

## **John Stancavage: Hertz continues to struggle with financial reports**

**BY JOHN STANCAVAGE World Business Columnist | Posted: Wednesday, June 10, 2015  
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We haven't written much about troubled auto rental giant Hertz Global Holdings since Tulsan Scott Thompson was passed over for the CEO job last fall.

Surprisingly, there hasn't been much to report as the company has remained bogged down trying to sort out its accounting problems.

Hertz announced last June it was going to have to restate earnings going all the way back to 2011. Since that statement, Hertz has missed filing deadlines for quarterly reports and, just recently, its 2014 10-K, or annual report.

Now it faces another deadline of Sept. 17 to correct its filing delinquency issues. The New York Stock Exchange has a six-month grace period that runs past that date to March 2016, after which it could delist the company's stock.

Hertz, though, has said it intends to stick to its last prediction that it will restate its earnings by mid-year, which roughly would be a few weeks from now.

Meanwhile, as Hertz works feverishly to clean up its books, its stock price has slumped and jobs continue to be lost in Tulsa.

Things looked much brighter for Hertz in 2012 when it bought Tulsa-based Dollar Thrifty Automotive Group.

It paid more than \$80 a share for DTAG, a premium price for a company it had long coveted.

But the DTAG deal helped the company run up \$16 billion in debts and attracted the attention of activist shareholders like Carl Icahn.

Hertz CEO Mark Frissora stepped down, replaced by a man reportedly picked by Icahn, former United Airlines President John Tague.

Now, questions include: Can Hertz meet its mid-year deadline? Will investors cheer the turnaround with a bump in the stock price?

And, what ultimately will be the fate of the Dollar Thrifty operation that's left in Tulsa?

Tulsa money manager Fred Russell observed that the amount of time Hertz has gone without restating earnings is very unusual. And, simply restating 2011-2013 would be unusual.

"Typically, a company might restate 18 months at most," said the analyst, principal of Fredric E. Russell Investment Management. "But Hertz has to go back several years."

Meanwhile, the New Jersey-based company continues to be saddled with debt — \$16 billion — and is working to consolidate much of its management in a new headquarters in Estero, Florida.

Where does that leave Tulsa's Dollar Thrifty? DTAG once employed about 700 people in Tulsa, but we have been hearing for some time from sources close to the company that many of those jobs were disappearing.

Hertz, until this week, had declined to offer regular updates on employment here. But when I called Richard Broome, Hertz's executive vice president for corporate affairs and communications, on Tuesday he agreed to give me a current total.

"Dollar Thrifty now employs about 200 in Tulsa," he said.

In addition, the company still is trying to sell or lease DTAG's longtime campus east of 31st Street and Yale Avenue, Broome said. Dollar Thrifty's remaining local operations have been consolidated into the West Tower there.

Broome said he couldn't comment on what the final size of Dollar Thrifty's Tulsa work force might be.

While Hertz works to absorb Dollar Thrifty, it also is making changes in its own brand.

Hertz said last month it's raising prices by up to \$5 a day in expectation of a busy summer travel season. It also is adding more new cars to its fleet.

In addition, it plans to close about 200 stores, 5 percent of its off-airport locations, which will save \$10 million a year.

Investors seem to be waiting cautiously for Hertz to resolve its accounting problems, however. The company's stock closed Tuesday little changed at about \$20 a share, not far from its 52-week low. In comparison, the stock traded above \$31 last August.

“Some investors may be willing to take a chance on Hertz. They may think it's a bargain,” Russell said, looking at research prepared by his senior portfolio manager, Qian Zhang.

“But, with all of its debt and financial issues, it's not the kind of company I like, or one that I think rational investors would like.”

It will be interesting to see if Hertz can fulfill the promise of becoming the powerhouse industry leader it was poised to be after the DTAG acquisition. And, if it does, how will Tulsa fit into its plans?



Hertz Global Holdings

A Hertz Global Holdings Inc. sign is displayed in San Francisco. The troubled auto rental company faces a Sept. 17 deadline to correct its filing delinquency issues with the New York Stock Exchange. Bloomberg file