



Chicago hedge fund now owns 11 percent stake in Dollar Thrifty

BY D.R. STEWART World Staff Writer
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A Chicago hedge fund has purchased 77,800 shares of Dollar Thrifty Automotive Group Inc. in the last month, anticipating a rising share price in conjunction with a renewed takeover bid by Hertz Global Holdings Inc., industry analysts said Thursday.

The hedge fund, Pentwater Capital Management LP, now controls 3.2 million shares of the Tulsa-based rental car company or 11 percent of Dollar Thrifty's 29.5 million shares outstanding as of March 31, company filings with the Securities and Exchange Commission show.

Pentwater paid from \$77.35 to \$80.93 per share for its Dollar Thrifty holdings over the past month, SEC documents show.

Pentwater now controls more Dollar Thrifty shares than Hertz, which held 2.4 million Dollar Thrifty shares at the beginning of the year.

A Pentwater spokesman said the company does not comment on any of its holdings.

Dollar Thrifty CEO Scott Thompson also declined to comment.

Although some industry observers speculate Pentwater may be in the market with its own offer for Dollar Thrifty, Nima Samadi, who follows the rental car industry for California-based IBISWorld Inc., said the hedge fund is betting on another Hertz offer.

"My sense is that they are anticipating a Hertz takeover and making a quick return on it," Samadi said. "Hertz will make another offer. They want to have a larger presence in the leisure and low cost segment."

Dollar Thrifty shares closed Thursday at \$80.99, down \$1.82 or 2.2 percent.

Hertz shares dropped 53 cents or 4 percent, closing at \$12.73.

Hertz first tried to buy Dollar Thrifty in April 2010.

In September 2010, Dollar Thrifty shareholders rejected Hertz's \$1.46 billion \$50.99-a-share offer.

Hertz launched a second \$2.25 billion \$72-a-share offer for Dollar Thrifty in May 2011 but withdrew that bid in October.

After the New Jersey-based rental car firm pulled its bid, the company said it would continue to pursue Federal Trade Commission approval for a merger with Dollar Thrifty.

The key to FTC approval is Hertz's divestiture of its Advantage rental car value brand, industry officials say.

In a May 3 conference call, Hertz CEO Mark Frissora said the company and an unnamed potential buyer have reached terms for the divestiture of Advantage. Frissora said the company is "optimistic" the divestiture will meet with FTC approval and clear the way for Hertz and Dollar Thrifty to begin negotiations on a takeover.

But Dollar Thrifty is prospering as an independent company and intends to remain so, Thompson said.

In May, Dollar Thrifty reported record first quarter earnings of \$40.4 million, or \$1.35 per share, on revenue of \$356.27 million.

In response to Hertz's last offer, the Dollar Thrifty board of directors adopted a "poison pill" shareholder rights plan designed to thwart a hostile takeover.

The board recently extended for another year, until May 30, 2013, the shareholder rights plan.

Industry analysts said Hertz must make a compelling offer - from \$85 to \$100 per share - to sway Dollar Thrifty shareholders.

"They certainly are not going to take a low-ball offer from Hertz," said Fred Russell, CEO of Fredric E. Russell Investment Management Co. in Tulsa. "I wouldn't be surprised to see it go to \$90 to \$100 or even more."

Michael Millman, who follows the rental car industry for Millman Research Associates, said in a May note that Hertz could pay \$100 a share for Dollar Thrifty and still boost Hertz's earnings.

Jake Dollarhide, CEO of Longbow Asset Management Co., said Pentwater's interest in Dollar Thrifty is making money on a Hertz buyout offer.

"Shareholders wouldn't approve of a buyout at less than \$90 to \$100 a share," Dollarhide said. "It would have to be at least 10 percent or more above current prices. Shareholders have to receive something of value. They need something to wow them to vote yes on a takeover."

Samadi said to expect a new bid by Hertz as soon as the Advantage unit is sold and the FTC grants antitrust clearance to a Hertz/Dollar Thrifty combination.

"I don't think they (Hertz) would go through that effort to back off at this point," Samadi said.

Pentwater Capital Management's holdings

- El Paso Corp.: 11.9 million shares
- Leap Wireless International Inc.: 5.3 million shares
- Medco Health Solutions Inc.: 4.6 million shares

- Yahoo Inc.: 3.8 million shares
- Dollar Thrifty Automotive Group Inc.: 3.2 million shares
- Six Flags Entertainment Corp.: 3.1 million shares

Source: www.insidermonkey.com

U.S. Rental Car Industry Market Share

- Enterprise Rent-A-Car: 38 percent
- Hertz Global Holdings Inc.: 18.9 percent
- Avis Rent A Car System: 18.5 percent
- Dollar Thrifty Automotive Group Inc.: 5 percent

Source: IBISWorld Inc.

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