The car-rental industry
An industry facing multiple & ever-changing customer needs

Business Planning of Existing Enterprises
2010-2011
(GEST D-422)
Presentation session October 4, 2010
Content

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• Companies to develop
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## Teaching Team

### Michel Allé
- Born 1950
- Civil engineer & MA economics SBS-em
- [michel.alle@b-holding.be](mailto:michel.alle@b-holding.be)
- Professional experience
  - CFO – Belgian Railways Group
  - CFO – Brussels Airport
  - Investment Banking (Cobepa)
- Board member at several companies
- Teaching activities
- Finance & Economics
- President Solvay Business School (1997-2001)

### Yvan de Beauffort
- Born 1975
- Graduated SBS-em & LSE
- [yvan.debeauffort@b-holding.be](mailto:yvan.debeauffort@b-holding.be)
- Professional experience
  - Head of Subsidiaries Management – Belgian Railways Group
  - Investment Banking at Fortis
  - Private Equity & Mnt (SpanTech)
  - Consulting (ATKearney)
- Board member at several companies
- Assistant at SBS-em
- City representative of Schaerbeek
Targets

• **Build the complete business plan of a rent-a-car company**
  - Sourcing information
  - Strategy (Mission & Vision)
  - Comprehension of the market
  - Benchmarking vs. competitors
    - KPI’s, profitability, etc.
  - Integration of the operational, economic and financial dimensions
  - Financial planning: development of coherent financial model 5/10 years
    - P&L
    - balance sheet
    - cash flow statement
  - Scenario analysis / Sensitivity analysis
  - Audit of the model
Targets

• Valuation of the company based on the business plan
  ➢ Theoretical financial concepts to be applied to a real case
    ▪ Present value of FCF
    ▪ Discount rate / WACC
    ▪ Leveraging the balance
    ▪ The advantages/limits of debt
  ➢ Necessity to understand the relations between the financial and accounting aspects of the company and its market value
  ➢ Optimization of value based on business plan
Organization

- **Team-work**
  - Normally 5 teams of maximum 5 or 6 students
  - Specialization of each team member

- **Work sequence**
  - Understand the specificities of the car-rental industry and of the different **business models**
  - Build the 5 to 10 years **business plan** of the company
  - **Valuate** the company

- **Output**
  - Memorandum (Word)
  - Model (Excel File)
  - Oral Presentation (PowerPoint)
Why the rent-a-car industry?

- **Rapidly changing business**
  - Increased mobility all over the world
  - Possession >> Use of cars
  - More competition due to Internet

- **Capital intensive**
  - Fixed assets (cars) = high value
  - Optimal balance to finance
  - High capital needs for growth

- **Operation excellence needed**
  - Low profitability on turnover
  - High seasonality
  - Sensitive to many circumstances (financial crisis, transport cycle, etc.)
  - Increased competition
Avis-Budget Group

- US based
- Owner of the Avis & Budget brand
- Operates in North, Central & South America + Australia, Japan, etc.
- Listed
Avis Europe

- Europe based
- Long term franchisee of ABG Group
- Operates the Avis & Budget brand in Europe, Asia (ex Japan), Africa
- Listed in London with D’Ieteren (BEL) as majority shareholder
• US based
• Owns & operates worldwide the Hertz & Advantage brands
• Listed in the US
• Tried recently but unsuccessfully to buy Dollar-Thrifty
Europcar

- Europe based
- Owns & operates the Europcar brand (mostly in Europe)
- Non listed but broad info available
Sixt

- Part of the German based Sixt Group
- Owns & operates the Sixt brand
- Strong leader in German with presence all over Europe
- Sixt Group is listed on the Stuttgart stock exchange
Requirements & Links with other courses

- **Open to Students** SBS-em MA1 or MA2 including:
  - INGEST students
  - Master in Economics students
  - Common Polytech-SBS-em program & VUB-SBS-em program
  - Exchange program students

- **Prerequisite = at least one Strategy Course**
  - f.i. Prof Verdin, GEST 107: already done or followed now

- **Be able to work in team**

- **Workload = 80 to 90 hours**
  - 20 hours classroom
  - +/- 30 hours team work
  - +/- 30 hours individual work
Invited experts (tbc)

- Will be invited both to the expert session (begin November) and to the final presentation (TBD), 3 or 4 guests
  - Industry decision makers
  - Consultants
  - Analysts
Assessment

- **Report / Memorandum** = Written document containing business plan (sector analysis, positioning, SWOT, etc + vision + coherent financial results) : 20%
- **Mathematical model** = Excel File : 20%
- **Valuation** : 20%
- **Oral presentation** : 40%
- **Active participation during all classrooms and tutorships** is a key element in the assessment

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**Tips for the presentation:**
- Each member of the group participates fully
- Timing is respected
- A good structure is key with
  - Introduction
  - Main messages
  - Conclusion
- Make sure you speak to and convince everyone
- Use appropriate words
Planning

• **October 4 :** presentation session
• **Friday October 15 (17h00) :** Ultimate date to enroll
• **Monday October 18 :** Each group receives by e-mail its « mission instruction »
• **End October > End November :** working sessions
  - Thursday 21 October (18h00 > 21h00) : Industry presentation & business plan basics and principles
  - TBD: Tutorials with the assistant – 2 meetings at least for each group
  - TBD: Excel tutorial with the assistant
  - Week Monday 8 November (tentative) : Discussion about the strategic issues of the industry with consultants and specialists of the industry
• **Wednesday December 8 (18h00)**
  - Business Plan to be transmitted (electronic file & hard copy)
• **Friday December 10 (18h00) and/or Saturday 11**
  - Oral presentation to the “Board of Directors” (all students should be present .. and play an active role)