Hertz Global Holdings

Keeping HTZ in the parking lot for now; Initiate at Neutral

Initiating Coverage: NEUTRAL | PO: 9.00 USD | Price: 7.11 USD

19 March 2024

Equity

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Little room for vroom even if earnings make recovery

We initiate coverage on HTZ, the world's 3rd-largest rental car company, at Neutral. In our view, 2024 headwinds are factored in the stock but EBITDA will only moderately improve in 2025. Earnings growth will likely be curbed by a sizable increase in vehicle interest expense in 2024 (~ 40%) as well as in 2025 (~15%). Further, HTZ's 4.5x leverage is at the highest level since it emerged from bankruptcy in 2021. Our $9 PO (~25% potential upside) is based on an EV/EBITDA multiple of 8x on 2025E. We are valuing the rental car companies closer to where they traded pre-pandemic (6x to 8x) but HTZ is at the higher end reflecting current healthier industry fundamentals.

Travel trends support solid volume growth

Air travel trends should support solid rental volume growth in 2024-26. BofA's Airlines equity analyst Andrew Didora projects domestic revenue per day (RPM) for the leading airlines will grow 5.1% on average this year and 3.6% in 2025. We use this as a baseline for our forecast for ~3% growth. Encouragingly, TSA passenger volumes so far in 2024 are pacing above our forecast with YoY growth of 6.6% in January and 5.7% in February.

Pricing showing signs of stabilizing

Pricing appears positioned for a correction towards pre-COVID levels, but we don't expect a full reversion as fundamentals should offer near-term support. We anticipate this will come in part from efforts by HTZ, CAR and rivals to de-fleet in 1H:24, reducing supply. The stabilization in prices should be further supported by seasonally stronger demand in 2Q & 3Q coupled with solid growth in travel spending.

High interest costs to curb benefits from productivity, EVs

Interest costs will likely rise meaningfully in 2024 and 2025 ($80mm+) with $3.8bn in low cost debt (~2.8%) maturing, offsetting benefits from elsewhere. On that note, HTZ is driving productivity improvements and cost reductions, targeting $250mm in incremental EBITDA for 2024 with more savings likely in 2025. Further, HTZ is reducing its EV fleet, which should help lessen the magnitude of earnings headwinds from higher damage costs, and vehicle depreciation should moderate in 2025 as well.

Untested mgmt, CEO departure puts strategy in flux

HTZ's executive team is short tenured and has had major turnover (CEO just exited, CFO & COO/Pres left in `23). We'd like to see more stability as the most significant risk is management being unable to execute on its strategy, which following the CEO's recent departure may also be in flux. The rental market is also highly competitive and volatile.

Estimates (Dec) (US$)	2022A	2023A	2024E	2025E	2026E
EPS	3.74	0.53	0.25	0.30	0.35
GAAP EPS	5.11	1.89	0.25	0.30	0.35
EPS Change (YoY)	-14.8%	-85.8%	-52.8%	20.0%	16.7%
Consensus EPS (Bloomberg)			0.39	0.98	1.24
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	1.9x	13.4x	28.4x	23.7x	20.3x
GAAP P/E	1.4x	3.8x	28.4x	23.7x	20.3x
EV / EBITDA*	3.2x	13.1x	14.1x	13.8x	13.6x
Free Cash Flow Yield*	68.7%	-14.8%	44.1%	74.7%	51.5%

* For full definitions of *iQmethod*SM measures, see page 22.

Stock Data

Price	7.11 USD
Price Objective	9.00 USD
Date Established	19-Mar-2024
Investment Opinion	C-2-9
52-Week Range	6.88 USD - 19.36 USD
Mrkt Val (mn) / Shares Out (mn)	2,171 USD / 305.3
Free Float	38.1%
Average Daily Value (mn)	38.19 USD
BofA Ticker / Exchange	HTZ / NAS
Bloomberg / Reuters	HTZ US / HTZ.OQ
ROE (2024E)	2.6%
Net Dbt to Eqty (Dec-2023A)	156.1%

Acronyms:

ATP: Average transaction price
EV: Electric vehicle
ICE: Internal combustion engine
OEM: Original equipment manufacturer
RPD: Revenue per day
RPM: Revenue per passenger mile

Ticker

CAR: Avis Budget
HTZ: Hertz Global

Refer to important disclosures on page 23 to 25. Analyst Certification on page 21. Price Objective Basis/Risk on page 21. 12672016

Timestamp: 19 March 2024 06:00AM EDT

iQprofile℠ Hertz Global Holdings

iQ**method* ℠ **– Bus Performance

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	16.9%	6.2%	7.0%	8.2%	8.8%
Return on Equity	53.6%	6.0%	2.6%	3.3%	3.7%
Operating Margin	27.5%	8.6%	9.5%	10.6%	10.7%
Free Cash Flow	1,492	(321)	957	1,621	1,118

iQ**method* ℠ **– Quality of Earnings

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.1x	-0.8x	15.7x	21.9x	14.4x
Asset Replacement Ratio	1.1x	1.3x	1.2x	1.2x	1.3x
Tax Rate	25.0%	16.9%	15.0%	15.0%	15.0%
Net Debt-to-Equity Ratio	145.0%	156.1%	142.4%	74.4%	22.6%
Interest Cover	6.3x	1.4x	1.1x	1.1x	1.1x

Income Statement Data (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	8,685	9,371	9,470	9,605	9,783
% Change	18.4%	7.9%	1.1%	1.4%	1.9%
Gross Profit	3,266	1,734	1,770	1,896	1,943
% Change	21.4%	-46.9%	2.1%	7.1%	2.5%
EBITDA	2,305	561	519	531	541
% Change	8.2%	-75.7%	-7.5%	2.2%	1.9%
Net Interest & Other Income	(378)	(603)	(811)	(916)	(940)
Net Income (Adjusted)	**1,506**	**172**	**73**	**83**	**92**
% Change	**8.8%**	**-88.6%**	**-57.4%**	**13.4%**	**10.2%**

Free Cash Flow Data (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	1,506	172	73	83	92
Depreciation & Amortization	142	149	159	159	159
Change in Working Capital	(204)	(371)	(246)	(110)	(113)
Deferred Taxation Charge	301	(380)	(9)	(10)	(11)
Other Adjustments, Net	(103)	297	1,171	1,694	1,191
Capital Expenditure	(150)	(188)	(192)	(196)	(200)
Free Cash Flow	**1,492**	**-321**	**957**	**1,621**	**1,118**
% Change	**NM**	**NM**	**NM**	**69.4%**	**-31.0%**
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(6,659)	(4,365)	(4,284)	(3,942)	(4,633)

Balance Sheet Data (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	943	764	1,521	2,991	3,959
Trade Receivables	974	1,191	1,427	1,447	1,474
Other Current Assets	1,630	1,168	1,168	1,168	1,168
Property, Plant & Equipment	637	671	704	740	781
Other Non-Current Assets	18,313	20,811	21,343	21,931	22,526
Total Assets	**22,497**	**24,605**	**26,162**	**28,278**	**29,908**
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	12,046	13,450	15,471	18,006	20,046
Long-Term Debt	4,779	5,591	5,211	4,861	4,511
Other Non-Current Liabilities	3,027	2,472	2,889	2,896	2,906
Total Liabilities	**19,852**	**21,513**	**23,571**	**25,764**	**27,463**
Total Equity	**2,645**	**3,092**	**2,591**	**2,514**	**2,445**
Total Equity & Liabilities	**22,497**	**24,605**	**26,162**	**28,278**	**29,908**

* For full definitions of *iQmethod*℠ measures, see page 22.

Company Sector

Autos/Car Manufacturers

Company Description

Hertz is a global provider of vehicle rental services, with operations in the Americas, Europe, Asia, Australia, New Zealand, the Caribbean, Middle East and other regions. Its brands include Hertz (premium), Dollar (value conscious), and Thrifty (value conscious). Hertz's car rental fleet is nearly 550,000 vehicles, operating in roughly 11,600 rental locations across 160 countries. Hertz also has the Firefly brand and a 24/7 car sharing business in certain international markets.

Investment Rationale

We rate HTZ at Neutral. In our view, 2024 headwinds are factored in the stock, but we expect EBITDA will only moderately improve in 2025. Earnings growth will likely be curbed by higher vehicle interest expense and will also depend on HTZ's ability to execute. Recent management turnover adds to the risk, and HTZ's strategy could be in flux.

Stock Data

Average Daily Volume	5,371,558

Quarterly Earnings Estimates

	2023	2024
Q1	0.39A	-0.35E
Q2	0.72A	0.10E
Q3	0.70A	0.55E
Q4	-1.36A	-0.05E

Executive summary

Initiate coverage on HTZ with Neutral rating and $9 PO

We are initiating coverage on Hertz Global (HTZ) at Neutral with a $9 PO, based on an EV/EBITDA multiple of 8x on 2025E. HTZ is a leading global provider of vehicle rental services with well-known brands including Hertz, Dollar and Thrifty. Given our expectation for earnings and cash flow to normalize off the pandemic-driven peak, we are valuing the rental car companies at an EV/EBITDA multiple that is closer to where they traded before the pandemic (6x to 8x) but HTZ is at the higher end reflecting currently healthier industry fundamentals with the companies showing more discipline in managing supply / demand and a solid growth outlook.

Travel trends support solid growth in rental volumes

Travel trends should support solid growth in rental volumes in 2024-26. The single biggest determinant of car rental volumes are enplanements (number of consumers traveling by air). Airport rentals account for 65-70% of industry-wide sales, including 66% for HTZ. BofA's Airlines equity analyst Andrew Didora projects domestic revenue per passenger mile (RPM) for the leading airlines will grow 5.1% on average in 2024 and 3.6% in 2025. We use this as a baseline for our forecast for ~3% growth in transaction days over the next three years. Should volumes prove stronger-than-expected, this could provide support for better pricing. TSA passenger volumes are pacing above our forecast so far in 2024 with YoY growth of 6.6% in January and 5.7% in February.

Pricing showing signs of stabilizing

Pricing is a key driver of earnings for rental car companies and investors seem positioned for a return to pre-COVID pricing levels. While we do expect some reversion off recent peaks, fundamentals should offer near-term support and could keep it solidly above pre-COVID price points. We anticipate this will come in part from efforts by HTZ, CAR and potentially other rental car companies to de-fleet in 1H:24, reducing industry supply. Prices should be further supported by seasonally stronger demand in 2Q and 3Q coupled with continued solid growth in travel spending. Our recent industry discussions also suggest rental car pricing is stabilizing, an encouraging sign following the declines seen in 4Q. In our model, we assume pricing comes down in 2024 due to likely weakness in 1Q before some firming thereafter. We assume additional declines of ~1% in 2025 and 2026, consistent with longer-term rental car pricing trends.

High interest costs to curb benefits from productivity, reversal of EV headwinds

HTZ is likely to see a meaningful increase in interest costs in 2024 and 2025 (over $80mm) that would offset benefits from elsewhere. The higher interest costs would come as the company has $3.8bn in low-cost debt maturing with a weighted average interest rate of 2.8%. Meanwhile, Hertz is focused on driving productivity improvements and sustainably reducing its cost structure. It is targeting $250mm in improved earnings in 2024 from these efforts and we believe this is just the beginning as the magnitude of this plan and company commentary suggests there are ample opportunities. Headwinds from higher EV damage and fleet costs (primarily from vehicle depreciation) in 2024 are also likely to reverse in 2025, supporting a recovery in earnings.

Untested management team; Recent CEO departure puts strategy in flux

HTZ's management team is short-tenured and has had major turnover recently. The company's CEO just exited, and its CFO and COO/President left in 2023. Ultimately, we'd like to see more stability as the most significant risk in our view is management being unable to execute on its strategy, which following the CEO's recent departure will likely be in flux. The rental market is also highly competitive and volatile, with profits and cash flow that can be difficult to forecast.

Investment thesis and valuation

Investment thesis

We have a Neutral rating on HTZ. In our view, 2024 headwinds are in the stock and we expect EBITDA to improve moderately in 2025. However, this will depend on its ability to execute on its productivity and cost cutting initiatives. The company's interest costs are also likely to increase meaningfully (more than $80mm) if interest rates stay near current levels. HTZ's leverage is also elevated (at 4.5x net debt / LTM EBITDA). Balancing these points and limited potential upside to our $9 PO, we believe a Neutral rating is appropriate.

Hertz is the third-largest rental car company in the world, with operations in the Americas (82%+ of sales in 2023), Europe, Asia, Australia, New Zealand, the Caribbean, and Middle East. It has several well-known brands that include Hertz (premium), Dollar (value conscious), and Thrifty (value conscious) with a car rental fleet that totals more than 590,000 vehicles. Hertz had been leading the way in building out a fleet of electric vehicles but has recently scaled back those plans. Hertz was publicly traded before entering bankruptcy protection in 2020 during the COVID-related downturn. It emerged in mid-2021 and re-IPO'd in November 2021.

Investment positives and risk

Positives

- Spending on travel should continue to grow at a solid pace, which is supported by TSA volumes showing YoY growth of 6.6% in January and 5.7% in February;
- Pricing appears to be stabilizing and should be supported by solid demand and as we expect de-fleeting efforts by HTZ, CAR and potentially other rental car companies to reduce industry supply;
- Focus on improving profitability and sustainably reducing costs, including through its plan to drive $250mm in incremental EBITDA which we think is just the beginning of these efforts;
- Reduction in the size of its EV fleet sheet should help lessen the headwinds from higher damage and fleet costs. Recall that vehicle depreciation on EVs has been elevated due to reductions in the price of these cars, most notably on Teslas;
- Vehicle depreciation on a per unit basis should moderate in 2025 as the gap between used and new pricing is likely to narrow;

Risks

- Rental car market in the US is: 1) small (vs. auto/parts manufacturing); 2) mature (modest growth); 3) competitive; and 4) volatile (profits, cash flow, and stocks).
- Used vehicle prices are trending lower and greater-than-expected declines in such pricing could keep fleet costs elevated;
- EV prices are likely to continue to trend lower and meaningfully weaker EV pricing could lead to higher depreciation, and lower the residual value of EVs in the fleet;
- Interest costs are likely to increase meaningfully in 2025 if interest rates stay near current levels;
- HTZ's net leverage is elevated (at 4.5x net debt / LTM corporate adj. EBITDA), and we believe it would be prudent to scale back on repurchases until it returns below its target for less than 2x;
- HTZ's management team has a relatively short tenure, and has had a fair bit of turnover recently including the departure of its CEO. Management's ability to execute on its strategic initiatives will be crucial to the stock's performance and long-term success. With a new CEO, HTZ's strategy may be in flux.

Valuation

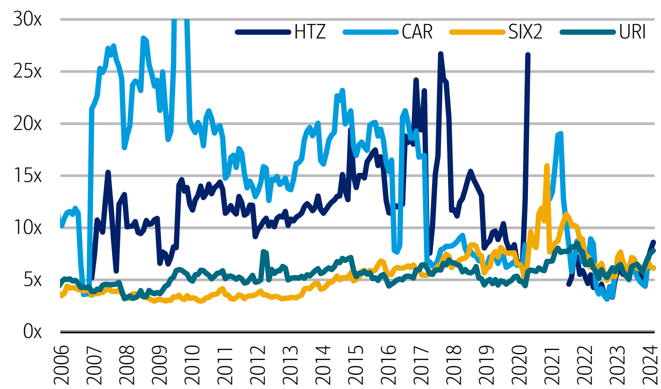
PO of $9 based on multiple analysis

Our PO of $9 is based on an EV/EBITDA multiple of 8x on our 2025 estimates. Given that we expect earnings and cash flow to normalize off the pandemic-driven peak, we use an EV/EBITDA multiple that is close to where the rental car companies traded before the pandemic (6x to 8x) but HTZ is at the higher end reflecting a currently healthier industry with more discipline in managing the size of rental car fleets relative to demand and a solid growth outlook.

Peer group includes publicly-traded rental car & equipment rental companies

Our valuation analysis is based on peers with comparable business models. Our analysis includes the publicly-traded rental car competitors Avis Budget (CAR) and Sixt (SIX2) as well as the equipment rental company United Rentals (URI).

Exhibit 1: Historical EV/EBITDA multiples for rental car and equipment rental companies (2006 to 2024)
PO based on EV/EBITDA multiple of 9x



Source: Bloomberg

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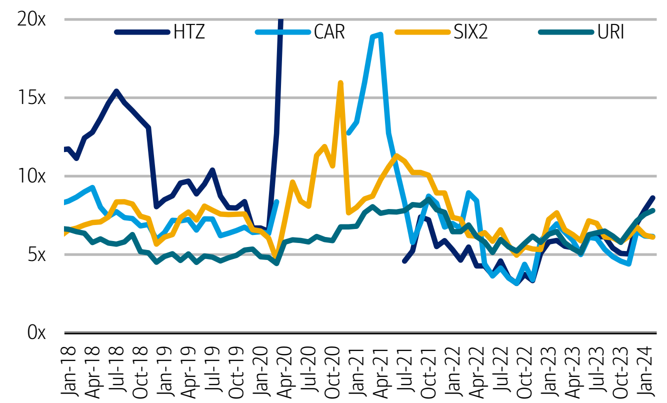
Exhibit 2: EV/EBITDA multiples for rental car and equipment rental companies (2018 to 2024)
Rental car stocks traded on avg. around 6x to 8x EV/EBITDA before pandemic



Source: Bloomberg

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EV/EBITDA appears to be most meaningful metric for valuing HTZ

We have determined that the most appropriate multiple to use in our valuation of HTZ shares is adjusted EV/EBITDA, with EBITDA including depreciation for vehicles in fleet (the largest operating cost component), but enterprise value excluding debt associated with vehicle programs (provided via bankruptcy remote qualifying special purpose limited liability company).

EV/EBITDA is commonly used among investors to value the rental car companies. Choosing an appropriate multiple, however, is more an art than a science, as 1) global car rental peers do not always treat fleet financing/accounting similarly (on balance sheet versus off balance sheet); and 2) rental car companies and the equipment rental peers we include in our analysis do not always have comparable capital structures (ABS debt, etc.). Nevertheless, we believe it is important to consider a number of relevant companies in determining the appropriate valuation for HTZ.

Valuation basis year is 2025

We are using 2025 as the basis year for valuation and most of our price objectives across our coverage. In our view, 2025 will likely be more reflective of a "normalized" year for rental car companies following headwinds in 2024 and with low-to-mid single digit volume growth and a low-single digit decline in revenue per unit per day, consistent with the trend seen over the last 20 years in a normal competitive environment.

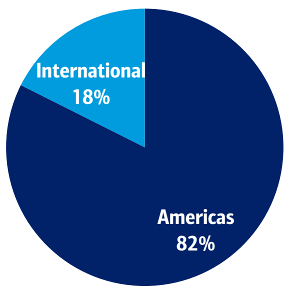
Company overview

Company description

Business focused on vehicle rental services

Hertz is a global provider of vehicle rental services, with operations in the Americas, Europe, Asia, Australia, New Zealand, the Caribbean, Africa, Middle East and other regions. Its brands include Hertz (premium), Dollar (value conscious), and Thrifty (value conscious). Hertz's car rental fleet is comprised of more than 590,000 vehicles, operating in roughly 11,400 rental locations across 160 countries. Hertz also has the Firefly brand, which operates in the Americas and was developed to replace the Advantage Rent A Car business it sold following the acquisition of Dollar Thrifty. Further, it has a 24/7 car sharing business in certain international markets.

Exhibit 3: HTZ Revenue by Geography (2023)
HTZ derived 82% of revenue from the Americas in 2023



Source: Company filings

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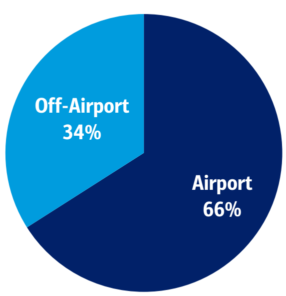
The company has a large network of airport and off-airport locations, with roughly 66% of its revenue generated through airport services and 34% off-airport. It derives about 59% of its revenue from leisure customers and 41% from commercial. The company previously provided integrated vehicle leasing and fleet management solutions, but this business was sold as part of the divestiture of Donlen in March 2021.

Exhibit 4: HTZ Revenue by Market (2023)
Hertz derives 66% of its sales from car rentals at its Airport locations



Source: Company filings

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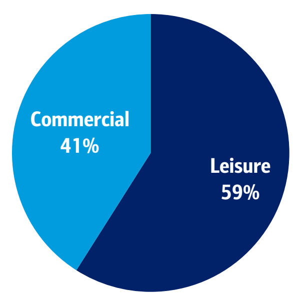
Exhibit 5: HTZ Revenue by Customer (2023)
59% of revenue is attributable to leisure customers & 41% to commercial



Source: Company filings

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Hertz leading the way on electric vehicle fleet, even with recent strategic shift

Hertz has been leading the way in building a fleet of electric vehicles. Before its recently announced plans to reduce EV exposure, those vehicles accounted for more than 10% of its fleet. We estimate the company's EV fleet likely peaked around 70,000 vehicles and will be around 40,000 after completing its plan to sell off a sizable portion of EVs. Nonetheless, Hertz continues to have more exposure than its peers.

Company history

Founded in 1918, Hertz expanded rapidly in domestic and international mkts

Hertz was founded in 1918 under the name Rent-A-Car offering Model T Ford cars. In 1923, John Hertz purchased the company and renamed it Hertz Drive-Ur-Self System. Shortly thereafter, the company developed a coast-to-coast network and was eventually sold to GM in 1926. By 1932, Hertz started expanding to airports and in 1950 began moving beyond the Americas and into Europe. GM sold the business back to John Hertz in 1953 and started trading on the New York Stock Exchange in 1954. That year it also acquired truck-leasing company Metropolitan Distributors, which had 4,000 trucks, increasing Hertz's fleet to 15,500 trucks and nearly 13,000 passenger cars. By 1955, Hertz became the first car rental business to have 1,000 locations. In 1962, Hertz became a subsidiary of Radio Corporation of America and in 1985 was sold to UAL Corporation / Allegis Corporation. Hertz was then sold to Park Ridge Corporation, which was owned and operated by Ford, in 1987. Ford sold Hertz in 2005 to a group of private equity firms, which took the company public again in 2006.

Industry pressure, rationalization, and consolidation in 2008-2009

Similar to the automotive industry at large, the rental car companies weathered a very harsh period in 2008-2009, including deterioration in travel and rental car volumes, de-fleeting efforts into a weak secondary market, and tightening credit conditions, all of which significantly pressured profitability. While Hertz successfully navigated the downturn, other competitors like Advantage Rent-A-Car were forced into bankruptcy, and the industry broadly underwent significant consolidation, with several large acquisitions made by the three larger players: Enterprise, Hertz, and Avis. Among them, Hertz acquired Dollar Thrifty and Firefly in 2013, and Avis acquired Zipcar (car-sharing company) and Payless (deep value brand) in 2013.

2015-2020 marked by volatility and fierce competition

Unfavorable market and competitive dynamics began to materially impair financial performance of rental car companies in 2015-2016. In the ensuing years, Hertz sought new ways to grow and improve the quality of its service, and by 2017 its fleet reached 500,000+ vehicles in the US and the company had grown to have more than 10,300 locations globally. The years leading up to the COVID-19 pandemic were marked by market volatility and fierce industry competition.

COVID-19 pushed Hertz into bankruptcy, but catalyst for capacity rationalization

The COVID-19 crisis pushed Hertz into bankruptcy due to a significant drop in travel and weaker demand for used cars, which meant Hertz recovered less on sales of its vehicles, But the pandemic also functioned as a catalyst for much needed capacity rationalization by the industry. Hertz emerged from the bankruptcy as a smaller company with significantly less leverage. Similar to the other rental car companies, it also focused on improving operations, including through aggressive cost reduction efforts. For Hertz, this included right-sizing its fleet and selling the fleet leasing business (Donlen was sold for $891mm in cash). We'd note that during Hertz's bankruptcy, stronger players gained share and particularly Avis.

Key investment points

Like many others, we focus on the operating period of the vehicle to understand what earnings may be. However, we put greater weight on the purchase and sale of the vehicle as this is something that is often missed and can meaningfully impact earnings, cash flow and valuation.

Solid growth in rental car demand supported by air travel

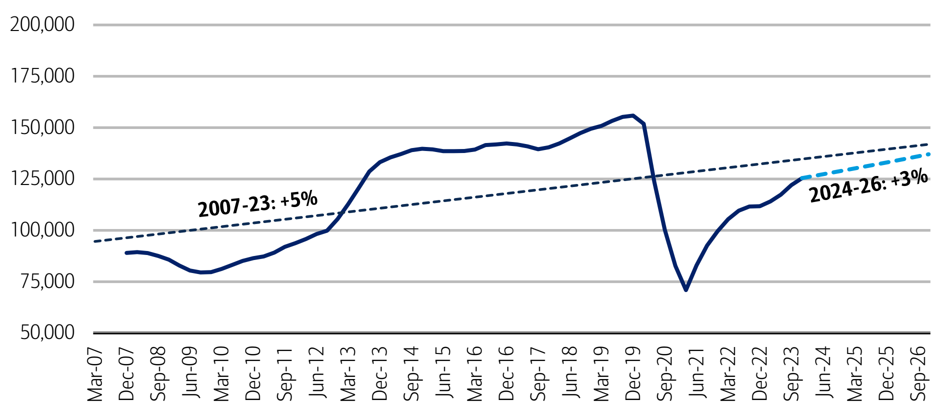
Expect rental volumes to grow ~3% in 2024-26; YTD trends above this forecast

We expect rental car demand will continue to grow at a solid pace over the forecast period. We project HTZ's rental volumes (as measured by transaction days) will grow ~3% in 2024 through 2026. While down from the double-digit growth experienced in the post-COVID years, it is in range of the growth HTZ experienced leading up to the pandemic. Our forecast is driven by BofA's expectations for growth in air travel, with our colleague Andrew Didora (BofA's Airlines equity analyst) projecting domestic revenue per passenger mile (RPM) will grow 5.1% on average in 2024 for the leading airlines and 3.6% in 2025. We'd also note that airline demand has historically grown at ~1.5x real GDP. Given that BofA projects US real GDP growth of 2.7% in 2024 and 1.9% in 2025, this implies growth in airline demand of around 4.1% and 2.9%, respectively. We used these two metrics to back into our volume growth forecast. TSA passenger volumes so far in 2024 are encouraging with YoY growth of 6.6% in January and 5.7% in February.

Air travel is the single biggest driver of car rental volumes

Recall, the single biggest determinant of car rental volumes are enplanements, or the number of consumers traveling by air, as HTZ and CAR derive 66% and 67% of sales, respectively, from airport car rentals. All travelers flying require some form of ground transportation once arriving at their destination, where personal vehicles are in many cases inaccessible. This is solved through the use of taxis/limousines/livery, public transportation, mobility services, and car rental services.

Exhibit 6: Historical and projected rental volumes (as measure by transaction days) – 2007-26E
Transaction days projected to grow ~3% in 2024-26, above the average of ~2% in the 5 yrs before Covid-19



Source: Company filings, BofA Global Research estimates

BofA GLOBAL RESEARCH

Pricing likely to stabilize above pre-COVID levels

Pricing showing signs of stabilizing, despite investor concerns

Pricing is a key driver of earnings for rental car companies and investors seem positioned for a return to pre-COVID levels. In our view, though, fundamentals should provide near-term support to rental car pricing, and could keep it solidly above pre-COVID price points. On that point, our recent industry discussions suggest rental car pricing is stabilizing at current levels. This is encouraging following the decline in 4Q. Pricing should be further supported by seasonally stronger demand in 2Q and 3Q coupled with continued solid growth in travel spending (discussed above) as well as our expectation for some de-fleeting by rental car companies.

Rental car companies likely to de-fleet in 1H:24, reducing supply

On this latter point, we believe HTZ and CAR are over-fleeted, and we anticipate the companies will de-fleet in 1H. We expect HTZ will do so largely through a reduction in its electric vehicle (EV) fleet, which is expected to decline from 60k at the end of 2023 to around 40k in 2024. Meanwhile, CAR de-fleeted in 4Q:23 in part due to delayed deliveries of new vehicles by several OEMs and indicated that it will continue to right-size its fleet into 1Q:24. We'd add that CAR has historically been disciplined in matching supply and demand and noted on its 4Q:23 earnings call that "you should expect to see this stringent discipline continue in the New Year." Coupled with pressures from rising vehicle costs, we expect CAR will be vigilant in managing its fleet size.

Expect only moderate price declines in 2024 given fundamentals

Recall that HTZ's average revenue per unit per day peaked in 2022 and came down ~6% in 2023. We do expect pricing to decrease further in 2024, but primarily due to our expectation for weak pricing in 1Q. We anticipate fundamentals will improve from there. For HTZ, our model has pricing down 2% in 2024 with additional declines of ~1% in 2025 and 2026, which is largely consistent with historical trends. Should the de-fleeting efforts prove more meaningful than expected and/or travel volumes be stronger, this could provide support for better pricing than we are anticipating.

Price decay is nothing new for rental car industry

Price decay has historically been an issue for the rental car companies, driven by competitive dynamics. These dynamics are likely to return to normal in a slower growth environment, though we do expect more discipline on a go forward basis given the learnings from the COVID-19 period that contributed to much improved earnings profiles for the companies. Additionally, companies like HTZ have more technology and data to leverage to help manage supply and demand and improve their overall rate strategy.

Productivity & cost reduction efforts just beginning

Since emerging from bankruptcy, HTZ has taken meaningful steps to improve the operational and financial performance. The company's recently announced plans to take additional costs out is an indication that it still has much work to do, and particularly as the company is adjusting its strategy on EVs. That said, the company's new Chief Operating Officer, Justin Keppy, who started on November 15, appears to be taking a fresh look at the business and we expect the business transformation is just beginning.

HTZ's plan to drive $250mm in improved earnings through productivity and cost reductions includes progress in some areas we believe there is additional opportunity:

- **Telematics / Connected Car:** Using telematics and other technology, HTZ can leverage the data collected from its connected vehicles on vehicle health, fuel readings, maintenance needs, etc. This can enable the company to better service the vehicles, reduce downtime, and save on fuel costs. HTZ could also use the data to optimize the resale value of its vehicles in part by managing them better, particularly as it pertains to mileage thresholds. Further, Hertz could expedite and simplify the vehicle return process and potentially reduce the amount of labor in its field operations. While HTZ is already leveraging telematics / technology to reduce costs and improve productivity, we believe further improvements in data analytics and/or use of artificial intelligence could lead to additional and sizable benefits.
- **Collision / damage:** HTZ is working to reduce the costs associated with incidents that damage its vehicles. It is accomplishing this in part by deploying digital tools to more easily document damage and by catching a greater percentage of damage incidents, thereby improving reimbursement. We expect technology will further aid both the capture and reimbursement from damage incidents. Additionally, there are opportunities to reduce the costs associated with collision / damage on EVs. This will come partly from reducing the churn of new rideshare drivers (there are a greater number of incidents in the first 4 weeks of using EVs, but it drops off in week 5). Additionally, the cost of repairing damage (which is currently 2x that of

repairing comparable ICE vehicles) should decrease with growing supply of EVs and more expertise among technicians in repairing these vehicles.

- **Procurement:** HTZ has identified $30mm in third party spending reductions, but with total procurement spend of around $3bn there is potential for the company to leverage its scale for significant additional savings. HTZ has specifically highlighted that categories such as tires and glass could offer meaningful cost reductions in the future. We'd note, however, that procurement spending reductions can have a tendency to reverse over time and so HTZ will have to remain vigilant.

Beyond the items noted above, HTZ plans to improve earnings by reducing headcount and scaling back hiring, exiting underperforming off-airport locations, and modernizing its infrastructure (including migrating from a data center to the cloud, which helps free up consulting expense). While HTZ didn't specifically call out the following items, we believe they also offer an opportunity for incremental earnings:

- **Fleet management:** HTZ has discussed improving its management of the fleet and adjusting more quickly to meet demand. Its decision to reduce its fleet of EVs amidst weaker demand and higher costs suggest it is getting better. However, with the help of technology and artificial intelligence tools, we see potential for HTZ to adjust to demand in nearly real-time. This could improve utilization and ensure cars are in the most profitable channels and delivered to customers at limited cost. As an example, HTZ could price a one-way rental to incentivize one customer to drive the vehicle to another location where the next customer needs the same vehicle.
- **Pricing engines:** Pricing is a key driver of earnings and based on supply/demand fundamentals. We believe there could be potential for HTZ to achieve better pricing/mix by better leveraging technology and the data available to it. On that point, HTZ has indicated that it works with Palantir (PLTR) on its pricing engine.

Reduced EV exposure (+), lessens cost & other headwinds

Exposure to EVs has proven to be an earnings headwind for rental car companies, and particularly for Hertz which had been the most aggressive in expanding its electric fleet. However, HTZ is reducing it from a peak of ~70k vehicles to what we estimate will be ~40k in 2024. This should help lessen the headwinds from: **(1)** higher vehicle damage costs; **(2)** oversupply of EVs in rental fleets which has contributed to lower RPD; and **(3)** declining prices of EVs, which lower the residual value of the cars they own.

EV damage costs and fleet costs should improve in 2024 and into 2025

On these points, damage costs for EVs are likely to stay elevated for some time but should start to improve this year and into 2025 as HTZ works on solutions to mitigate its impact. Meanwhile, fleet costs will continue to be impacted by declining EV prices. Recall, EV prices are structurally under pressure due to both increasing competition with a meaningful number of new EV product launches over the coming years and as OEMs work to get EVs into cost parity with comparable ICE vehicles. With the pace of price declines moderating fleet costs should lessen. Using TSLA as a benchmark given its significant share of the EV market (56% in 2023), we'd note that after prices on the Model 3/Y dropped 14%/24% from 3Q:22 through 2Q:23, prices have decreased a more moderate 3%/4% from the end of 2Q:23 through January 2024.

Investments in EV fleets will resume when LT economics become compelling

While we see EVs as a headwind for rental companies over the next couple years, we believe the companies will invest in electric fleets as the economics become more compelling. Ultimately, this will require an improved supply/demand balance to support higher RPDs and finding a way to reduce collision costs. We'd add that maintenance costs for EVs are lower than for comparable ICE vehicles and these costs should further improve as EV parts become more readily available and the number of EV technicians increases. Longer-term, there is an opportunity for rental car companies to ultimately leverage their experience with EVs and manage the electric fleets for other businesses.

Declining used vehicles prices pose earnings, CF headwind

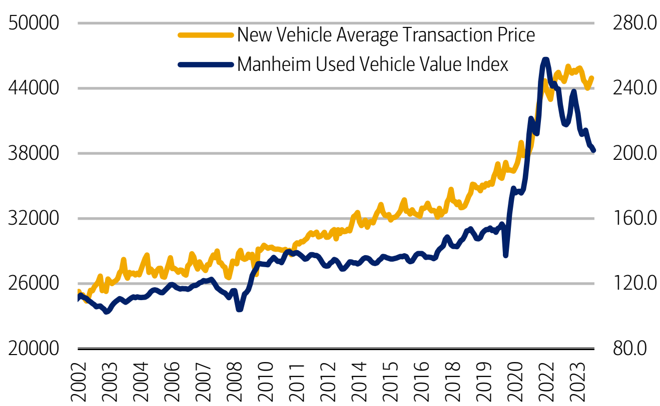
Used vehicle prices are likely to continue trending lower this year with some moderation in the pace of declines in 2025 as lower new vehicle production over the last few years starts to crimp used vehicle supply. This is important for the rental car companies as it impacts depreciation expense and the recovery value for vehicles they sell, thereby having an impact on cash flow.

Depreciation to increase in 2024, with potential for relief in 2025

Depreciation expense is the largest standalone cost component for the rental car companies and covers the difference in value of the vehicles from the original price (acquisition) to the residual price (disposal), including the costs for repairs and maintenance of the vehicles during usage (although some are included in direct vehicle/operating expenses). Given that, the direction in used vehicle pricing is an important determinant for depreciation expense.

We expect strong declines in used vehicles to push HTZ's depreciation expense per unit nearly 20% higher in 2024 (when adjusting for the $245mm in depreciation expense related to EVs held for sale in 4Q:23). As Exhibit 7 and Exhibit 8 show, the downward price trend for used vehicles has been quite steep recently and buyer challenges related to higher interest rates and affordability could keep demand sufficiently weak that prices maintain this trajectory through the year. However, the gap between used and new pricing is likely to narrow in 2025 as used price declines moderate with reduced supply and new vehicle prices trending lower.

Exhibit 7: New vehicle pricing vs. Manheim Used Vehicle Index
There is a quickly widening gap between New vehicle pricing and Used vehicle pricing as measured by the Manheim Used Vehicle Index



Source: TrueCar, Kelley Blue Book, Cox Automotive

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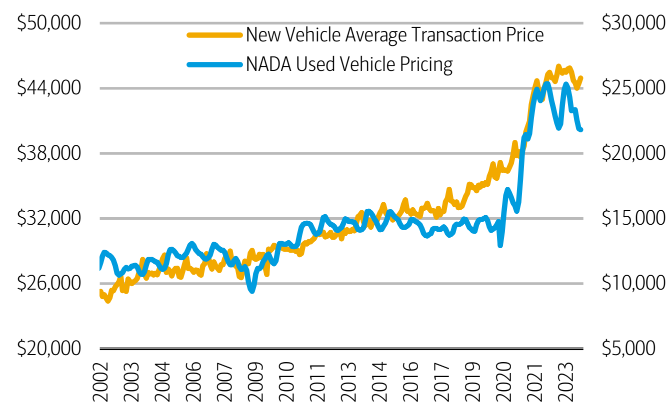
Exhibit 8: New vehicle pricing vs. NADA used vehicle pricing
NADA used vehicle pricing also shows a widening gap between new and used prices, but not quite the disparity shown with Manheim.



Source: TrueCar, Kelley Blue Book, NADA

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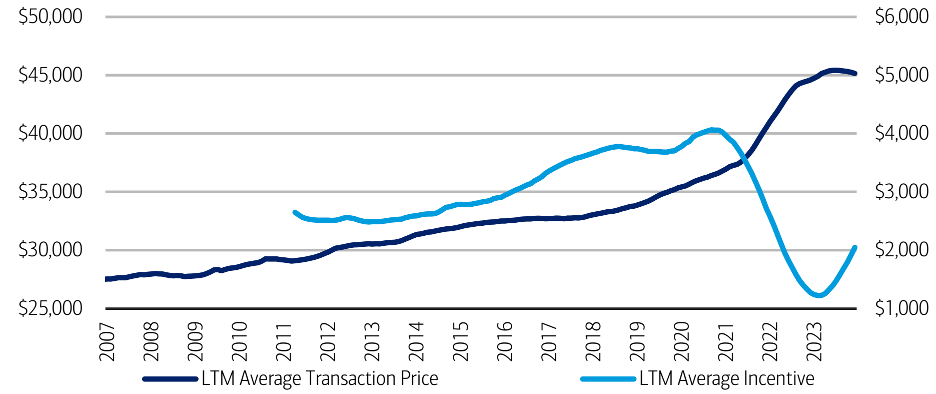
As we show in Exhibit 9 below, average transaction prices (ATPs) on new vehicles remain elevated but have pulled back off late 2022 / early 2023 highs, with prices down 2.4% from the peak of around $46k. This comes as average incentives have risen meaningfully, from a low of roughly $1,220 to nearly $2,050 currently. However, incentives remain well below pre-pandemic levels. With weak consumer confidence and vehicle affordability challenges from near-historically high prices and elevated interest rates, new vehicle prices are likely to continue trending lower in 2024. Recall, Ford and GM recently signaled during 4Q:23 earnings that they expect prices to decline around 2.0%-2.5% in 2024.

Exhibit 9: New vehicle LTM average transaction pricing vs. LTM average incentives

ATPs on new vehicles are down 2.4% from the peak while incentives have increased



Source: TrueCar, Kelley Blue Book

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Weaker used pricing also would weigh on residual values, and thereby cash flow

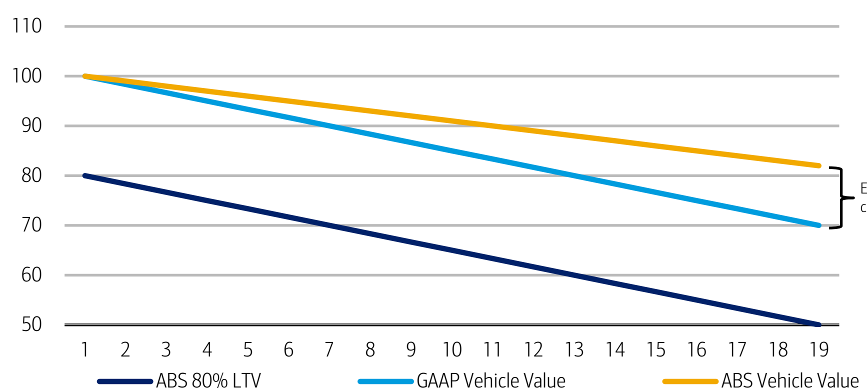
HTZ tends to keep vehicles for an average of 2-3 years before selling them, and there is risk that weaker used vehicle pricing could have the company sell them at prices below the estimated residual values. Recall, HTZ sells through several channels including dealer direct wholesale, auctions, retail channels (i.e., Carvana) and direct sales to third parties. Should it sell for less than the estimated residual values, HTZ could incur a loss on the sale in addition to the aforementioned effects of higher depreciation.

Weaker residual values could require more capital

HTZ finances vehicles through an asset-backed security (ABS) structure that assumes depreciation of 1.67% MoM per vehicle. In normal times, this is a conservative depreciation rate and typically results in an equity cushion. However, depreciation accelerated in 2023 with the higher pace of used vehicle price declines. We believe HTZ still has some equity cushion, but if used prices continue to decline sharply this could require the company to commit more capital which would push its net leverage higher.

Exhibit 10: ABS Structure Example

HTZ finances its vehicles through an ABS structure that assumes depreciation of 1.67% MoM per vehicle



Note: Example above assumes a vehicle is purchased for $100 and financed through the ABS structure at 80%. GAAP depreciation is 1% per month while ABS depreciation is 1.67% per month. Over 18 months, this structure creates an equity cushion of 12%.

Source: Company filings

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Interest costs likely to increase meaningfully in 2025

Interest costs will increase in '24 with another sizable rise in '25

HTZ has meaningful direct exposure to interest rates both through the impact on financing vehicle purchases and also interest expense on corporate (non-vehicle) debt. The company will have higher interest expense in 2024, and we expect there could be a meaningful increase in 2025 as well if interest rates stay near current levels. This will come from higher rates on its variable rate debt, but also as lower interest rate fixed debt matures and is replaced with debt priced at market rates that are notably higher.

HTZ has $2.2bn of fixed vehicle debt maturing in 2024 and another $1.6bn maturing in 2025, with a weighted average interest rate on this debt that we calculate at around 2.8%. By comparison, recent debt has been issued at around 5% or higher, suggesting interest costs could increase $80mm+ in 2025 with potential further increases in 2026.

The magnitude of the increase would ultimately depend on the direction of interest rates. On that point, BofA's Economics team currently projects the Federal Reserve will cut interest rates several times in 2024, with the cycle beginning in June. However, there is risk that rates stay higher for longer, and forecasts for the start of the rate cutting cycle have been steadily pushed back over the last year+.

Vehicle debt is facilitated by financing mechanisms

For both CAR and HTZ, the vehicle debt is facilitated by financing mechanisms, primarily the asset-backed securities (ABS) market. Nearly all of the vehicles acquired/deployed in the companies' rental fleets are financed through (bankruptcy-remote) special-purpose entities (SPE) or through various credit facilities, other secured financings, or asset-backed securities programs, which is a function of the significant capital outlay involved in purchasing vehicles for deployment into fleets.

The key financing/interest costs for vehicle debt incurred by the rental car companies cover the costs of securitizing the vehicle assets/acquisition costs in the ABS market, or through the SPE or other financing mechanism. As such, even though the vehicle fleet assets are on rental car companies balance sheets, they are technically owned (or at least serve as collateral for) by the vehicle debt lenders. We designate vehicle interest as an operating cost item for the rental car companies for the same reason we classify floorplan financing as an operating cost item for the automotive retailers: it is critical to facilitating business operations.

Elevated leverage, potential impact to repurchase activity

HTZ's net leverage is elevated at 4.5x net debt / LTM corporate adj. EBITDA, up from 1.9x at the end of 3Q:23 and the highest level since it emerged from bankruptcy. While largely due to recent EV-related costs (i.e., $245mm of net depreciation expense in 4Q:23 related to EVs held for sale, elevated EV damage costs), this is nonetheless well above HTZ's target for less than 2x. The higher degree of leverage could be a headwind for the stock, and particularly should market volatility increase.

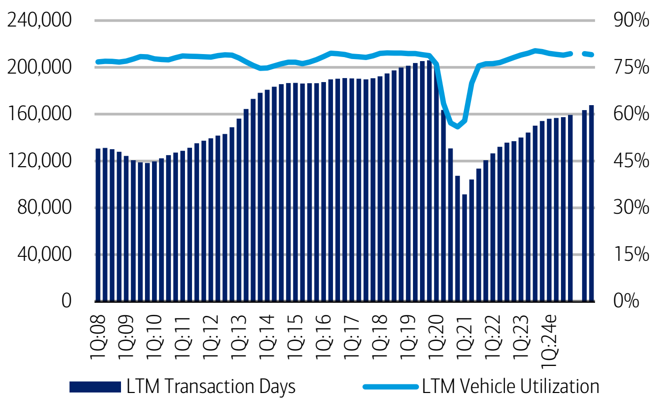
While we expect net leverage to come down over the balance of 2024 and return to 2x during the course of 2025, in the interim we think it would be prudent for the company to scale back on repurchases. Recall, HTZ has bought back about $3.1bn in shares going back to 2021 and has $874mm remaining under the 2022 Share Repurchase Program.

HTZ seems to have sufficient cushion on covenants

HTZ seems to have sufficient cushion on the First Lien Ratio covenant that is part of the First Lien Credit agreement. The company is required to maintain a ratio of 3.00:1.00 in the 1Q and 4Q of each year and 3.50:1.00 in 2Q and 3Q of each year. As of December 31, 2023, we estimate this ratio was below 1.5x, giving it ample near-term coverage.

BofA f'cast: Solid vols, moderating price

Exhibit 11: LTM transaction days vs. vehicle utilization (2008-2026E)
We expect 3% YoY growth in transaction days over 2024-26E, with vehicle utilization generally holding around 80%



Source: Company filings, BofA Global Research estimates

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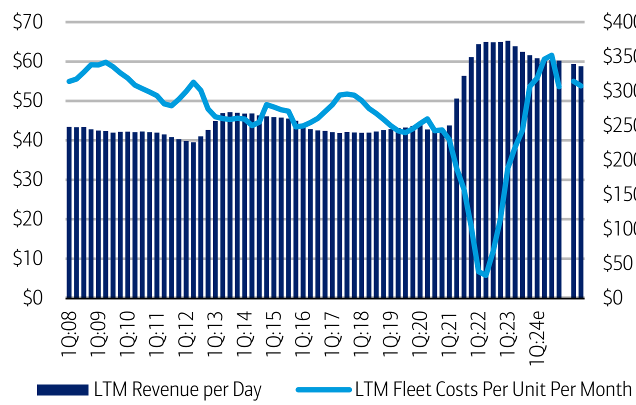
Since the last trough in 2009-2010, HTZ had been growing global transaction days at a CAGR of 6% up until the COVID-induced downturn, which outpaced growth in US enplanements of 3% and miles driven of 1%. This growth was despite pressure from the emergence of new mobility service providers and competitive pressures. With a persistent focus on matching supply and demand, HTZ's vehicle utilization has generally trended in the profitable ~80% range, only temporarily reaching lows of ~75% in 2013 and 30% in 2Q:20 with the COVID crisis.

We forecast 3% YoY growth in transaction days over the next few years based on the outlook for US enplanements. We anticipate vehicle utilization will soften modestly in 2024, but generally hold ~80% over the next three years with HTZ maintaining fleet discipline.

Exhibit 12: LTM revenue/day vs. fleet cost/month (2008-2026E)
We expect revenue/day to trend downwards over 2024-26E, while we anticipate fleet cost/unit will increase in 2024 before reversing in 2025



Source: Company filings, BofA Global Research estimates

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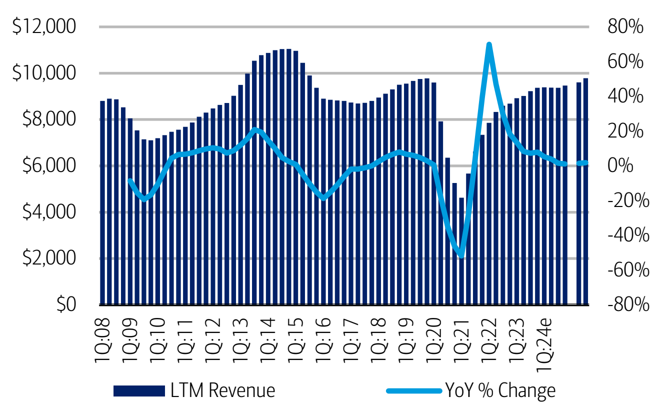
Price erosion has historically been a challenge for the rental car industry and is dependent on supply/demand. Trends in revenue per day often lag trends in fleet cost, with the biggest determinant of fleet cost being acquisition/disposal values and depreciation. Rental car companies generally pass through the incremental benefit/hit to the customer of changes in fleet operating cost in the form of pricing, with a 1-3 quarter lag.

HTZ's revenue per day trended downwards over 2013 to 2019, driven by excessive industry fleet (HTZ was viewed to be the main culprit) and competitive pressures from newer mobility service providers. Fleet cost per unit for the industry trended downwards as well. In 2021/2022 revenue per day climbed meaningfully, bucking the downwards trend in fleet costs. Despite the 6% decline in 2023, revenue per day ended the year well above pre-pandemic levels. This bucked the trend in fleet costs per unit that we expect will increase this year before starting to reverse in 2025 as vehicle depreciation moderates and HTZ drives direct operating expenses lower.

Exhibit 13: LTM revenue vs. YoY % change (2008-2026E)
We expect modest revenue growth of ~1% annually through 2026.



Source: Company filings, BofA Global Research estimates

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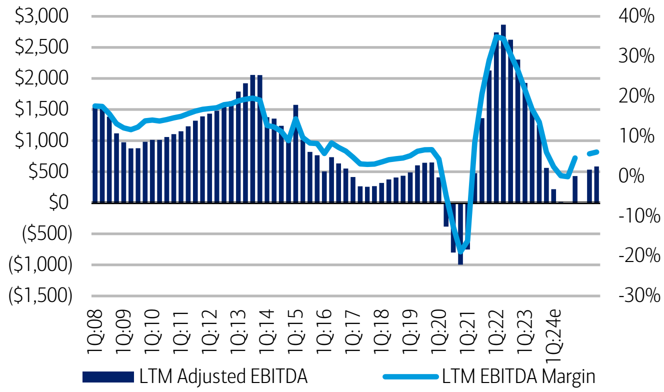
HTZ acquired Dollar Thrifty in late 2012 which contributed to the bump in revenues in the early 2010s, before industry-wide fleet expansion and pricing pressures drove declines in 2015 to 2016. Meanwhile, the company was focused on growth before COVID hit and then revenues dropped amidst the significant decline in demand and as HTZ rationalized its capacity.

Revenues grew strongly in the years following the COVID-induced downturn, with growth of ~40% in 2021 and 18% in 2022 followed by some moderation to 8% in 2023. Our model assumes modest growth of ~1% annually through 2026 with growth in transaction days offsetting declines in RPD.

Exhibit 14: LTM adjusted EBITDA vs. EBITDA margin (2008-2026E)

HTZ's adjusted EBITDA should improve in 2024-2026, supported in part by HTZ's plans to cut costs and lessened headwinds from EVs



Source: Company filings, BofA Global Research estimates

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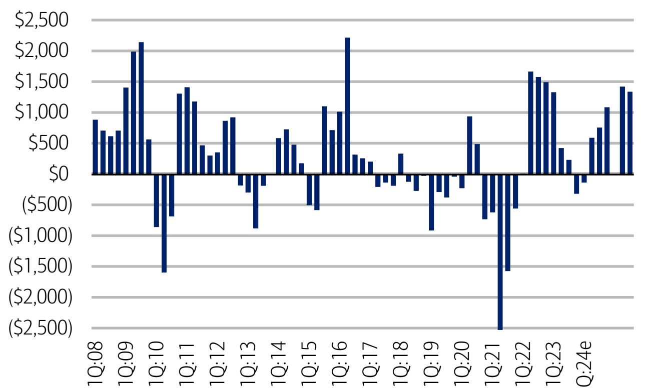
HTZ's adj. EBITDA (including vehicle depreciation) has generally been more volatile than revenue, even on an LTM basis, driven by two main factors: 1) Excess supply versus demand puts pressure on profitability in the form of lower vehicle utilization, with unutilized vehicles still incurring significant operating costs; 2) Fading used vehicle values pressure profitability in the form of higher vehicle depreciation, which can then be offset on a 1-3 quarter lag by higher price. The rental car business is also very seasonal, with EBITDA negligible/losses in 1Q, highest EBITDA in 3Q, followed by 2Q, and lower in 4Q.

HTZ's exposure to EVs has been a meaningful earnings headwind in recent quarters, and declining used vehicle prices has also pressured fleet costs. We expect these pressures to lessen/reverse which, coupled with HTZ's plans to cut costs, should drive improvement in adj. EBITDA.

Exhibit 15: LTM adjusted free cash flow (2008-2026E)

We expect HTZ will be cash flow positive on an adjusted basis in 2024-2026



Source: Company filings, BofA Global Research estimates

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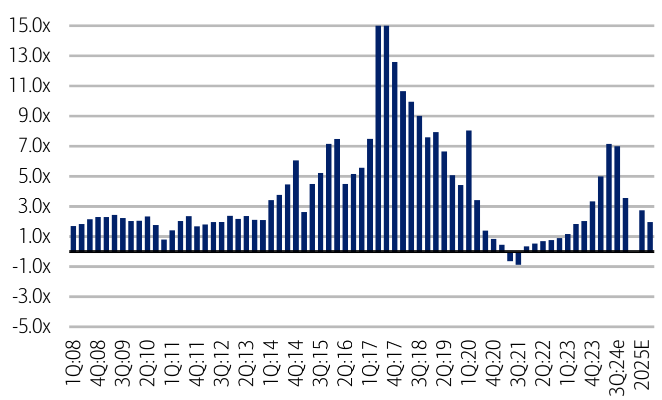
More pronounced than trends with adjusted EBITDA, HTZ's adjusted free cash flow is highly volatile, even measured on an LTM basis. This is primarily due to cash inflows associated with vehicle dispositions and cash outflows with vehicle investments, which we characterize as operating items and which can fluctuate highly from quarter to quarter driven by market supply/demand dynamics and company strategy around vehicle acquisition/disposal times to maximize profits/cash.

We expect HTZ to see a drop in adjusted free cash flow generation this year driven by the pullback in earnings. However, cash flow should improve in 2025/2026 helped by the company's productivity and cost improvement efforts.

Exhibit 16: LTM corporate net debt/EBITDA (2008-2026E)

HTZ's corporate net debt/EBITDA will likely remain elevated through 2024 following weak 4Q earnings, but should return to below 2x in 2025



Source: Company filings, BofA Global Research estimates

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HTZ's financial leverage has fluctuated meaningfully. The company's net debt increased on an absolute basis from 2012 to 2014 with the acquisition of Dollar Thrifty and then generally trended lower over the coming years. However, its net debt/EBITDA ratio increased through 2017 primarily due to the decline earnings that occurred in 2016 to 2017.

HTZ's net leverage had been below 2x since emerging from bankruptcy in 2021 but climbed to 4.5x at the end of 4Q:23 due largely to EV-related costs. We expect its leverage will remain high for the next few quarters before getting back below 2x during the course of 2025.

We calculate net leverage as corporate net debt to adjusted EBITDA, which excludes debt associated with vehicle programs that is collateralized by assets under vehicle programs but includes vehicle depreciation as an operating cost in EBITDA.

Management

HTZ's executive team is short tenured and has had quite a bit of turnover. Most recently, the company's CEO Stephen Scheer stepped down on 3/15 and was replaced by Gil West, who was the prior COO of GM's Cruise robotaxi business and previously had been COO at Delta Airlines. Other key departures have included both the CFO (Kenny Cheung left in April 2023 to become CFO of Sysco [SYY]) and COO & President (Paul Stone left in October 2023 to become CEO of Sportsman's Warehouse [SPWH]). Most of the newer members of management are from outside the rental car industry (though several have prior automotive experience), suggesting there could be a meaningful learning curve. That said, this may prove positive over time as the rental car industry may benefit from a unique perspective given the evolving mobility landscape.

We would be surprised if there isn't a shift in strategy under the new CEO, but it could be a few quarters until its revealed. Under the prior CEO, the company had mixed success on the strategic initiatives it pursued. HTZ's pursuit of the electrification of its vehicle fleet had promise initially, but the company partially reversed course due to meaningfully higher fleet and damage costs as well as deterioration in revenue per day that made the economics less compelling. While costly, we think this foray could give it an edge down the road. Meanwhile, HTZ's other efforts to expand customer channels and leverage technology to drive efficiency contributed positively to results.

Ultimately, we'd like to see more stability at the management level going forward, and the high degree of turnover represents a risk. That said, if it can stay together, we believe the team has sufficient talent to deliver on the company's objectives.

Exhibit 17: HTZ management team
HTZ's management team has limited experience in the rental car industry

Management			
Name	**Age**	**Joined Hertz**	**Position**
Gil West	-	2024	CEO
Alexandra Brooks	53	2020	EVP & CFO
Justin Keppy	-	2023	EVP & COO
Darren Arrington	-	2012	EVP, Revenue Management & Fleet Acquisition
Wayne Davis	-	2023	EVP & Chief Marketing Officer
Ned Ryan	-	2022	EVP & Chief Product Development Officer
Laura Smith	47	2002	EVP, Sales & Customer Experience Officer
Tim Langley-Hawthorne	55	2021	EVP & CIO
Eric Leef	50	2020	EVP & Chief Human Resources Officer
Kelly Galloway	-	2014	SVP & Chief Accounting Officer
Board of Directors			
Name	**Age**	**Joined Hertz**	**Position**
Fran Bermanzohn	65	2023	Director
Colin Farmer	50	2021	Director
Jennifer Feikin	56	2021	Director
Mark Fields	63	2021	Director
Vincent Intrieri	67	2014	Director
Jeffrey Nedelman	57	2023	Director
Andrew Shanahan	43	2021	Director
Evangeline Vougessis	53	2021	Director
Thomas Wagner	54	2021	Director

Source: Company filings

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Gil West: CEO

Gil West will become CEO of Hertz, effective April 1, 2024. He will take over from Stephen Scherr who has decided to step down and has served as Chairman & CEO since February 2022. Mr. West previously was COO of General Motors' Cruise robotaxi business, a role he held since early 2021 before turmoil in late 2023 led to the dismissal of nine Cruise executives. Before joining Cruise, Mr. West was SVP & COO of Delta Airlines, where had worked for more than 12 years. Mr. West was responsible for Delta's worldwide operations, which spanned 366 airports across 66 countries.

Alexandra Brooks: EVP & CFO

Alexandra Brooks was appointed EVP and CFO in July 2023. Ms. Brooks joined Hertz in 2020 and previously served as SVP, Chief Accounting Officer and SVP, Internal Audit. Her prior roles included work at Aptiv (APTV) as VP, Internal Audit, at Champion Windows & Home Exteriors as CFO, and a variety of leadership roles at General Electric (GE) and finance & accounting roles at General Motors (GM).

Justin Keppy: EVP & COO

Justin Keppy joined Hertz in November 2023 as EVP and COO. He was hired after Paul Stone, President and COO, left the company in October 2023. Mr. Keppy is responsible for the company's day-to-day operations and was instrumental in identifying $250mm in performance improvements and cost savings that were announced in 4Q:23. Mr. Keppy joined Hertz from Carrier Corporation (CARR) where he served as President, North America Residential & Light Commercial HVAC. Prior to that, he had a number of roles at UTC Aerospace Systems, including as President, Sensors & Integrated Systems and VP, Operations & Supply Chain.

Exhibit 18: HTZ summary income statement
BofA forecasts through 2026E

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Revenues													
US rental car	6,471	6,286	6,114	5,994	6,480	6,938	3,656	6,215	7,280	7,722	7,747	7,822	7,937
International rental car	2,436	2,148	2,097	2,169	2,276	2,169	972	985	1,405	1,649	1,723	1,783	1,846
Total rental car revenues	8,907	8,434	8,211	8,163	8,756	9,107	4,628	7,200	8,685	9,371	9,470	9,605	9,783
Worldwide equipment rental	1,571	0	0	0	0	0	0	0	0	0	0	0	0
Other	568	583	592	640	748	672	630	136	0	0	0	0	0
Total Revenues	**$11,046**	**$9,017**	**$8,803**	**$8,803**	**$9,504**	**$9,779**	**$5,258**	**$7,336**	**$8,685**	**$9,371**	**$9,470**	**$9,605**	**$9,783**
Expenses													
Direct vehicle & operating expenses	6,092	5,055	4,932	4,865	5,292	5,432	3,540	3,953	4,576	5,449	5,430	5,422	5,536
Vehicle													
Non-vehicle													
Revenue earnings vehicle depreciation & lease charges, net	3,026	2,433	2,601	2,798	2,690	2,565	2,032	497	701	2,039	2,111	2,128	2,145
Depreciation & amortization of non-vehicle assets								196	142	149	159	159	159
Gross Profit	**1,928**	**1,529**	**1,270**	**1,140**	**1,522**	**1,782**	**(314)**	**2,690**	**3,266**	**1,734**	**1,770**	**1,896**	**1,943**
Selling, general & administrative	921	873	899	781	890	842	535	598	880	924	873	882	896
Operating Income	**1,007**	**656**	**371**	**359**	**632**	**940**	**(849)**	**2,092**	**2,386**	**810**	**897**	**1,014**	**1,047**
Interest expense, net													
Vehicle		253	280	299	390	456	350	193	235	392	551	656	680
Non-vehicle		346	344	278	277	254	142	128	141	204	260	260	260
Total interest expense, net	595	599	624	577	667	710	492	321	376	596	811	916	940
Intangible asset impairments		40	292	0	0	0	0	0	0	0	0	0	0
Interest & other income, net	9	(115)	(75)	(8)	(14)	(2)	(13)	(74)	2	7	0	0	0
Total Expenses	**9,722**	**8,885**	**9,273**	**9,013**	**9,525**	**9,547**	**468**	**5,491**	**6,677**	**9,164**	**9,384**	**9,507**	**9,675**
Pre-Tax Income	**403**	**132**	**(470)**	**(210)**	**(21)**	**232**	**4,790**	**1,845**	**2,008**	**207**	**86**	**98**	**108**
(Provision)/benefit for taxes on income	(149)	(17)	(4)	78	5	(56)	171	(462)	(502)	(35)	(13)	(15)	(16)
Minority interest, net of tax	0	0	0	0	2	(8)	9	1	0	0	0	0	0
Adjusted Net Income (Loss)	**$254**	**$115**	**($474)**	**($132)**	**($14)**	**$168**	**$4,970**	**$1,384**	**$1,506**	**$172**	**$73**	**$83**	**$92**
Non-recurring items, net of tax	(169)	0	0	459	(213)	(226)	(567)	(1,018)	553	444	0	0	0
Discontinued operations, net of tax		158	(17)	0	0	0	0	0	0	0	0	0	0
GAAP Net Income/(Loss)	**85**	**273**	**(491)**	**327**	**(227)**	**(58)**	**4,403**	**366**	**2,059**	**616**	**73**	**83**	**92**
Diluted EPS from Cont. Ops.	**$2.18**	**$1.26**	**($5.64)**	**($1.59)**	**($0.17)**	**$1.44**	**$33.13**	**$4.39**	**$3.74**	**$0.53**	**$0.25**	**$0.30**	**$0.35**
GAAP EPS - Basic	0.73	3.03	(5.85)	3.94	(2.70)	(0.50)	29.35	1.16	5.43	1.97	0.25	0.30	0.35
GAAP EPS - Diluted	0.73	3.00	(5.85)	3.94	(2.70)	(0.50)	29.35	1.16	5.11	1.89	0.25	0.30	0.35
Adjusted Corporate EBITDA	**$1,332**	**$858**	**$553**	**$267**	**$433**	**$649**	**$5,122**	**$2,130**	**$2,305**	**$561**	**$519**	**$531**	**$541**

Source: Company filings, BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 19: HTZ summary balance sheet

BofA forecasts through 2026E

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Assets													
Cash & cash equivalents	490	474	816	1,072	1,127	865	1,096	2,258	943	764	1,521	2,991	3,959
Restricted cash & cash equivalents:													
Vehicle		289	235	386	257	466	50	77	180	152	152	152	152
Non-vehicle		44	43	46	26	29	361	316	295	290	290	290	290
Total restricted cash & cash equivalents	571	333	278	432	283	495	411	393	475	442	442	442	442
Receivables:													
Vehicle		1,137	546	531	625	791	164	62	111	211	253	256	261
Non-vehicle, net of allowance		649	737	834	962	1,049	613	696	863	980	1,174	1,191	1,213
Total receivables, net	1,597	1,786	1,283	1,365	1,587	1,840	777	758	974	1,191	1,427	1,447	1,474
Prepaid expenses & other assets	917	995	578	687	902	689	373	1,017	1,155	726	726	726	726
Revenue earning vehicles:													
Vehicles	14,622	13,441	13,655	14,574	15,703	17,085	7,540	10,836	14,281	16,806	17,760	18,721	19,691
Less accumulated depreciation	(3,411)	(2,695)	(2,837)	(3,238)	(3,284)	(3,296)	(1,478)	(1,610)	(1,786)	(2,155)	(2,277)	(2,401)	(2,525)
Total revenue earning vehicles, net	11,211	10,746	10,818	11,336	12,419	13,789	6,062	9,226	12,495	14,651	15,483	16,321	17,166
Property & equipment, net:													
Land, buildings & leasehold improvements	1,268	1,165	1,165	1,233	1,220	1,271	1,277	971	990	990	1,038	1,092	1,152
Service equipment & other	1,148	790	724	763	782	798	761	339	392	392	411	433	456
Less accumulated depreciation	(1,094)	(978)	(1,031)	(1,156)	(1,224)	(1,312)	(1,372)	(702)	(745)	(711)	(746)	(784)	(827)
Total property & equipment, net	1,322	977	858	840	778	757	666	608	637	671	704	740	781
Operating lease right-of-use assets						1,871	1,675	1,566	1,887	2,253	1,953	1,703	1,453
Other intangible assets, net	4,009	3,522	3,332	3,242	3,203	3,238	2,992	2,912	2,887	2,863	2,863	2,863	2,863
Goodwill	1,359	1,261	1,081	1,084	1,083	1,083	1,045	1,045	1,044	1,044	1,044	1,044	1,044
Assets held for sale		25	111	-	-	-	1,811	-	-	-	-	-	-
Assts of discontinued operations		3,395	-	-	-	-	-	-	-	-	-	-	-
Total Assets	**$23,985**	**$23,514**	**$19,155**	**$20,058**	**$21,382**	**$24,627**	**$16,908**	**$19,783**	**$22,497**	**$24,605**	**$26,162**	**$28,278**	**$29,908**
Liabilities & Equity													
Accounts payable:													
Vehicle		207	258	294	284	289	29	56	79	191	210	213	217
Non-vehicle		559	563	652	704	654	389	516	578	510	561	568	579
Total accounts payable	1,008	766	821	946	988	943	418	572	657	701	771	781	795
Accrued liabilities	1,148	1,035	980	920	1,304	1,186	759	863	911	860	860	860	860
Accrued taxes, net	134	128	165	160	136	150	121	157	170	157	157	157	157
Debt:													
Vehicle	9,562	9,823	9,646	10,431	11,902	13,368	6,024	7,921	10,886	12,242	14,244	16,776	18,812
Non-vehicle	6,431	5,947	3,895	4,434	4,422	3,721	243	2,986	2,977	3,449	3,449	3,449	3,449
Total debt	15,993	15,770	13,541	14,865	16,324	17,089	6,267	10,907	13,863	15,691	17,693	20,225	22,261
Public warrants						-	-	1,324	617	453	453	453	453
Operating lease right-of-use liabilities						1,848	1,636	1,510	1,802	2,142	1,762	1,412	1,062
Public liability and property damage	385	394	407	427	418	399	488	463	472	471	471	471	471
Deferred income taxes, net	2,853	2,168	2,149	1,220	1,092	1,124	730	1,010	1,360	1,038	1,404	1,404	1,404
Liabilities subject to compromise						-	4,965	-	-	-	-	-	-
Liabilities held for sale		-	17	-	-	-	1,431	-	-	-	-	-	-
Liabilities of discontinued operations		1,234				-	-	-	-	-	-	-	-
Total Liabilities	**$21,521**	**$21,495**	**$18,080**	**$18,538**	**$20,262**	**$22,739**	**$16,815**	**$16,806**	**$19,852**	**$21,513**	**$23,571**	**$25,764**	**$27,463**
Preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock	5	4	1	1	1	1	2	5	5	5	5	5	5
Additional paid-in capital	3,325	3,343	2,227	2,243	2,261	3,024	3,047	6,209	6,326	6,405	6,405	6,405	6,405
Accumulated deficit	(664)	(391)	(882)	(506)	(909)	(967)	(2,681)	(2,315)	(256)	360	414	487	568
Accumulated other comprehensive income	(115)	(245)	(171)	(118)	(192)	(189)	(212)	(214)	(294)	(248)	(248)	(248)	(248)
Equity	2,551	2,711	1,175	1,620	1,161	1,869	156	3,685	5,781	6,522	6,576	6,649	6,730
Treasury stock	(87)	(692)	(100)	(100)	(100)	(100)	(100)	(708)	(3,136)	(3,430)	(3,985)	(4,135)	(4,285)
Minority interest					59	119	37	-	-	-	-		
Total Equity	**2,464**	**2,019**	**1,075**	**1,520**	**1,120**	**1,888**	**93**	**2,977**	**2,645**	**3,092**	**2,591**	**2,514**	**2,445**
Total Liabilities & Equity	**$23,985**	**$23,514**	**$19,155**	**$20,058**	**$21,382**	**$24,627**	**$16,908**	**$19,783**	**$22,497**	**$24,605**	**$26,162**	**$28,278**	**$29,908**

Source: Company filings, BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 20: HTZ summary cash flow statement

BofA forecasts through 2026E

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Cash Flow from Operating Activities:													
Net Income/(Loss) from Continuing Operations	**($214)**	**$115**	**($474)**	**$327**	**($227)**	**($50)**	**($1,855)**	**$365**	**$2,059**	**$616**	**$73**	**$83**	**$92**
Depreciation and reserves of revenue earning vehicles, net	2,625	2,361	2,531	2,722	2,546	2,791	2,259	600	809	2,422	2,376	2,395	2,414
Depreciation & amortization, non-vehicle	291	274	265	240	218	203	225	196	142	149	159	159	159
Amortization & write-off of deferred financing costs	51	55	45	46	50	52	59	122	53	61	0	0	0
Amortization & write-off of debt discount (premium)	(13)	(1)	3	0	0	0	0	0	0	0	0	0	0
Loss on extinguishment of debt	1	0	55	13	22	43	5	8	0	0	0	0	0
Stock-based compensation charges	10	16	13	19	14	18	(2)	10	130	87	0	0	0
Provision for receivables allowance	38	36	51	33	35	53	94	125	57	93	0	0	0
Deferred income tax, net	(23)	11	(78)	(922)	(66)	27	(353)	270	301	(380)	(9)	(10)	(11)
Impairment charges & asset write-downs	37	70	340	116	0	0	346	0	0	0	0	0	0
(Gain)/loss on marketable securities	0	(133)	(84)	(3)	(20)	(30)	0	0	0	0	0	0	0
(Gain)/loss on sale of non-vehicle capital assets	0	0	0	0	0	(39)	(24)	(8)	(5)	(162)	0	0	0
(Gain)/loss on financial instruments	0	0	0	0	0	(12)	0	0	(111)	117	0	0	0
Change in fair value of Public Warrants	0	0	0	0	0	0	0	627	(704)	(163)	0	0	0
Reorganization items, net	0	0	0	0	0	0	0	314	0	0	0	0	0
Other	(10)	(7)	8	(7)	6	3	13	(5)	11	5	0	0	0
Changes in assets and liabilities:	**148**	**(21)**	**(146)**	**(190)**	**(22)**	**(159)**	**189**	**(418)**	**(204)**	**(371)**	**(246)**	**(110)**	**(113)**
Non-vehicle receivables	(42)	(62)	(174)	(75)	(136)	(88)	195	(210)	(264)	(216)	(194)	(17)	(22)
Inventories, prepaid expenses & other assets	(53)	(11)	(31)	(22)	(23)	(8)	94	(20)	(126)	(39)	0	0	0
Operating lease right-of-use assets	0	0	0	0	0	402	366	274	280	365	300	250	250
Non-vehicle accounts payable	54	(8)	31	20	70	65	98	(70)	43	(48)	51	7	10
Accrued liabilities	142	44	(40)	(86)	75	(88)	(61)	(108)	80	(39)	0	0	0
Accrued taxes, net	(10)	(21)	38	(23)	(8)	14	(52)	24	73	3	0	0	0
Operating lease liabilities	0	0	0	0	0	(428)	(375)	(291)	(309)	(391)	(380)	(350)	(350)
Public liability & property damage	57	37	30	(4)	0	(28)	(76)	(17)	19	(6)	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	(23)	(1)	(1)
Cash Flow from Operations	**$2,941**	**$2,776**	**$2,529**	**$2,394**	**$2,556**	**$2,900**	**$956**	**$1,806**	**$2,538**	**$2,474**	**$2,354**	**$2,517**	**$2,541**
Net change in restricted cash & cash equivalents, vehicle	249	221	53	0	0	0	0	0	0	0	0	0	0
Net change in restricted cash & cash equivalents, non-vehicle	0	(9)	(1)	0	0	0	0	0	0	0	0	0	0
Revenue earning vehicles expenditures	(9,814)	(11,386)	(10,957)	(10,596)	(12,493)	(13,714)	(5,542)	(7,154)	(10,596)	(9,514)	(9,896)	(10,193)	(10,499)
Proceeds from disposal of revenue earning vehicles	7,167	8,796	8,764	7,653	8,452	9,486	10,098	2,818	6,498	5,498	6,689	6,960	7,240
Capital asset expenditures, non-vehicle	(331)	(250)	(134)	(173)	(177)	(224)	(98)	(71)	(150)	(188)	(192)	(196)	(200)
Proceeds from disposal of property & equipment	78	107	59	21	51	27	60	16	12	181	0	0	0
Acquisitions, net of cash acquired	(75)	(95)	(2)	(15)	(2)	(1)	0	0	0	0	0	0	0
Proceeds from disposal of business	0	0	0	94	0	0	0	871	0	0	0	0	0
Sales of shares in equity investment, net of amounts invested:	(30)	236	222	16	(24)	0	74	0	(16)	(1)	0	0	0
Other	0	0	0	0	(4)	1	(1)	(1)	0	0	0	0	0
Cash Flow from Investing Activities	**($2,756)**	**($2,380)**	**($1,996)**	**($3,000)**	**($4,197)**	**($4,425)**	**$4,591**	**($3,544)**	**($4,233)**	**($4,024)**	**($3,399)**	**($3,429)**	**($3,459)**
Proceeds from issuance of vehicle debt	4,410	7,528	9,692	10,756	14,009	13,013	4,546	14,323	9,672	6,043	6,286	6,474	6,669
Repayments of vehicle debt	(4,523)	(7,079)	(9,748)	(10,244)	(12,426)	(11,530)	(10,751)	(12,607)	(6,639)	(4,837)	(4,284)	(3,942)	(4,633)
Proceeds from issuance of non-vehicle debt	2,480	1,867	2,592	2,100	557	3,016	1,812	4,644	0	2,490	1,800	1,800	1,800
Repayments of non-vehicle debt	(2,457)	(2,112)	(4,651)	(1,560)	(571)	(3,732)	(855)	(6,352)	(20)	(2,018)	(1,800)	(1,800)	(1,800)
Proceeds from sale of common stock	0	0	0	0	0	0	0	(239)	0	0	0	0	0
Proceeds from rights offering, net	0	0	0	0	0	748	0	1,639	0	0	0	0	0
Proceeds from exercise of Public Warrants	0	0	0	0	0	0	0	77	3	0	0	0	0
Purchase of treasury shares	0	(605)	(100)	0	0	0	0	(654)	(2,461)	(315)	(200)	(150)	(150)
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	0	0
Contributions from / dividends paid to Hertz Holdings	0	0	0	0	0	0	(5)	0	0	0	0	0	0
Payment of financing costs	(63)	(29)	(75)	(59)	(47)	(53)	(75)	(185)	(48)	(41)	0	0	0
Early redemption premium payment	0	0	(27)	(5)	(19)	(34)	0	(85)	0	0	0	0	0
Transfers from discontinued entities	72	61	2,122	0	0	0	0	0	0	0	0	0	0
Other	4	1	12	0	(2)	(3)	0	(9)	(20)	(9)	0	0	0
Cash Flow from Financing Activities	**($77)**	**($368)**	**($183)**	**$988**	**$1,561**	**$1,474**	**($5,403)**	**$2,845**	**$487**	**$1,313**	**$1,802**	**$2,382**	**$1,886**
Effect of foreign exchange rate changes on cash	(30)	(28)	(8)	28	(14)	1	46	(34)	(25)	25	0	0	0
Net increase/(decrease) in cash	**78**	**0**	**342**	**410**	**(94)**	**(50)**	**190**	**1,073**	**(1,233)**	**(212)**	**757**	**1,471**	**968**
Cash & cash equivalents at beginning of period	396	474	474	1,094	1,504	1,410	1,360	1,578	2,651	1,418	1,206	1,963	3,433
Cash & cash equivalents at end of period	**$474**	**$474**	**$816**	**$1,504**	**$1,410**	**$1,360**	**$1,550**	**$2,651**	**$1,418**	**$1,206**	**$1,963**	**$3,433**	**$4,401**

Source: Company filings, BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

Hertz Global Holdings (HTZ)

Our price objective for HTZ shares of $9 is based on an EV/EBITDA multiple of 8x on our 2025 estimates. The EV/EBITDA multiple reflects our expectation for earnings and cash flow to normalize off the pandemic-driven peak. As such, this multiple is closer to where the rental car companies traded before the pandemic (6x to 8x) but HTZ is at the higher end reflecting currently healthier industry fundamentals in our view.

Downside risks are: 1) Inability to effectively match supply/demand via fleeting/de-fleeting, 2) Softer macro environment could lead to weakness in rental days/transactions, 3) Faster deterioration in revenue per day, 4) Inability to fleet/de-fleet at attractive price points, 5) Inability to secure financing critical to funding fleeting/de-fleeting efforts, 6) Weaker used vehicle pricing could keep fleet costs elevated, 7) Changes in interest rates could adversely impact financing costs, 8) Elevated leverage could add to volatility in the stock, 9) Inability to execute on strategic plan to improve business operations and lower costs, 10) Inability to evolve business model towards new mobility service offerings, 11) Management turnover.

Analyst Certification

I, John P. Babcock, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Automotives Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Adient Plc	ADNT	ADNT US	John Murphy, CFA
	Aptiv PLC	APTV	APTV US	John Murphy, CFA
	Asbury Auto	ABG	ABG US	John Murphy, CFA
	AutoNation, Inc.	AN	AN US	John Murphy, CFA
	Avis Budget Group	CAR	CAR US	John P. Babcock
	BorgWarner	BWA	BWA US	John Murphy, CFA
	Ferrari	RACE	RACE US	John Murphy, CFA
	Ferrari NV	XJHKF	RACE IM	John Murphy, CFA
	Ford Motor	F	F US	John Murphy, CFA
	General Motors Company	GM	GM US	John Murphy, CFA
	Group 1 Auto	GPI	GPI US	John Murphy, CFA
	Lear Corp.	LEA	LEA US	John Murphy, CFA
	Lithia Motors A	LAD	LAD US	John Murphy, CFA
	Magna Intl	MGA	MGA US	John Murphy, CFA
	Magna Intl	YMG	MG CN	John Murphy, CFA
	Penske Auto Group	PAG	PAG US	John Murphy, CFA
	Rivian Automotive	RIVN	RIVN US	John Murphy, CFA
	Visteon	VC	VC US	John P. Babcock
NEUTRAL				
	Gentex	GNTX	GNTX US	John Murphy, CFA
	Hertz Global Holdings	HTZ	HTZ US	John P. Babcock
	Lucid Group	LCID	LCID US	John Murphy, CFA
	Luminar Technologies	LAZR	LAZR US	John P. Babcock
	Tesla Motors	TSLA	TSLA US	John Murphy, CFA
UNDERPERFORM				
	American Axle	AXL	AXL US	John Murphy, CFA
	America's Car-Mart, Inc.	CRMT	CRMT US	John Murphy, CFA
	CarMax, Inc.	KMX	KMX US	John Murphy, CFA
	Mobileye	MBLY	MBLY US	John Murphy, CFA
	OPENLANE	KAR	KAR US	John Murphy, CFA

US - Automotives Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Sonic Automotive	SAH	SAH US	John Murphy, CFA
RVW				
	Fisker	FSR	FSR US	John P. Babcock

iQmethod SM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) × (1 − Tax Rate) + Goodwill Amortization	Total Assets − Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5 Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations − Total Capex	N/A
Quality of Earnings	**Numerator**	**Denominator**
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt − Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit	**Numerator**	**Denominator**
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations − Total Capex	Market Cap = Current Share Price × Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

iQmethod SM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

iQdatabase® is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Autos Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	67	55.83%	Buy	39	58.21%
Hold	30	25.00%	Hold	15	50.00%
Sell	23	19.17%	Sell	12	52.17%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

R1 Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster R2
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

R2 Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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