

Initiated 2026-09-18 · Price \$1.86 (as of 2026-09-17 close, stockanalysis.com) · Mkt cap \$663mm · Consumer discretionary / vehicle rental · Model: verified (lessor, full tier)

Rating: Sell — Conviction: Medium

The operating turnaround is real and visible in the numbers, but it is not yet fast enough for the capital structure standing on top of it. Book equity is already negative \$(628)mm, S&P rates the issuer CCC+ with a negative outlook and calls the capital structure unsustainable, and \$4.8bn of corporate debt matures in 2028. In the model's Base case corporate free cash flow is negative in all five years and corporate net debt rises the whole way, so the equity is an option whose strike is a refinancing the base case does not fund.

MODEL VALUE RANGE VS PRICE



Business overview

Hertz rents vehicles through the Hertz, Dollar and Thrifty brands, largely at US airports, from an average fleet of 527k vehicles (FY2025) funded almost entirely with \$12.7bn of vehicle ABS at a ~93% advance rate. Revenue is fleet × utilization × revenue per day: \$8.5bn in FY2025 on 149mm transaction days at \$56.13 RPD. Earnings turn on utilization, revenue per unit per month, and net depreciation per unit per month (DPU) — the residual line that swung \$309 (FY23) → \$534 (FY24) → \$300 (FY25), taking Adjusted Corporate EBITDA from +\$561mm to \$(1,541)mm and back to \$(339)mm. Above that sits \$6.3bn of corporate debt the rental business must service out of whatever the fleet earns.

Bull case

- The transformation shows up in reported metrics, not just targets** — Adj. Corporate EBITDA improved >\$1bn in FY2025, utilization rose 200bps to 81%, and 2Q26 delivered the best second-quarter RPD on record excluding the 2022 peak, up 9%, with RPU at \$1,542 above management's \$1,500 "North Star." *Model: rpd, utilization*
- The fleet is young and freshly marked** — ~94% of the US core fleet is model year 2025-26, so the 2024 residual write-down is behind it and DPU is guided at or below \$300, worth several hundred million a year against FY2024. *Model: dep_per_unit_month, nbv_per_unit*
- Capital markets are open and being used** — \$350mm of exchangeable first-lien notes in June plus a July greenshoe, and the revolver already extended to March 2028. Terming out the wall is the entire equity thesis, and the stub would re-rate on the refinancing alone. *Model: corp_cost_of_debt, peer_ev_ebitda, exit_ev_ebitda*

Bear case

1. **The Base case never generates corporate cash** — modeled corporate FCF is negative in all five years (Y1 \$(682)mm, still \$(38)mm in Y5), corporate net debt rises throughout, and coverage stays below 1.0x until Y4. A business that cannot cover its interest cannot repay a maturity; it can only refinance. *Model: corp_cost_of_debt, direct_opex_pct_rev*
2. **\$4.8bn comes due in 2028 against a CCC+/negative rating** — S&P cut Hertz from B– citing refinancing risk and an unsustainable capital structure; refinancing at CCC+ pricing raises the interest burden just as the business tries to grow into it. *Model: corp_cost_of_debt, exit_ev_ebitda*
3. **Fleet funding is the real fragility** — \$12.7bn of ABS at a ~93% advance rate; a cut in advance rates or a closed window must be met from \$631mm of unrestricted corporate cash. *Model: fleet_ltv, fleet_interest_rate*
4. **Negative book equity means repair comes from shareholders** — equity went \$3.1bn (YE23) → \$153mm → \$(459)mm → \$(628)mm (2Q26) while diluted shares went 307mm to 399mm. *Model: share_change*

Valuation & balance sheet

Metric (definition)	Current	Own history	Peers	Source, as-of
Corporate EV (mkt cap + corporate net debt; vehicle ABS excluded) / Adj. Corp. EBITDA	\$6,335mm / n.m. (FY0 EBITDA negative)	Adj. Corp. EBITDA \$561 → \$(1,541) → \$(339)mm, FY23–25	CAR ~7.0x EV/EBITDA (2026-06-29)	q2'26 + FY25 releases; valueinvesting.io
Corporate net debt (excl. vehicle debt)	\$5,672mm vs \$663mm mkt cap	Non-vehicle debt \$3.4 → \$5.1 → \$5.4bn, YE23–25	—	q2'26 release, 2026-06-30
P/B	n.m. — equity is \$(628)mm	\$3.1bn → \$153mm → \$(459)mm → \$(628)mm, YE23 → 2Q26	—	q2'26 + FY25 releases
RPU / net DPU per month	\$1,542 / \$302 (2Q26)	RPU \$1,490 → \$1,408 → \$1,385; DPU \$309 → \$534 → \$300, FY23–25	—	q2'26 + FY25 releases
Utilization (transaction days ÷ fleet × 365; headline basis in brackets)	78.6% [79%] (2Q26)	77.6% [81%] FY2025	—	q2'26 + FY25 releases

Model-implied value range (`model-summary.json` ; lessor module, peer EV multiple on Y1 and discounted exit equity, midpoints): Bear \$0.00 · Base \$0.00 · Bull \$3.42 per share, i.e. implied returns of ~100% / ~100% / +84% vs \$1.86. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* Base and Bear sit at the module's zero floor — corporate enterprise value does not cover corporate net debt, and not marginally: Base has Adj. Corporate EBITDA recovering to \$640mm by Y5, above FY2023's \$561mm, and the equity is still worth nothing at a 6.5x exit because ~\$473mm of annual corporate interest consumes the recovery. Bull needs roughly double FY2023's EBITDA. That asymmetry is what a distressed option looks like, and it is why this is Sell rather than Hold: the base case is not mild underperformance, it is a structure adding debt into a 2028 wall.

Balance sheet: corporate debt \$6,303mm principal against \$631mm unrestricted cash; vehicle debt \$12,777mm at 93% of a \$13,680mm fleet. FY0 leverage and coverage are not meaningful (FY2025 Adj. Corporate EBITDA was negative); the Base path has coverage 0.46x in Y2 rising to 1.35x by Y5. Total liquidity \$984mm (\$631mm unrestricted + \$673mm restricted), slightly over \$1bn pro forma for the July greenshoe. Corporate ladder: \$4,843mm in 2028, the rest largely 2029–30. Ratings: S&P CCC+, negative, cut from B–.

Model note: Built, full tier, 0 failing error checks, no scenario CHECKS; `verification.status` is `verified` as of 2026-09-20 (LibreOffice's independent recalculation matches the Python values on every formula cell; it was `not_run` at initiation because the environment's LibreOffice install was missing its Calc component). No unverified inputs, no assumptions without a basis. Three things to know before quoting it: (1) `utilization` is transaction days ÷ (average vehicles × 365), ~3pp below Hertz's headline figure, which uses a different base; (2) tranche amounts are principal, summing to \$6,303mm / \$12,777mm against reported carrying values of \$6,037mm / \$12,710mm net of discount and issuance costs — principal is the more conservative measure for a refinancing question; (3) the ladder shows the full HVF III balance in 2029, but ABS series roll continuously, so the genuine task is the \$4,843mm 2028 corporate bucket. Non-vehicle D&A and non-fleet capex are analyst estimates (~1.5-1.6% of revenue) as the releases do not break them out; maturity years beyond 2028 are estimates; the S&P action date is unverified.

Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base
S1 Fast equity crash	–	De-risking repricing of a CCC+ stub; the rental P&L barely moves in weeks, the required return does	Medium	\$0.00 (at floor)
S2 Slow bear / recession	–	Travel is discretionary and falls early, and demand recessions soften used-vehicle prices, so utilization, RPD and residuals move against Hertz together	High	\$0.00 (at floor)
S3 Rapid rate shock	–	Hits three ways: rolling vehicle ABS, the 2028 corporate wall repricing, and dearer auto credit depressing residuals	High	\$0.00 (at floor)
S4 Slow rate grind	–	Same channels, sustained — which matters more here because the thesis is refinancing \$4.8bn in 2028	High	\$0.00 (at floor)
S5 Soft-landing cuts	+	What the equity needs: travel intact while funding costs fall, lifting EBITDA and making the wall refinanceable	High	\$0.00 (at floor)
S6 Recession-driven cuts	–	Cheaper funding does not offset falling travel volumes, pricing and residuals, and CCC+ access tightens just when it is needed	High	\$0.00 (at floor)
S7a Credit liquidity shock	–	Existential: a closed ABS window or cut advance rates on \$12.7bn of fleet funding must be met from \$631mm of corporate cash	High	\$0.00 (at floor)
S7b Slow default cycle	–	Prices the 2028–29 corporate maturities off the market for a CCC+ issuer with negative book equity, with no demand offset	High	\$0.00 (at floor)
S8 Stagflation	±	Genuinely two-sided: inflation lifts used-vehicle prices and cuts net DPU — the 2022 mechanism — while squeezing travel and widening spreads	Medium	\$0.00 (at floor)
S9a Dollar spike	–	Suppresses inbound US travel, a high-RPD airport segment, and translates international revenue down	Low	\$0.00 (at floor)
S9b Dollar slide	+	Mirror image: cheaper US for inbound visitors, better international translation	Low	\$0.00 (at floor)
S10 Melt-up	+	Worth more here than almost anywhere: open markets and tight spreads are exactly what term out a 2028 wall	Medium	\$0.00 (at floor)
S11 Energy supply shock	–	Raises the cost of a rental trip and of running the fleet, and pushes used-vehicle demand toward lower-value cars	Medium	\$0.00 (at floor)
S12 Mega-cap/AI derating	–	Small but real: part of this stub's support is optionality on the Oro Mobility autonomous-fleet partnership with Uber, a narrative premium a leadership unwind deflates	Low	\$0.00 (at floor)

Base is already at the zero floor, so every scenario reads \$0.00 and `delta_value_vs_base` is 0.0 throughout. The summary's `delta_eps_y2_vs_base` is a *percentage* change and Base Y2 EPS is negative \$(1.09)\$, so its sign inverts: read S2's +124% as a Y2 loss per share 124% deeper. On that basis the ranking is S2 (–124%), S3 (–114%), S6 (–90%), S4 (–72%), S7b (–62%), S8 (–53%), S11 (–50%), S9a (–24%); improving, S5 (+66%) and S9b (+20%). **Active/on watch per the playbook:** S3 partially active; S8, S10, S11 on watch. S3 being live is the direct threat to the 2028 refinancing; S8 is the one playbook scenario that could help, through residual values.

What would change the call

Upgrades if: the 2028 maturities are termed out to 2030+ at a coupon the business can carry **and** Adj. Corporate EBITDA runs above ~\$600mm annualized with DPU under \$300 — i.e. coverage clears 1.0x before the wall, not after; or an asset or Oro Mobility stake sale raises corporate cash without common dilution. **Downgrades further if:** DPU rises back above \$330 for two quarters; ABS advance rates are cut or a series fails to place; the revolver's springing maturity triggers; or equity is raised at or below the current price.

Watch items

- **W1:** 3Q26 results — the seasonal peak sets the full-year trajectory; Adj. Corporate EBITDA above ~\$400mm keeps the base intact — earnings release — early Nov 2026 — *Model: rpd, utilization*
- **W2:** Net DPU — full year at or below the guided \$300, plus the 2027 outlook — 3Q26 / FY2026 releases — Nov 2026, Feb 2027 — *Model: dep_per_unit_month*
- **W3:** Refinancing or extension of the \$4,843mm 2028 bucket, and its coupon — 8-K — any time — *Model: corp_cost_of_debt*
- **W4:** Vehicle ABS terms — advance rates and spreads on new HVF III series — 8-K series supplements — ongoing — *Model: fleet_ltv, fleet_interest_rate*

Sources

- HTZ quote and overview — <https://stockanalysis.com/stocks/htz/> — accessed 2026-09-18
- Hertz Q2 2026 results release (8-K) — <https://www.sec.gov/Archives/edgar/data/0001657853/000165785326000045/q22026earningsrelease.htm> — accessed 2026-09-18
- Hertz Q4 and full year 2025 results release (8-K) — <https://www.sec.gov/Archives/edgar/data/1657853/000165785326000010/q42025earningsrelease.htm> — accessed 2026-09-18
- Hertz Q4 and full year 2024 results release (8-K) — <https://www.sec.gov/Archives/edgar/data/1657853/000165785325000011/q42024earningsrelease.htm> — accessed 2026-09-18
- Hertz Global Holdings Inc. downgraded to 'CCC+' — S&P Global Ratings — <https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3610550> — accessed 2026-09-18
- Avis Budget Group (CAR) EV/EBITDA multiples — https://valueinvesting.io/CAR/valuation/ev_ebitda-multiples — accessed 2026-09-18

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.