

HERTZ GLOBAL HOLDINGS INC
Form 10-Q
May 05, 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2010

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Commission File Number 001-33139

HERTZ GLOBAL HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-3530539

(I.R.S. Employer
Identification Number)

**225 Brae Boulevard
Park Ridge, New Jersey 07656-0713
(201) 307-2000**

(Address, including Zip Code, and telephone number,
including area code, of Registrant's principal executive offices)

Not Applicable

(Former name, former address and former fiscal year,
if changed since last report.)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a

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smaller reporting
company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 411,722,103 shares of the Registrant's common stock, par value \$0.01 per share, issued and outstanding as of April 30, 2010.

HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES
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PART I FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Shareholders of Hertz Global Holdings, Inc.:

We have reviewed the accompanying condensed consolidated balance sheet of Hertz Global Holdings, Inc. and its subsidiaries as of March 31, 2010, and the related consolidated statements of operations for the three-month periods ended March 31, 2010 and March 31, 2009 and the consolidated statements of cash flows for the three month periods ended March 31, 2010 and March 31, 2009. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2009, the related consolidated statements of operations, of changes in equity and of cash flows for the year then ended (not presented herein), and in our report dated February 26, 2010, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2009, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
May 5, 2010

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(In Thousands of Dollars)****Unaudited**

| | March 31, 2010 | December 31, 2009 |
|----------------------------------------------------------------------------|---------------------------|------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 800,749 | \$ 985,642 |
| Restricted cash and cash equivalents | 221,338 | 365,159 |
| Receivables, less allowance for doubtful accounts of \$20,361 and \$21,268 | 1,446,373 | 1,325,332 |
| Inventories, at lower of cost or market | 92,933 | 93,415 |
| Prepaid expenses and other assets | 283,516 | 300,125 |
| Revenue earning equipment, at cost: | | |
| Cars | 8,764,868 | 8,205,579 |
| Less accumulated depreciation | (1,115,837) | (1,186,299) |
| Other equipment | 2,567,353 | 2,582,029 |
| Less accumulated depreciation | (823,925) | (749,724) |
| Total revenue earning equipment | 9,392,459 | 8,851,585 |
| Property and equipment, at cost: | | |
| Land, buildings and leasehold improvements | 1,031,177 | 1,023,891 |
| Service equipment and other | 850,159 | 838,906 |
| Less accumulated depreciation | 1,881,336 | 1,862,797 |
| Less accumulated depreciation | (711,347) | (674,668) |
| Total property and equipment | 1,169,989 | 1,188,129 |
| Other intangible assets, net | 2,580,697 | 2,597,682 |
| Goodwill | 290,311 | 295,350 |
| Total assets | \$ 16,278,365 | \$ 16,002,419 |

LIABILITIES AND EQUITY

| | | |
|--------------------------------------|--------------|------------|
| Accounts payable | \$ 1,223,859 | \$ 658,671 |
| Accrued liabilities | 885,952 | 1,024,822 |
| Accrued taxes | 143,727 | 108,356 |
| Debt | 10,387,856 | 10,364,367 |
| Public liability and property damage | 267,017 | 277,828 |
| Deferred taxes on income | 1,429,919 | 1,470,934 |
| Total liabilities | 14,338,330 | 13,904,978 |

Commitments and contingencies (Note 16)

Equity:

Hertz Global Holdings Inc. and Subsidiaries stockholders' equity

| | | |
|----------------------------------------------------------------------------------------------------------------------------|-------|-------|
| Common Stock, \$0.01 par value, 2,000,000,000 shares authorized, 411,366,789 and 410,245,225 shares issued and outstanding | 4,114 | 4,102 |
| Preferred Stock, \$0.01 par value, 200,000,000 shares authorized, no shares issued and outstanding | | |

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| | | |
|-------------------------------------------------------------------------|---------------|---------------|
| Additional paid-in capital | 3,146,981 | 3,141,695 |
| Accumulated deficit | (1,212,723) | (1,062,318) |
| Accumulated other comprehensive loss | (16,233) | (3,331) |
| Total Hertz Global Holdings, Inc. and Subsidiaries stockholders' equity | 1,922,139 | 2,080,148 |
| Noncontrolling interest | 17,896 | 17,293 |
| Total equity | 1,940,035 | 2,097,441 |
| Total liabilities and equity | \$ 16,278,365 | \$ 16,002,419 |

The accompanying notes are an integral part of these financial statements.

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(In Thousands of Dollars, except share and per share data)****Unaudited****Three Months Ended
March 31,
2010 2009**

| | | | |
|----------------------------------------------------------------------------------------------------------------------|-----------|------------------|---------------------|
| Revenues: | | | |
| Car rental | \$ | 1,396,571 | \$ 1,260,902 |
| Equipment rental | | 236,971 | 279,332 |
| Other | | 27,346 | 24,652 |
| Total revenues | | 1,660,888 | 1,564,886 |
| Expenses: | | | |
| Direct operating | | 1,012,999 | 955,320 |
| Depreciation of revenue earning equipment | | 459,173 | 489,828 |
| Selling, general and administrative | | 167,743 | 166,724 |
| Interest expense | | 181,098 | 165,109 |
| Interest and other income, net | | (2,278) | (2,021) |
| Total expenses | | 1,818,735 | 1,774,960 |
| Loss before income taxes | | (157,847) | (210,074) |
| Benefit for taxes on income | | 11,020 | 49,654 |
| Net loss | | (146,827) | (160,420) |
| Less: Net income attributable to noncontrolling interest | | (3,578) | (3,089) |
| Net loss attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders | \$ | (150,405) | \$ (163,509) |
| Weighted average shares outstanding (in thousands) | | | |
| Basic | | 410,740 | 323,371 |
| Diluted | | 410,740 | 323,371 |
| Loss per share attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders: | | | |
| Basic | \$ | (0.37) | \$ (0.51) |
| Diluted | \$ | (0.37) | \$ (0.51) |

The accompanying notes are an integral part of these financial statements.

Table of Contents**HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In Thousands of Dollars)****Unaudited****Three Months Ended
March 31,****2010 2009****(Note 2)**

| | | |
|---------------------------------------------------------------------------------|--------------|--------------|
| Cash flows from operating activities: | | |
| Net loss | \$ (146,827) | \$ (160,420) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation of revenue earning equipment | 459,173 | 489,828 |
| Depreciation of property and equipment | 39,630 | 38,086 |
| Amortization of other intangible assets | 16,372 | 15,514 |
| Amortization and write-off of deferred financing costs | 15,573 | 11,693 |
| Amortization of debt discount | 12,356 | 5,823 |
| Stock-based compensation charges | 8,997 | 7,364 |
| Loss on derivative | 1,649 | |
| Amortization of cash flow hedges | 20,899 | 7,487 |
| Provision for losses on doubtful accounts | 5,087 | 8,317 |
| Asset writedowns | 676 | 3,130 |
| Deferred taxes on income | 32,233 | 7,256 |
| Gain on sale of property and equipment | (409) | (1,291) |
| Changes in assets and liabilities, net of effects of acquisition: | | |
| Receivables | (28,545) | 96,058 |
| Inventories, prepaid expenses and other assets | (5,338) | 8,460 |
| Accounts payable | 48,868 | (47,564) |
| Accrued liabilities | (118,560) | (226,547) |
| Accrued taxes | (56,487) | (62,258) |
| Public liability and property damage | (4,175) | (16,456) |
| Net cash provided by operating activities | 301,172 | 184,480 |
| Cash flows from investing activities: | | |
| Net change in restricted cash and cash equivalents | 139,905 | 401,225 |
| Revenue earning equipment expenditures | (2,214,469) | (1,399,612) |
| Proceeds from disposal of revenue earning equipment | 1,589,945 | 2,026,075 |
| Property and equipment expenditures | (51,292) | (26,723) |
| Proceeds from disposal of property and equipment | 6,683 | 5,266 |
| Acquisitions, net of cash acquired | | (10,153) |
| Sales of short-term investments | 3,360 | |
| Other investing activities | 341 | 844 |
| Net cash provided by (used in) investing activities | \$ (525,527) | \$ 996,922 |

The accompanying notes are an integral part of these financial statements.

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In Thousands of Dollars)

Unaudited