



## Analysts says Dollar Thrifty-Hertz merger likely to be approved by FTC

BY D.R. STEWART World Staff Writer  
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A \$2.3 billion merger between Tulsa-based Dollar Thrifty Automotive Group Inc. and Hertz Global Holdings Inc. is not expected to encounter regulatory roadblocks and will create a business and leisure rental car powerhouse, analysts say.

However, if the deal wins antitrust approval of the Federal Trade Commission and the economy heads into another recession, all bets are off, officials said.

"Optimistically, this is a great combination," said Fred Russell, who follows Dollar Thrifty for Fredric E. Russell Investment Management Co. Inc. in Tulsa. "The bad thing is that this (Hertz) is going to be one heavily leveraged company. If we have a recession, you may not want to be a shareholder."

At the close of the second quarter, Hertz's total debt was \$12.47 billion, a 10.35 percent increase since the first of the year. Second quarter revenue was \$2.2 billion.

The Park Ridge, N.J.-based firm's cash and short-term investments on June 30 were \$586.2 million, down 37 percent from \$931.8 million on Dec. 31.

Nima Samadi, a rental car industry analyst with IBISWorld Inc. in Santa Monica, Calif., said he doesn't see any potential "speed bumps" in a Dollar Thrifty/Hertz deal.

"Whether or not it's a done deal, they (Hertz) must feel pretty confident for them to put another bid in at this moment," Samadi said.

The boards of directors of both companies have unanimously approved the transaction, company executives said.

The merger has been structured as a two-step acquisition that includes a cash tender offer for more than 29 million shares of Dollar Thrifty common stock outstanding followed by a cash merger in which Hertz would acquire any remaining outstanding shares. The transaction is subject to the tender of at least a majority of the shares of Dollar Thrifty common stock, as well as other customary closing conditions, Hertz executives said.

Hertz said it has reached an agreement to sell its Advantage discount rental car brand to Franchise Services of North America and Macquarie Capital. The closing of the Advantage sale is conditioned upon Hertz

completing the acquisition of Dollar Thrifty, Hertz executives said.

Hertz spokesman Richard Broome said the company expects FTC approval of the deal in October.

"The process to complete this (Dollar Thrifty) transaction will take most of this year," Broome said. "At this point, we are focused on the next step, which is securing approval at the FTC."

Hertz has 24,000 employees companywide, including 1,700 at a reservations center in Oklahoma City and 500 at its Park Ridge, N.J., corporate offices.

Dollar Thrifty has 5,900 employees overall, including 780 in Tulsa at its corporate offices at 5310 E. 31st St.

The obvious concerns of Tulsa residents and Dollar Thrifty employees are layoffs.

Hertz said the merger is expected to create significant synergy opportunities, including higher productivity and efficiency from shared assets, the elimination of duplicate functions and better deals from suppliers.

Hertz anticipates at least \$160 million of annual cost synergies from the transaction, with additional sales growth opportunities.

"The transaction provides Hertz instant scale with two new, well-established brands with airport concession infrastructure in the mid-tier value segment," said Hertz Chairman and CEO Mark Frissora. "We'll be a stronger global competitive player with a full range of rental options not only in the U.S. but in Europe and other markets given Dollar Thrifty's strong international presence."

Broome said an analysis of the integration of the two companies may not begin until late this year or in 2013.

"We know there are a lot of great people who work at Dollar Thrifty, and we know there are overlapping functions," Broome said. "We're going to be completely agnostic about whether officials work for Hertz or Dollar Thrifty. We're going to be employing the best people."

The \$87.50-per-share price offered by Hertz is a hefty premium to the New Jersey firm's two previous offers but one the market supports, analysts said.

Dollar Thrifty shares closed Monday at \$87.08, up \$6.08, or 7.5 percent. The volume was 9.59 million shares compared to its average daily volume of 628,125 shares. In the past year, Dollar Thrifty has traded between a low of \$50.94 and a high of \$84.91.

"The fact the stock has not traded above the (Hertz offer) price tells you nobody else is going to make an offer, that Hertz is not going to offer a higher price and there will not be other suitors," said Russell, the Tulsa money manager. "Two years ago, Hertz thought they could get Dollar Thrifty for \$41."

And, at several points in early 2009, an acquirer could have bought the company for less than \$1 a share, records show.

In May 2011, Hertz launched a \$2.25 billion \$72-a-share offer for Dollar Thrifty after shareholders of the Tulsa company rejected its previous \$1.46 billion offer in September 2010.

"Hertz has made a compelling offer to our stockholders that reflects the strength of our business and our team," said Dollar Thrifty Chairman, President and CEO Scott Thompson. "Hertz is the logical partner for us with the resources to expand our value-focused leisure brands in key car rental markets around the world. After three years of merger-related activity and speculation, I am pleased that we have reached a win-win transaction for both Hertz and Dollar Thrifty."

Hertz shares closed Monday at \$14.21, up \$1.06 or 8 percent. Volume was 35.4 million shares, seven times its average daily trading volume.

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### **Synergies from a merger**

- At least \$160 million annually in efficiencies and sales growth.
- Eliminate duplicate functions.
- Economies of scale.
- Expand in value market in Europe.
- Extend travel partnerships.

*Sources: Dollar Thrifty Automotive Group Inc., Hertz Global Holdings Inc.*

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### **Profiles of Dollar Thrifty and Hertz**

#### **Dollar Thrifty Automotive Group Inc.**

**Corporate offices:** Tulsa

**Employees:** 5,900, including 780 in Tulsa

**Corporate and franchise locations:** 1,580 in United States, Canada and 82 countries

**2012 second quarter net income:** \$49.4 million, or \$1.69 per share

#### **Hertz Global Holdings Inc.**

Corporate offices: Park Ridge, N.J.

**Employees:** 24,000, including 1,700 in Oklahoma City

**Corporate and franchise locations:** 8,650 in 150 countries

**2012 second quarter net income:** \$92.9 million, or 21 cents per share

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**D.R. Stewart 918-581-8451**

[don.stewart@tulsaworld.com](mailto:don.stewart@tulsaworld.com)

Associated Images:



A banner advises of available jobs at the Hertz car rental desk at Tulsa International Airport on Monday. MATT BARNARD / Tulsa World

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