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December 6, 2021

Mr. Mark Fields
Interim Chief Executive Officer
Hertz Global Holdings
8501 Williams Road
3rd Floor
Estero, FL 33928

Dear Mr. Fields:

I am writing regarding Hertz's recent proposal to spend as much as $2 billion buying back stock, a move that is poised to primarily benefit the private equity firm Apollo Global Management[1] at the expense of customers and the long-term health of the company. This decision, and other actions taken before and after Hertz's bankruptcy process, reveals that the company is happy to reward executives, company insiders, and big shareholders while stiffing consumers with record-high rental car costs and ignoring the recent history that nearly wiped out the company.

Hertz entered 2020 "bloated with debt" and was unable to withstand the economic fallout of the COVID-19 pandemic, filing for bankruptcy in May 2020.[2] The company laid off or furloughed 20,000 workers,[3] and sold almost 200,000 cars from its fleet, reducing the fleet size by nearly one third, before emerging from bankruptcy in June 2021.[4]

Hertz executives were inexplicably rewarded on both sides of this bankruptcy. The company paid out more than $16 million in bonuses to top executives and senior managers days before it filed for bankruptcy in 2020;[5] it then paid out an additional $3 million in "retention bonuses" to

[1] Wall Street Journal, "Hertz Targets $2 Billion in Buybacks Amid Pandemic Recovery," Matt Grossman, Nov. 29, 2021, https://www.wsj.com/articles/hertz-targets-2-billion-in-buybacks-amid-pandemic-recovery-11638205059.
[2] New York Times, "Hertz leaves bankruptcy a year after the pandemic devastated the car rental business," Niraj Choksi, June 30, 2021, https://www.nytimes.com/2021/06/30/business/hertz-bankrupcty.html.
[3] New York Times, "Hertz, Car Rental Pioneer, Files for Bankruptcy Protection," Niraj Chokshi, May 22, 2020, https://www.nytimes.com/2020/05/22/business/hertz-bankruptcy-coronavirus-car-rental.html.
[4] New York Times, "Hertz leaves bankruptcy a year after the pandemic devastated the car rental business," Niraj Choksi, June 30, 2021, https://www.nytimes.com/2021/06/30/business/hertz-bankrupcty.html.
[5] Wall Street Journal, "Hertz Paid Out $16 Million in Bonuses, Days Before Bankruptcy," Alexander Gladstrone, May 26, 2020, https://www.wsj.com/articles/hertz-paid-out-16-million-in-bonuses-days-before-bankruptcy-11590524331.

four top executives 45 days after it left bankruptcy.[6] But consumers are footing the bill. Since exiting bankruptcy, the company has reaped record profits while dramatically increasing rental car prices for consumers.

Overall, car and truck rental prices increased by over 39% between October 2020 and October 2021.[7] According to one analyst, Hertz was charging a daily median rental price of $114.49 in August 2021, a 147% increase compared to its pre-pandemic prices.[8] For the third quarter of 2021, the company reported that it increased its year-over-year pricing for the "elements in vehicle rental pricing that management has the ability to control," by 44%.[9] Meanwhile, the company's fleet size was down 35% – approximately 200,000 cars smaller – compared to its pre-pandemic peak and did not grow at all between September 2020 and September 2021.[10]

Not surprisingly, Hertz earned huge profits amid the pandemic recovery, reporting $605 million in income and a record high profit margin of 39%.[11]But just one month after announcing these extraordinary financial results, Hertz revealed its $2 billion buyback program, with the first tranche of these funds going to purchase preferred stock owned by Apollo Capital Management,[12] the private equity fund that earned nearly $3.7 billion in profits in the first nine months of 2021.[13] This purchase will provide Apollo with a 70% annualized return on its initial investment.[14] The buyback announcement resulted in an immediate 6% increase in Hertz's stock price – a boon for large shareholders and company executives even as Hertz's customers face record-high rental prices.[15]

The press release announcing the $2 billion buyback indicated that "The repurchase program allows for ongoing and profitable investment in the business while utilizing moderate balance

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[6] Business Observer, "Hertz board approves executives bonuses weeks after exiting bankruptcy – and a year after massive job cuts," Louis Llovio, Aug. 17, 2021, https://www.businessobserverfl.com/article/hertz-board-approves-executives-bonuses-weeks-after-exiting-bankruptcy-and-a-year-after-massive-job-cuts.

[7] Bureau of Labor Statistics, Table 2, Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, October 2021, https://www.bls.gov/news.release/cpi.t02.htm.

[8] New York Post, "U.S. car rental prices could double by August amid nationwide shortage," Josh Kosman, June 16, 2021, https://nypost.com/2021/06/16/us-car-rental-prices-could-double-by-august-amid-shortage/.

[9] This measure is known in industry jargon as Total Revenue per Transaction Day, or "RPD." Hertz, "Hertz Global Holdings Reports Strong Quarterly Results," Oct. 28, 2021, https://ir.hertz.com/2021-10-28-Hertz-Global-Holdings-Reports-Strong-Quarterly-Results.

[10] *Id.*

[11] *Id.*.

[12] Hertz, "Hertz Announces $2.0 Billion Share Repurchase Program," Nov. 29, 2021, https://ir.hertz.com/2021-11-29-Hertz-Announces-2-0-Billion-Share-Repurchase-Program.; Wall Street Journal, "Hertz Targets $2 Billion in Buybacks Amid Pandemic Recovery," Matt Grossman, Nov. 29, 2021, https://www.wsj.com/articles/hertz-targets-2-billion-in-buybacks-amid-pandemic-recovery-11638205059.

[13] Apollo Global Management, "Apollo Global Management, Inc. Reports Third Quarter 2021 Results," https://www.apollo.com/~/media/Files/A/Apollo-V3/press-release/2021/earnings-release-3q-2021.pdf.

[14] Wall Street Journal, "Hertz Targets $2 Billion in Buybacks Amid Pandemic Recovery," Matt Grossman, Nov. 29, 2021, https://www.wsj.com/articles/hertz-targets-2-billion-in-buybacks-amid-pandemic-recovery-11638205059.

[15] *Id.*

sheet leverage."[16] However, it is difficult to see how this stock buyback is consistent with those goals. It weakens capital reserves as the country faces a new scare from the Omicron coronavirus variant that again threatens the travel industry, and as Hertz faces fresh questions about how long it will take the company to rebuild its rental car inventory.[17]

You owe your customers and the public an explanation for this $2 billion buyback, and whether it is in the best interests of the long-term health of the company and its consumers. To address these matters, I ask that you provide answers to the following questions no later than December 17, 2021.

1. What impact will the buyback have on the company's capital reserves and investment outcomes? Specifically,
    a. What was the company's debt-to-equity ratio as of November 28, 2021? What is the expected ratio after the $2 billion buyback is complete?
    b. When does Hertz anticipate returning to its pre-pandemic rental car inventory levels? How much does the company intend to invest to alleviate supply and demand concerns that may result in increasing rental car costs?
2. How much will top executives and Board members benefit from the buyback?
    a. Please list the total number of Hertz shares held by each top company executive and Board member.
    b. Do any of these individuals receive bonus compensation that is based on the company's annual stock performance?
3. What was the specific rationale for spending $2 billion on stock buybacks? Did Board members or company executives consider reducing customer prices rather than spending capital on stock buybacks? If you did consider this option, why did you choose to continue charging such high prices?
4. Do company officials believe the Omicron variant, or the appearance of other dangerous coronavirus variants, may pose a risk to the core rental car business? If so, will officials reconsider the buybacks to preserve capital if needed to address these risks?

Sincerely,

Elizabeth Warren
United States Senator

[16] Hertz, "Hertz Announces $2.0 Billion Share Repurchase Program," Nov. 29, 2021, https://ir.hertz.com/2021-11-29-Hertz-Announces-2-0-Billion-Share-Repurchase-Program.
[17] Wall Street Journal, "Hertz Will Have to Wait for Teslas, Just Like Other Buyers," Emily Glazer and Nora Naughton, Nov. 4, 2021, https://www.wsj.com/articles/hertz-will-have-to-wait-for-teslas-just-like-other-buyers-11636028622.