

EVENT DRIVEN SPECIAL SITUATION

14th September 2015 **Trade Recommendation**

Hertz (HTZ)

Services Sector

BUY

Current price \$18.25

Target price \$22.00-\$24.00

Stop Loss \$15.00 in fo@logic investments.eu

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Stock buy-back plan of \$1bn (12% of market cap)

Bloomberg HTZ NYSE

52-week low

Spin-off of the capital equipment business

· Carl Icahn, activist shareholder, has built a 11.6% stake

Market data	
Market cap(\$m)	8,390
P/E (forward)	15.6
Dividend Yield	N/A
Beta	1.41
52-week high	\$28.08

\$14.85

Background:

Hertz Global Holdings is involved in the global car and equipment rental industry. It operates its equipment rental business through Hertz Equipment Rental Corp. It operates in four segments: U.S. Car Rental, International Car Rental, Worldwide Equipment Rental, and All Other Operations. The company rents various makes and models of cars, crossovers, and light trucks under the Hertz, Dollar, Thrifty, and Firefly car rental brands on hourly, daily, weekend, weekly, monthly, or multi-month basis primarily to individual travellers, large businesses, governments, and other organizations through a network of company-operated rental a5irport and off-airport locations, as well as franchise locations.

Key Points:

Turnaround Story

Hertz has been plagued by underperformance which in own opinion stopped when the new CEO took over a few months back. Mr Tague was the former CEO at United Airlines transforming it from the worst underperformer in the sector to the most efficient during his tenure.

Catalysts – Firstly, we have the 1 billion dollar buy-back program announced and being executed as we speak. The second major catalyst is the announced spin-off of the capital equipment business – and very possibly a sale of this business which would bring the plan forward. Thirdly, we have Carl Icahn on shareholders side with 3 board seats and a 11.6% stake in the company. Finally, we have seen continued insider buying.

On almost any metric this company looks excellent value – its trading less than 1 times revenue with very obvious catalysts.

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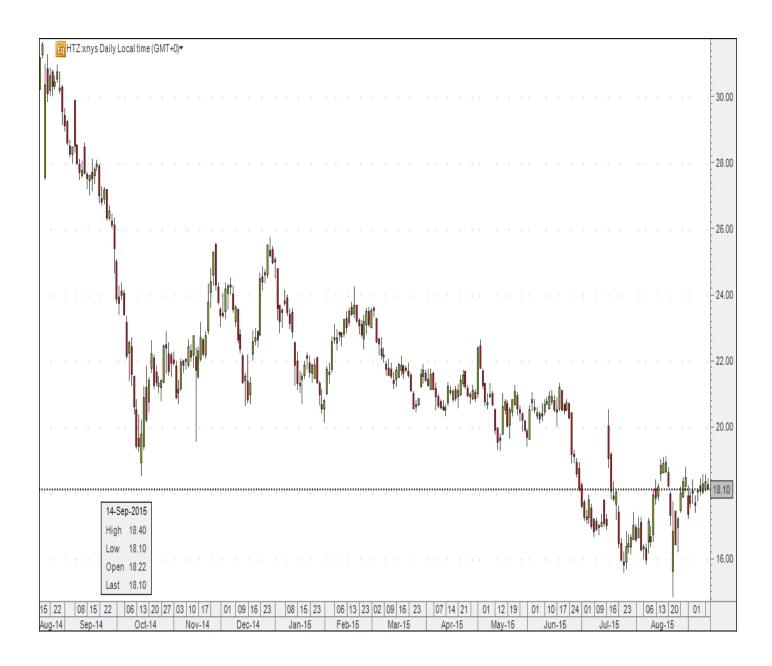
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Threats

The major worry with the car rental sector has been the proliferation of the car sharing apps – UBER/LYFT. Although they are very much disrupters to the taxi cab industry there has been no evidence that longer term rentals will be impacted – it is also worth noting that the car sharing apps are very much heavy metropolitan based city targets and one can very easily argue that they would actually come in more expensive if needed trips were multiple stops and longer in duration.

Investment or Trade?

This story will take a little time to play out but having said that two things should be kept in mind – firstly with the recent market volatility the stock held up extremely well so at current levels we could easily still see returns of 10-15% and average targets in the street are for returns into the 30% area. The company also has an Investor Day in November which is highly likely to be a major catalyst with perhaps additional catalysts being announced.



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