



# Hertz

## *Business strategy evaluation*

Hertz - is an international car rental company with its history goes from 1918 and in 2020 it was going through bankruptcy. This is an article about how it went.

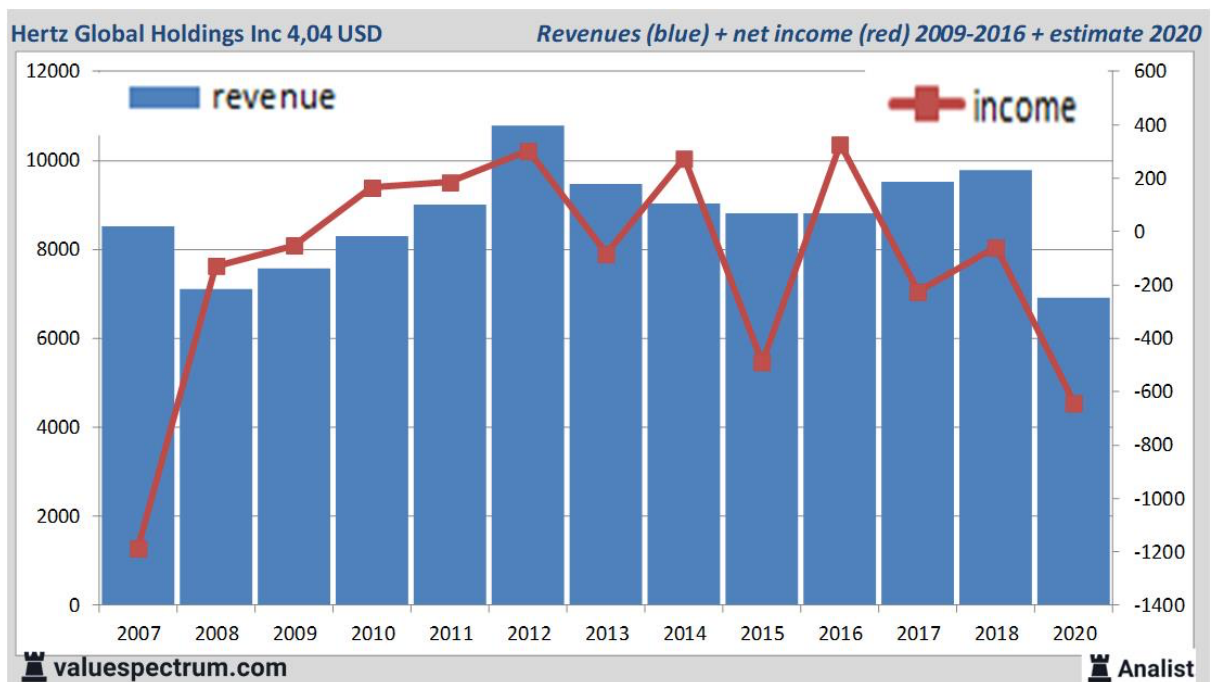


Chart of Hertz's profit over the years

## COVID-19 and Bankruptcy

On May 22, 2020 the company filed for Chapter 11 bankruptcy, which was announced earlier that day by the Wall Street Journal. Company raised capital by taking out loans secured by its fleet of cars, and since pandemic and lockdowns discouraged the need of transportation, company's vehicle became depreciated, which in turn gave lenders the right to demand an immediate payments and reduce the amount of the loan, so it would be covered with regarding of decreased value of cars.

Despite the procedure of going through the bankruptcy, Hertz claimed their intentions in raising additional up to \$1 billion in new equity, it also stayed the disclaimer for the investors: "risk that the common stock could ultimately be worthless".

"Seemingly unprecedented move for a large bankrupt company eager to capitalize on market anomalies" - reacted the Wall Street Journal, characterizing order of measures taken by the firm. Nevertheless, the company's stock became one of the most-traded ones. Hertz sold \$29 million in stock before the Securities Exchange Commission halted further sales, and July 1, 2021, Hertz emerged from Chapter 11 bankruptcy and changed its ticker symbol from HTZGQ to HTZZ.



## 5-10 Years Roll Back

Up to 2002 Hertz entered the Chinese market and assigned itself as an international pioneer among other car rental companies. About a decade later in 2013 it partnered with China's largest analog - China Auto Rental. Three years later it decreased ownership stake, but claimed ceaseless commercial relationship through

Let us now consider conditions of the past and adjust actions which led to the current state of the company. For this purpose let's address SWOT and PEST analysis respectfully:

### SWOT

Strengths	Weaknesses
Loyalty programs and reward for acquisition and retention of customers  Covered huge territories, including airports  Several honors for customer service	Potential done irrelevant expenses  Business model influenced by other industries  Raising capital relying on consistency of demand
Opportunities	Threats
Expanding business in other world's parts, developing in Asian market  Financing from banks and investors on lower rates  Access to travel data and other networks, where potential gaps in the market are allocated. Providing them service.	Depreciating in companies loan securitization.  Changes in LIBOR, interest rates

## PESTEL

Political	Economical
Restriction/tensions in traveling between regions	Economical factors like rental demand and consumer confidence  New vehicle rent pricing, fuel costs
Social	Technological
Changes in minimum wage	Developing applications  Implementing biometric technology  Engage advanced vehicles
Legal	Environmental
Highly regulated environment	Stick to LEED standards  Increasing green impact  Integrating into green sustainable projects  Modernize utilization/usage of fleet

### Current state of affairs

As a matter of fact Hertz never went out of business and exited bankruptcy in summer 2021. Under close looks of investors it restructured its business plan and current main and successful idea is to run the fleet without having excess cars thus minimizing the costs.

Hertz posted earnings per share of 91 cents, excluding some items, surpassing the average estimate of 76 cents from analysts compiled by Bloomberg. Both sales and Ebitda, a measure of earnings excluding interest, taxes, depreciation and amortization, reached a record high in the period.

## **Conclusions and Recommendations**

As we saw in the past several years Covid-19 had a massive impact on running a business, and that is by far the most significant reason for Hertz to claim bankruptcy.

For the company it is advisable to cover opportunities and factors presented in SWOT and PESTEL, and bet on green environment concepts and issues associated with it in the long run. Also restructure strategies of raising capital making it more sustainable even against black swans. One way to achieve that is a combination of securitisation, hedging, engaging investors without non-static risks.