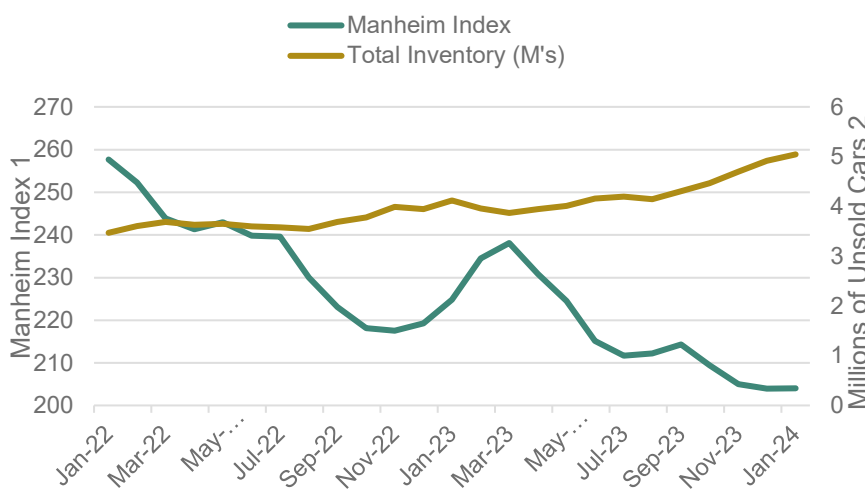
With Fed Funds rate increases over the past twelve months, the market has begun to normalize. Inventories are steadily increasing and in turn used car prices are declining.

Jonathan Smoke, (Cox Chief Economist)

"The Fed has now hiked rates by 5.25%... Those increases are being felt in all types of consumer loans, including auto."

Kelley Blue Book – September 22, 2023

Used Car Values¹ vs. Unsold Car Inventories²



Sources: ¹Manheim Used Vehicle Value Index, ²Cox Automotive Inc.

Leading Industry Indicators

Sources: ³Ankura Monthly Economic Indicators Overview, ⁴Manheim Used Vehicle Value Index

↑ 6.6%

TSA Checkpoint Travel Numbers³



Airline passenger traffic **increased 6.6% in January of 2024** from one year prior.

↓ 9.4%

Price of Air Travel³



As of December 2023, the **price of air travel was down 9.4% vs. previous year.**

↑ 79.9%

Consumer Sentiment⁴



The initial February reading on **Consumer Sentiment increased 0.8%** as views of current conditions declined but future expectations increased.

SPOTLIGHT: ELECTRIC VEHICLES (EV)

Adoption of EV Rental Cars

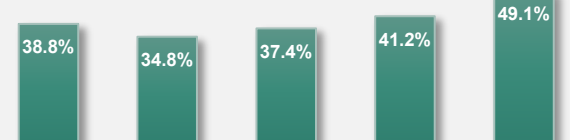
In the upcoming year, the EV rental segment is forecasted to grow by 16%, or an estimated \$2 billion¹, due to advancements in EV tech, continued government incentives, and rising consumer demand (i.e., the "cool factor"). This expected growth has prompted rental car companies to accelerate fleet electrification – some more aggressively than others. However, these early adopters are encountering logistical and financial hurdles associated with managing a fleet of EVs.

Adding to the challenges, EV residual values have proven to be extremely unpredictable and often result in higher depreciation than the average Internal Combustion Engine (ICE) vehicle. This factor has resulted in substantive losses for one of the world's largest rental car companies².

¹The Business Research Company, 2024 Electric Car Rental Global Market Report

²Hertz Q4 2024 Earnings Release

5-Year Depreciation for Notable Segments



Residual values are extremely volatile for EVs. The decline in value for EVs (i.e., depreciation) when compared to other vehicle segments is significant and poses financial risk to any owner – especially rental car operators.

Source: iSeeCars as of November 6, 2023

Illustrative Rental Unit Economics – ICE vs. EV

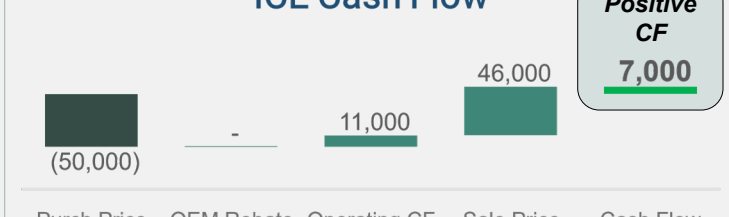
1 Year	ICE	EV
Gross Purchase Price	50,000	60,000
OEM Rebates/Incentives	-	(10,000)
Net Purchase Price	50,000	50,000
Depreciation ¹	(4,000)	(5,000)
Book Value after 1 Yr	46,000	45,000
Rate per Day	55.00	75.00
Utilization	75%	55%
Revenue	15,000	15,000
Cost ²	(4,000)	(6,000)
Labor	(2,000)	(3,000)
Repair	(1,000)	(1,500)
Maintenance	(1,000)	(1,500)
Operating Cash Flow	11,000	9,000
Depreciation	(4,000)	(5,000)
Residual Risk (Loss on Sale) ³	-	(4,500)
Profit per Vehicle	7,000	(500)

¹ICE at 8% and EV at 10% for 1st year

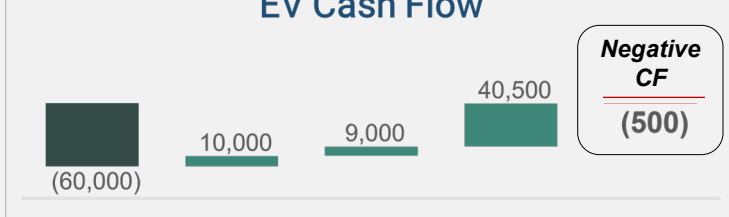
²EV cost per unit 1.5x ICE

³10% of EV BV - Conservative per Hertz Q4 filing

ICE Cash Flow



EV Cash Flow



EV RISKS

- Supply/demand imbalance – lower utilization and potential discount on premium prices
- Extended out of service periods and higher labor, maintenance, and repair costs
- Volatile residual values
- Decreased leverage on debt borrowing facilities

EV OPPORTUNITIES

- Market share capture in a niche, innovative sector
- Can help achieve corporate sustainability goals and comply with government ambitions for EV transition

How We Support Rental Car & Mobility Clients

✓ Liquidity Management

- Build and maintain 13-week cash forecasts to enable awareness of receipts and disbursements, cash position, and expected trends
- Evaluate cash drivers to identify potential sources of liquidity through improved working capital and cash management
- Standardize and streamline forecasting processes and train company on tools to ensure sustainable improvements

✓ Fleet Forecasting & Cost Management

- Construct KPI reporting to analyze margins, detect operational inefficiency, and increase enterprise value
- Build models to maximize Asset Backed Securitization funding availability and minimize funding costs
- Analyze fleet depreciation curves and capitalized costs to maximize defleat residual value capture

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