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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2024**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission File Number 001-33139**

**HERC HOLDINGS INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**20-3530539**

(I.R.S. Employer  
Identification Number)

**27500 Riverview Center Blvd.  
Bonita Springs, Florida 34134  
(239) 301-1000**

(Address, including Zip Code, and telephone number,  
including area code, of registrant's principal executive offices)

**Not Applicable**

(Former name, former address and former fiscal year,  
if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, par value \$0.01 per share	HRI	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Accelerated filer	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of April 19, 2024, there were 28,368,574 shares of the registrant's common stock, \$0.01 par value, outstanding.

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**HERC HOLDINGS INC. AND SUBSIDIARIES**

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## HERC HOLDINGS INC. AND SUBSIDIARIES

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

*This Quarterly Report on Form 10-Q for the period ended March 31, 2024 (this "Report") includes "forward-looking statements," as that term is defined by the federal securities laws. Forward-looking statements include statements concerning our business plans and strategy, projected profitability, performance or cash flows, future capital expenditures, our growth strategy, including our ability to grow organically and through M&A, anticipated financing needs, business trends, our capital allocation strategy, liquidity and capital management, exploring strategic alternatives for Cinelease, including the timing of the review process, the outcome of the process and the costs and benefits of the process, and other information that is not historical information. Forward looking statements are generally identified by the words "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "forecasts," "looks," and future or conditional verbs, such as "will," "should," "could" or "may," as well as variations of such words or similar expressions. All forward-looking statements are based upon our current expectations and various assumptions and apply only as of the date of this Report. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that our expectations, beliefs and projections will be achieved.*

*There are a number of risks, uncertainties and other important factors that could cause our actual results to differ materially from those suggested by our forward-looking statements, including those set forth in our Annual Report on Form 10-K for the year ended December 31, 2023 under Item 1A "Risk Factors," in Part II, Item 1A of this Report, and in our other filings with the Securities and Exchange Commission. All forward-looking statements are expressly qualified in their entirety by such cautionary statements. We undertake no obligation to update or revise forward-looking statements that have been made to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.*

**PART I—FINANCIAL INFORMATION**

**ITEM I. FINANCIAL STATEMENTS**

**HERC HOLDINGS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In millions, except par value)

	March 31, 2024	December 31, 2023
<b>ASSETS</b>		
	(Unaudited)	
Cash and cash equivalents	\$ 63	\$ 71
Receivables, net of allowances of \$17 and \$20, respectively	560	563
Other current assets	67	77
Assets held for sale	27	21
Total current assets	717	732
Rental equipment, net	3,831	3,831
Property and equipment, net	486	465
Right-of-use lease assets	721	665
Intangible assets, net	496	467
Goodwill	537	483
Other long-term assets	10	10
Assets held for sale	409	408
Total assets	\$ 7,207	\$ 7,061
<b>LIABILITIES AND EQUITY</b>		
Current maturities of long-term debt and financing obligations	\$ 19	\$ 19
Current maturities of operating lease liabilities	37	37
Accounts payable	201	212
Accrued liabilities	194	221
Liabilities held for sale	23	19
Total current liabilities	474	508
Long-term debt, net	3,753	3,673
Financing obligations, net	103	104
Operating lease liabilities	705	646
Deferred tax liabilities	750	743
Other long term liabilities	48	46
Liabilities held for sale	66	68
Total liabilities	5,899	5,788
Commitments and contingencies (Note 12)		
Equity:		
Preferred stock, \$0.01 par value, 13.3 shares authorized, no shares issued and outstanding	—	—
Common stock, \$0.01 par value, 133.3 shares authorized, 33.2 and 33.1 shares issued and 28.3 and 28.2 shares outstanding	—	—
Additional paid-in capital	1,815	1,820
Retained earnings	544	498
Accumulated other comprehensive loss	(124)	(118)
Treasury stock, at cost, 4.9 shares and 4.9 shares	(927)	(927)
Total equity	1,308	1,273
Total liabilities and equity	\$ 7,207	\$ 7,061

The accompanying notes are an integral part of these financial statements.

**HERC HOLDINGS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**Unaudited**

**(In millions, except per share data)**

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Revenues:</b>		
Equipment rental	\$ 719	\$ 654
Sales of rental equipment	69	71
Sales of new equipment, parts and supplies	9	8
Service and other revenue	7	7
Total revenues	<u>804</u>	<u>740</u>
<b>Expenses:</b>		
Direct operating	307	281
Depreciation of rental equipment	160	152
Cost of sales of rental equipment	46	46
Cost of sales of new equipment, parts and supplies	6	5
Selling, general and administrative	115	106
Non-rental depreciation and amortization	29	26
Interest expense, net	61	48
Other expense (income), net	(1)	1
Total expenses	<u>723</u>	<u>665</u>
Income before income taxes	81	75
Income tax provision	(16)	(8)
Net income	<u>\$ 65</u>	<u>\$ 67</u>
<b>Weighted average shares outstanding:</b>		
Basic	28.3	29.0
Diluted	28.4	29.4
<b>Earnings per share:</b>		
Basic	\$ 2.30	\$ 2.31
Diluted	\$ 2.29	\$ 2.28

The accompanying notes are an integral part of these financial statements.

**HERC HOLDINGS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**Unaudited**  
**(In millions)**

	<u>Three Months Ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Net income .....	\$ 65	\$ 67
Other comprehensive income (loss):		
Foreign currency translation adjustments .....	(6)	1
Pension and postretirement benefit liability adjustments:		
Amortization of net losses included in net periodic pension cost .....	—	1
Total other comprehensive income (loss) .....	(6)	2
Total comprehensive income .....	<u>\$ 59</u>	<u>\$ 69</u>

The accompanying notes are an integral part of these financial statements.

**HERC HOLDINGS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**Unaudited**  
**(In millions)**

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Equity
	Shares	Amount					
Balance at December 31, 2023	28.2	\$ —	\$ 1,820	\$ 498	\$ (118)	\$ (927)	\$ 1,273
Net income	—	—	—	65	—	—	65
Other comprehensive loss	—	—	—	—	(6)	—	(6)
Stock-based compensation charges	—	—	5	—	—	—	5
Dividends declared, \$0.665 per share	—	—	—	(19)	—	—	(19)
Net settlement on vesting of equity awards	0.1	—	(12)	—	—	—	(12)
Employee stock purchase plan	—	—	1	—	—	—	1
Exercise of stock options	—	—	1	—	—	—	1
Balance at March 31, 2024	28.3	\$ —	\$ 1,815	\$ 544	\$ (124)	\$ (927)	\$ 1,308

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Equity
	Shares	Amount					
Balance at December 31, 2022	28.9	\$ —	\$ 1,820	\$ 224	\$ (129)	\$ (807)	\$ 1,108
Net income	—	—	—	67	—	—	67
Other comprehensive income	—	—	—	—	2	—	2
Stock-based compensation charges	—	—	4	—	—	—	4
Dividends declared, \$0.6325 per share	—	—	—	(19)	—	—	(19)
Net settlement on vesting of equity awards	0.3	—	(25)	—	—	—	(25)
Employee stock purchase plan	—	—	1	—	—	—	1
Exercise of stock options	—	—	1	—	—	—	1
Repurchase of common stock	(0.4)	—	—	—	—	(52)	(52)
Balance at March 31, 2023	28.8	\$ —	\$ 1,801	\$ 272	\$ (127)	\$ (859)	\$ 1,087

The accompanying notes are an integral part of these financial statements.

**HERC HOLDINGS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Unaudited**  
**(In millions)**

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 65	\$ 67
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation of rental equipment	160	152
Depreciation of property and equipment	19	17
Amortization of intangible assets	10	9
Amortization of deferred debt and financing obligations costs	1	1
Stock-based compensation charges	5	4
Provision for receivables allowances	12	13
Deferred taxes	9	3
Gain on sale of rental equipment	(23)	(25)
Other	3	2
<b>Changes in assets and liabilities:</b>		
Receivables	(7)	13
Other assets	(6)	(2)
Accounts payable	(2)	8
Accrued liabilities and other long-term liabilities	(6)	(27)
Net cash provided by operating activities	<u>240</u>	<u>235</u>
<b>Cash flows from investing activities:</b>		
Rental equipment expenditures	(181)	(332)
Proceeds from disposal of rental equipment	61	49
Non-rental capital expenditures	(30)	(33)
Proceeds from disposal of property and equipment	2	3
Acquisitions, net of cash acquired	(148)	(138)
Net cash used in investing activities	<u>(296)</u>	<u>(451)</u>

The accompanying notes are an integral part of these financial statements.



**HERC HOLDINGS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**

**Unaudited**  
**(In millions)**

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Cash flows from financing activities:		
Proceeds from revolving lines of credit and securitization	385	640
Repayments on revolving lines of credit and securitization	(302)	(347)
Principal payments under finance lease and financing obligations	(5)	(4)
Dividends paid	(20)	(20)
Net settlement on vesting of equity awards	(12)	(25)
Proceeds from employee stock purchase plan	1	1
Proceeds from exercise of stock options	1	1
Repurchase of common stock	—	(44)
Net cash provided by financing activities	<u>48</u>	<u>202</u>
Effect of foreign exchange rate changes on cash and cash equivalents	—	—
Net change in cash and cash equivalents during the period	(8)	(14)
Cash and cash equivalents at beginning of period	71	54
Cash and cash equivalents at end of period	<u>\$ 63</u>	<u>\$ 40</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 78	\$ 63
Cash paid for income taxes, net	\$ 3	\$ 1
<b>Supplemental disclosure of non-cash investing activity:</b>		
Purchases of rental equipment in accounts payable	\$ —	\$ 18
Non-rental capital expenditures in accounts payable	\$ 5	\$ 3
Disposal of rental equipment in accounts receivable	\$ 5	\$ 15
<b>Supplemental disclosure of non-cash investing and financing activity:</b>		
Equipment acquired through finance lease	\$ 3	\$ 3

The accompanying notes are an integral part of these financial statements.

**HERC HOLDINGS INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Unaudited**

**Note 1—Organization and Description of Business**

Herc Holdings Inc. ("we," "us," "our," "Herc Holdings," or "the Company") is one of the leading equipment rental suppliers with 412 locations in North America as of March 31, 2024. The Company conducts substantially all of its operations through subsidiaries, including Herc Rentals Inc. ("Herc"). With over 58 years of experience, the Company is a full-line equipment rental supplier offering a broad portfolio of equipment for rent. In addition to its principal business of equipment rental, the Company sells used equipment and contractor supplies such as construction consumables, tools, small equipment and safety supplies; provides repair, maintenance, equipment management services and safety training to certain of its customers; offers equipment re-rental services and provides on-site support to its customers; and provides ancillary services such as equipment transport, rental protection, cleaning, refueling and labor.

The Company's fleet includes aerial, earthmoving, material handling, trucks and trailers, air compressors, compaction, lighting, trench shoring, and studio and production equipment. The Company's equipment rental business is supported by ProSolutions®, its industry-specific solutions-based services, which includes power generation, climate control, remediation and restoration, and pumps, and its ProContractor professional grade tools.

**Note 2—Basis of Presentation and Significant Accounting Policies**

***Basis of Presentation***

The Company prepares its condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In the opinion of management, the condensed consolidated financial statements reflect all adjustments of a normal recurring nature that are necessary for a fair statement of the results for the interim periods presented. Interim results are not necessarily indicative of results for a full year. The year-end condensed consolidated balance sheet data was derived from audited financial statements, however, these condensed consolidated financial statements do not include all of the disclosures required for complete annual financial statements and, accordingly, certain information, footnotes and disclosures normally included in annual financial statements, prepared in accordance with U.S. GAAP, have been condensed or omitted in accordance with Securities and Exchange Commission ("SEC") rules and regulations. The Company believes that the disclosures made are adequate to make the information not misleading. Accordingly, the condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 13, 2024.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes. Actual results could differ materially from those estimates.

Significant estimates inherent in the preparation of the condensed consolidated financial statements include receivables allowances, depreciation of rental equipment, the recoverability of long-lived assets, useful lives and impairment of long-lived tangible and intangible assets including goodwill and trade name, valuation of acquired intangible assets, pension and postretirement benefits, valuation of stock-based compensation, reserves for litigation and other contingencies and accounting for income taxes, among others.

***Principles of Consolidation***

The condensed consolidated financial statements include the accounts of Herc Holdings and its wholly owned subsidiaries. In the event that the Company is a primary beneficiary of a variable interest entity, the assets, liabilities and results of operations of the variable interest entity are included in the Company's condensed consolidated financial statements. The Company accounts for investments in joint ventures using the equity method when it has significant influence but not control and is not the primary beneficiary. All significant intercompany transactions have been eliminated in consolidation.

**HERC HOLDINGS INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Unaudited**

***Recently Issued Accounting Pronouncements and Disclosure Rules***

Not Yet Adopted

*Improvements to Reportable Segment Disclosures*

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" ("ASU 2023-07"), which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The guidance is to be applied retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The Company is currently evaluating the potential impact of adopting this new guidance on its consolidated financial statements and related disclosures.

*Improvements to Income Tax Disclosures*

In December 2023, the FASB issued Accounting Standards Update No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" ("ASU 2023-09"), which modifies the rules on income tax disclosures to require entities to disclose (1) specific categories in the rate reconciliation, (2) the income or loss from continuing operations before income tax expense or benefit (separated between domestic and foreign) and (3) income tax expense or benefit from continuing operations (separated by federal, state and foreign). ASU 2023-09 also requires entities to disclose their income tax payments to international, federal, state and local jurisdictions, among other changes. The guidance is effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. ASU 2023-09 should be applied on a prospective basis, but retrospective application is permitted. The Company is currently evaluating the potential impact of adopting this new guidance on its consolidated financial statements and related disclosures.

*Climate-Related Disclosure Rules*

In March 2024, the SEC issued final climate-related disclosure rules that will require disclosure of material climate-related risks and material direct greenhouse gas emissions from operations owned or controlled (Scope 1) and material indirect greenhouse gas emissions from purchased energy consumed in owned or controlled operations (Scope 2). Additionally, the rules require disclosure in the notes to the financial statements of the effects of severe weather events and other natural conditions, subject to certain materiality thresholds. The disclosure requirements will begin phasing in for annual periods beginning in calendar year 2025. Currently, it is uncertain whether the SEC's new climate-related disclosure rules will withstand pending and future legal challenges. In April 2024, the SEC issued an order staying implementation of the new disclosure regulations pending the resolution of certain challenges. The Company is currently in the process of analyzing the impact of the rules on its related disclosures.

**Note 3—Revenue Recognition**

The Company is principally engaged in the business of renting equipment. Ancillary to the Company's principal equipment rental business, the Company also sells used rental equipment, new equipment and parts and supplies and offers certain services to support its customers. The Company operates in North America with revenue from the United States representing approximately 92.7% of total revenue for the three months ended March 31, 2024 compared to 91.9% for the same period in 2023.

The Company's rental transactions are accounted for under Accounting Standards Codification ("ASC") Topic 842, *Leases* ("Topic 842"). The Company's sale of rental and new equipment, parts and supplies along with certain services provided to customers are accounted for under ASC Topic 606, *Revenue from Contracts with Customers* ("Topic 606"). The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The amount of revenue recognized reflects the consideration the Company expects to be entitled to in exchange for such products or services.

**HERC HOLDINGS INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Unaudited**

The following summarizes the applicable accounting guidance for the Company's revenues for the three months ended March 31, 2024 and 2023 (in millions):

	Three Months Ended March 31,					
	2024			2023		
	Topic 842	Topic 606	Total	Topic 842	Topic 606	Total
<b>Revenues:</b>						
Equipment rental	\$ 648	\$ —	\$ 648	\$ 590	\$ —	\$ 590
Other rental revenue:						
Delivery and pick-up	—	45	45	—	41	41
Other	26	—	26	23	—	23
Total other rental revenues	26	45	71	23	41	64
<b>Total equipment rental</b>	<b>674</b>	<b>45</b>	<b>719</b>	<b>613</b>	<b>41</b>	<b>654</b>
Sales of rental equipment	—	69	69	—	71	71
Sales of new equipment, parts and supplies	—	9	9	—	8	8
Service and other revenues	—	7	7	—	7	7
<b>Total revenues</b>	<b>\$ 674</b>	<b>\$ 130</b>	<b>\$ 804</b>	<b>\$ 613</b>	<b>\$ 127</b>	<b>\$ 740</b>

#### Topic 842 revenues

##### *Equipment Rental Revenue*

The Company offers a broad portfolio of equipment for rent on daily, weekly or monthly basis, with substantially all rental agreements cancellable upon the return of the equipment. Virtually all customer contracts can be canceled by the customer with no penalty by returning the equipment within one day; therefore, the Company does not allocate the transaction price between the different contract elements.

Equipment rental revenue includes revenue generated from renting equipment to customers and is recognized on a straight-line basis over the length of the rental contract. As part of this straight-line methodology, when the equipment is returned, the Company recognizes as incremental revenue the excess, if any, between the amount the customer is contractually required to pay, which is based on the rental contract period applicable to the actual number of days the equipment was out on rent, over the cumulative amount of revenue recognized to date. In any given accounting period, the Company will have customers return equipment and be contractually required to pay more than the cumulative amount of revenue recognized to date under the straight-line methodology. Also included in equipment rental revenue is re-rent revenue in which the Company will rent specific pieces of equipment from vendors and then re-rent that equipment to its customers. Provisions for discounts, rebates to customers and other adjustments are provided for in the period the related revenue is recorded.

##### *Other*

Other equipment rental revenue is primarily comprised of fees for the Company's rental protection program and environmental charges. Fees paid for the rental protection program allow customers to limit the risk of financial loss in the event the Company's equipment is damaged or lost. Fees for the rental protection program and environmental recovery fees are recognized on a straight-line basis over the length of the rental contract.

#### Topic 606 revenues

##### *Delivery and pick-up*

Delivery and pick-up revenue associated with renting equipment is recognized when the services are performed.

**HERC HOLDINGS INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Unaudited**

*Sales of Rental Equipment, New Equipment, Parts and Supplies*

The Company sells its used rental equipment, new equipment, parts and supplies. Revenues recorded for each category are as follows (in millions):

	Three Months Ended March 31,	
	2024	2023
Sales of rental equipment	\$ 69	\$ 71
Sales of new equipment	3	1
Sales of parts and supplies	6	7
Total	<u>\$ 78</u>	<u>\$ 79</u>

The Company recognizes revenue from the sale of rental equipment, new equipment, parts and supplies when control of the asset transfers to the customer, which is typically when the asset is picked up by or delivered to the customer and when significant risks and rewards of ownership have passed to the customer. Sales and other tax amounts collected from customers and remitted to government authorities are accounted for on a net basis and, therefore, excluded from revenue.

The Company routinely sells its used rental equipment in order to manage repair and maintenance costs, as well as the composition, age and size of its fleet. The Company disposes of used equipment through a variety of channels including retail sales to customers and other third parties, sales to wholesalers, brokered sales and auctions.

The Company also sells new equipment, parts and supplies. The types of new equipment that the Company sells vary by location and include a variety of ProContractor tools and supplies, small equipment (such as work lighting, generators, pumps, compaction equipment and power trowels), safety supplies and expendables.

Under Topic 606, the accounts receivable balance, prior to allowances for doubtful accounts, for the sale of rental equipment, new equipment, parts and supplies, was approximately \$16 million and \$11 million as of March 31, 2024 and December 31, 2023, respectively.

*Service and other revenues*

Service and other revenues primarily include revenue earned from equipment management and similar services for rental customers which includes providing customer support functions such as dedicated in-plant operations, plant management services, equipment and safety training, and repair and maintenance services particularly to industrial customers who request such services.

The Company recognizes revenue for service and other revenues as the services are provided. Service and other revenues are typically invoiced together with a customer's rental amounts and, therefore, it is not practical for the Company to separate the accounts receivable amount related to services and other revenues that are accounted for under Topic 606; however, such amount is not considered material.

*Receivables and contract assets and liabilities*

Most of the Company's equipment rental revenue is accounted for under Topic 842. The customers that are responsible for the remaining equipment rental revenue that is accounted for under Topic 606 are generally the same customers that rent the Company's equipment. Concentration of credit risk with respect to the Company's accounts receivable is limited because a large number of geographically diverse customers makes up its customer base. The Company manages credit risk associated with its accounts receivable at the customer level through credit approvals, credit limits and other monitoring procedures. The Company maintains allowances for doubtful accounts that reflect the Company's estimate of the amount of receivables that the Company will be unable to collect based on its historical write-off experience.

The Company does not have material contract assets or contract liabilities associated with customer contracts. The Company's contracts with customers do not generally result in material amounts billed to customers in excess of recognizable revenue. The Company did not recognize material revenue during the three months ended March 31, 2024 and 2023 that was included in the contract liability balance as of the beginning of each period.

**HERC HOLDINGS INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Unaudited**

*Performance obligations*

Most of the Company's revenue recognized under Topic 606 is recognized at a point-in-time, rather than over time. Accordingly, in any particular period, the Company does not generally recognize a significant amount of revenue from performance obligations satisfied (or partially satisfied) in previous periods, and the amount of such revenue recognized during the three months ended March 31, 2024 and 2023 was not material. We also do not expect to recognize material revenue in the future related to performance obligations that were unsatisfied (or partially unsatisfied) as of March 31, 2024.

*Contract estimates and judgments*

The Company's revenues accounted for under Topic 606 generally do not require significant estimates or judgments, primarily for the following reasons:

- The transaction price is generally fixed and stated on the Company's contracts;
- As noted above, the Company's contracts generally do not include multiple performance obligations, and accordingly do not generally require estimates of the standalone selling price for each performance obligation;
- The Company's revenues do not include material amounts of variable consideration; and
- Most of the Company's revenue is recognized as of a point-in-time and the timing of the satisfaction of the applicable performance obligations is readily determinable. As noted above, the revenue recognized under Topic 606 is generally recognized at the time of delivery to, or pick-up by, the customer.

The Company monitors and reviews its estimated standalone selling prices on a regular basis.

**Note 4—Rental Equipment**

Rental equipment consists of the following (in millions):

	March 31, 2024	December 31, 2023
Rental equipment	\$ 5,851	\$ 5,785
Less: Accumulated depreciation	(2,020)	(1,954)
Rental equipment, net	<u>\$ 3,831</u>	<u>\$ 3,831</u>

**Note 5—Goodwill and Intangible Assets**

**Goodwill**

The following summarizes the Company's goodwill (in millions):

	March 31, 2024	December 31, 2023
Balance at the beginning of the period:		
Goodwill	\$ 1,154	\$ 1,088
Accumulated impairment losses	(671)	(669)
	483	419
Goodwill classified as held for sale	—	(65)
Additions	55	128
Currency translation	(1)	1
Balance at the end of the period:		
Goodwill	1,206	1,154
Accumulated impairment losses	(669)	(671)
	<u>\$ 537</u>	<u>\$ 483</u>

**HERC HOLDINGS INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Unaudited**

***Intangible Assets***

Intangible assets, net, consisted of the following major classes (in millions):

	March 31, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
<b>Finite-lived intangible assets:</b>			
Customer-related and non-compete agreements	\$ 284	\$ (77)	\$ 207
Internally developed software <sup>(a)</sup>	68	(49)	19
Total	352	(126)	226
<b>Indefinite-lived intangible assets:</b>			
Trade name	270	—	270
Total intangible assets, net	<u>\$ 622</u>	<u>\$ (126)</u>	<u>\$ 496</u>

(a) Includes capitalized costs of \$7 million yet to be placed into service.

	December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
<b>Finite-lived intangible assets:</b>			
Customer-related and non-compete agreements	\$ 248	\$ (69)	\$ 179
Internally developed software <sup>(a)</sup>	64	(47)	17
Total	312	(116)	196
<b>Indefinite-lived intangible assets:</b>			
Trade name	271	—	271
Total intangible assets, net	<u>\$ 583</u>	<u>\$ (116)</u>	<u>\$ 467</u>

(a) Includes capitalized costs of \$3 million yet to be placed into service.

Amortization of intangible assets was \$10 million and \$9 million for the three months ended March 31, 2024 and 2023, respectively.

**HERC HOLDINGS INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Unaudited**

**Note 6—Assets Held for Sale**

As of March 31, 2024, the Company's assets held for sale consisted of the Cinelease studio entertainment and lighting and grip equipment rental business ("Cinelease"). The film and studio entertainment industry has shifted to a studio centric model where owning or managing a large footprint of studios is becoming more important to be a competitive equipment rental provider, requiring significant investment in fully managed studios. This business model is a departure from the Company's stated growth strategy. Cinelease has been actively marketed for sale and management expects a transaction to be completed within 12 months of the date it was determined to be held for sale.

The following table summarizes the assets and liabilities held for sale (in millions):

	March 31, 2024	December 31, 2023
<b>Assets held for sale:</b>		
Cash and cash equivalents	\$ 1	\$ 1
Receivables, net of allowances	14	8
Other current assets	12	12
Total current assets held for sale	<u>\$ 27</u>	<u>\$ 21</u>
Rental equipment, net	\$ 184	\$ 183
Property and equipment, net	35	34
Right-of-use lease assets	74	75
Intangible assets, net	4	4
Goodwill	65	65
Other long-term assets	47	47
Total long-term assets held for sale	<u>\$ 409</u>	<u>\$ 408</u>
<b>Liabilities held for sale:</b>		
Current maturities of operating lease liabilities	\$ 8	\$ 8
Accounts payable	6	6
Accrued liabilities	9	5
Total current liabilities held for sale	<u>\$ 23</u>	<u>\$ 19</u>
Operating lease liabilities	\$ 66	\$ 68
Total long-term liabilities held for sale	<u>\$ 66</u>	<u>\$ 68</u>

**Note 7—Leases**

The Company leases real estate, office equipment and service vehicles. The Company's leases have remaining lease terms of up to 20 years, some of which include options to extend the leases for up to 20 years. The Company determines the lease term used to record each lease by including the initial lease term and, in the case where there are options to extend, will include the option to extend if it has determined that it is reasonably certain that the Company would exercise those options.

The Company also leases certain equipment that it rents to its customers where the payments vary based upon the amount of time the equipment is on rent. There are no fixed payments on these leases and, therefore, no lease liability or ROU assets have been recorded. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense for these leases is recognized on a straight-line basis over the lease term.



**HERC HOLDINGS INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Unaudited**

The components of lease expense consist of the following (in millions):

	Classification	Three Months Ended March 31,	
		2024	2023
Operating lease cost <sup>(a)</sup>	Direct operating	\$ 36	\$ 33
Finance lease cost:			
Amortization of ROU assets	Depreciation and amortization	6	6
Interest on lease liabilities	Interest expense, net	1	—
Sublease income	Equipment rental revenue	(18)	(16)
Net lease cost		<u>\$ 25</u>	<u>\$ 23</u>

(a) Includes short-term leases of \$14 million for the three months ended March 31, 2024 and 2023, and variable lease costs of \$1 million for the three months ended March 31, 2024 and 2023.

### Note 8—Debt

The Company's debt consists of the following (in millions):

	Weighted Average Effective Interest Rate at March 31, 2024	Weighted Average Stated Interest Rate at March 31, 2024	Fixed or Floating Interest Rate	Maturity	March 31, 2024	December 31, 2023
<i>Senior Notes</i>						
2027 Notes	5.61%	5.50%	Fixed	2027	\$ 1,200	\$ 1,200
<i>Other Debt</i>						
ABL Credit Facility	N/A	6.92%	Floating	2027	2,173	2,072
AR Facility	N/A	6.15%	Floating	2024	325	345
Finance lease liabilities	4.07%	N/A	Fixed	2024-2031	75	76
<i>Unamortized Debt Issuance Costs<sup>(a)</sup></i>					(5)	(5)
Total debt					3,768	3,688
Less: Current maturities of long-term debt					(15)	(15)
Long-term debt, net					<u>\$ 3,753</u>	<u>\$ 3,673</u>

(a) Unamortized debt issuance costs totaling \$8 million related to the ABL Credit Facility and AR Facility (as each is defined below) as of March 31, 2024 and December 31, 2023, are included in "Other long-term assets" in the condensed consolidated balance sheets.

The effective interest rate for the fixed rate 2027 Notes (as defined below) includes the stated interest on the notes and the amortization of any debt issuance costs.

#### *Senior Notes*

On July 9, 2019, the Company issued \$1.2 billion aggregate principal amount of its 5.50% Senior Notes due 2027 (the "2027 Notes"). Interest on the 2027 Notes accrues at the rate of 5.50% per annum and is payable semi-annually in arrears on January 15 and July 15. The 2027 Notes will mature on July 15, 2027. Additional information about the 2027 Notes is included in Note 11, "Debt" to the Company's financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2023.

#### *ABL Credit Facility*

On July 31, 2019, Herc Holdings, Herc and certain other subsidiaries of Herc Holdings entered into a credit agreement with respect to a senior secured asset-based revolving credit facility (the "ABL Credit Facility"), which was amended and extended on July 5, 2022. The ABL Credit Facility provides for aggregate maximum borrowings of up to \$3.5 billion (subject to

**HERC HOLDINGS INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Unaudited**

availability under a borrowing base). Up to \$250 million of the revolving loan facility is available for the issuance of letters of credit, subject to certain conditions including issuing lender participation. Subject to the satisfaction of certain conditions and limitations, the ABL Credit Facility allows for the addition of incremental revolving commitments and/or incremental term loans. The ABL Credit Facility matures on July 5, 2027. Additional information about the ABL Credit Facility is included in Note 11, "Debt" to the Company's financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2023.

***Accounts Receivable Securitization Facility***

The accounts receivable securitization facility (the "AR Facility") was amended in August 2023 to extend the maturity date to August 31, 2024 and increase the aggregate commitments from \$335 million to \$370 million. In connection with the AR Facility, Herc sells its accounts receivables on an ongoing basis to Herc Receivables U.S. LLC, a wholly-owned special-purpose entity (the "SPE"). The SPE's sole business consists of the purchase by the SPE of accounts receivable from Herc and borrowing by the SPE against the eligible accounts receivable from the lenders under the facility. The borrowings are secured by liens on the accounts receivable and other assets of the SPE. Collections on the accounts receivable are used to service the borrowings. The SPE is a separate legal entity that is consolidated in the Company's financial statements. The SPE assets are owned by the SPE and are not available to settle the obligations of the Company or any of its other subsidiaries. Herc is the servicer of the accounts receivable under the AR Facility. All of the obligations of the servicer and certain indemnification obligations of the SPE under the agreements governing the AR Facility are guaranteed by Herc pursuant to a performance guarantee. The AR Facility is excluded from current maturities of long-term debt as the Company has the intent and ability to fund the AR Facility's borrowings on a long-term basis either by further extending the maturity date of the AR Facility or by utilizing the capacity available at the balance sheet date under the ABL Credit Facility.

***Borrowing Capacity and Availability***

After outstanding borrowings, the following was available to the Company under the ABL Credit Facility and AR Facility as of March 31, 2024 (in millions):

	Remaining Capacity	Availability Under Borrowing Base Limitation
ABL Credit Facility	\$ 1,300	\$ 1,300
AR Facility	45	5
Total	<u>\$ 1,345</u>	<u>\$ 1,305</u>

***Letters of Credit***

As of March 31, 2024, \$27 million of standby letters of credit were issued and outstanding, none of which have been drawn upon. The ABL Credit Facility had \$223 million available under the letter of credit facility sublimit, subject to borrowing base restrictions.

**Note 9—Financing Obligations**

In prior years, Herc entered into sale-leaseback transactions pursuant to which it sold 44 properties located in the U.S. and certain service vehicles. The sale of the properties and service vehicles did not qualify for sale-leaseback accounting; therefore, the book value of the assets remain on the Company's consolidated balance sheet. The Company's financing obligations consist of the following (in millions):

	Weighted Average Effective Interest Rate at March 31, 2024	Maturities	March 31, 2024	December 31, 2023
Financing obligations	5.38%	2026-2038	\$ 109	\$ 110
Unamortized financing issuance costs			(2)	(2)
Total financing obligations			107	108
Less: Current maturities of financing obligations			(4)	(4)
Financing obligations, net			<u>\$ 103</u>	<u>\$ 104</u>

**HERC HOLDINGS INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Unaudited**

**Note 10—Income Taxes**

Income tax provision was \$16 million, with an effective tax rate of 20%, for the three months ended March 31, 2024 compared to \$8 million and 11% in the same period of 2023. The rate increase was driven by the reduced benefit related to stock-based compensation of \$3 million for the three months ended March 31, 2024 compared to \$12 million for the same period of 2023, and certain non-deductible expenses.

**Note 11—Accumulated Other Comprehensive Income (Loss)**

The changes in the accumulated other comprehensive income (loss) balance by component (net of tax) for the three months ended March 31, 2024 are presented in the table below (in millions).

	Pension and Other Post- Employment Benefits	Foreign Currency Items	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2023	\$ (20)	\$ (98)	\$ (118)
Other comprehensive loss before reclassification	—	(6)	(6)
Net current period other comprehensive loss	—	(6)	(6)
Balance at March 31, 2024	<u>\$ (20)</u>	<u>\$ (104)</u>	<u>\$ (124)</u>

**Note 12—Commitments and Contingencies**

**Legal Proceedings**

The Company is subject to a number of claims and proceedings that generally arise in the ordinary conduct of its business. These matters include, but are not limited to, claims arising from the operation of rented equipment and workers' compensation claims. The Company does not believe that the liabilities arising from such ordinary course claims and proceedings will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

The Company has established reserves for matters where the Company believes the losses are probable and can be reasonably estimated. For matters where a reserve has not been established, the ultimate outcome or resolution cannot be predicted at this time, or the amount of ultimate loss, if any, cannot be reasonably estimated. Litigation is subject to many uncertainties and there can be no assurance as to the outcome of the individual litigated matters. It is possible that certain of the actions, claims, inquiries or proceedings could be decided unfavorably to the Company or any of its subsidiaries involved. Accordingly, it is possible that an adverse outcome from such a proceeding could exceed the amount accrued in an amount that could be material to the Company's consolidated financial condition, results of operations or cash flows in any particular reporting period.

**Off-Balance Sheet Commitments**

*Indemnification Obligations*

In the ordinary course of business, the Company executes contracts involving indemnification obligations customary in the relevant industry and indemnifications specific to a transaction such as the sale of a business or assets or a financial transaction. These indemnification obligations might include claims relating to the following: accuracy of representations; compliance with covenants and agreements by the Company or third parties; environmental matters; intellectual property rights; governmental regulations; employment-related matters; customer, supplier and other commercial contractual relationships; condition of assets; and financial or other matters. Performance under these indemnification obligations would generally be triggered by a breach of terms of the contract or by a third-party claim. The Company regularly evaluates the probability of having to incur costs associated with these indemnification obligations and has accrued for expected losses that are probable and estimable. The types of indemnification obligations for which payments are possible include the following:

**HERC HOLDINGS INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Unaudited**

*The Spin-Off*

In connection with the Spin-Off, pursuant to the separation and distribution agreement (agreements and defined terms are discussed in Note 15, "Arrangements with New Hertz"), the Company has assumed the liability for, and control of, all pending and threatened legal matters related to its equipment rental business and related assets, as well as assumed or retained liabilities, and will indemnify New Hertz for any liability arising out of or resulting from such assumed legal matters. The separation and distribution agreement also provides for certain liabilities to be shared by the parties. The Company is responsible for a portion of these shared liabilities (typically 15%), as set forth in that agreement. New Hertz is responsible for managing the settlement or other disposition of such shared liabilities. Pursuant to the tax matters agreement, the Company has agreed to indemnify New Hertz for any resulting taxes and related losses if the Company takes or fails to take any action (or permits any of its affiliates to take or fail to take any action) that causes the Spin-Off and related transactions to be taxable, or if there is an acquisition of the equity securities or assets of the Company or of any member of the Company's group that causes the Spin-Off and related transactions to be taxable.

**Note 13—Fair Value Measurements**

***Assets and Liabilities Measured at Fair Value on a Recurring Basis***

The fair value of cash, accounts receivable, accounts payable and accrued liabilities, to the extent the underlying liability will be settled in cash, approximates the carrying values because of the short-term nature of these instruments.

Cash Equivalents

Cash equivalents primarily consist of money market accounts which are classified as Level 1 assets which the Company measures at fair value on a recurring basis. The Company measures the fair value of cash equivalents using a market approach based on quoted prices in active markets. The Company had \$31 million in cash equivalents at March 31, 2024 and December 31, 2023.

Debt Obligations

The fair values of the Company's ABL Credit Facility, AR Facility and finance lease liabilities approximated their book values as of March 31, 2024 and December 31, 2023. The fair value of the Company's 2027 Notes is estimated based on quoted market rates as well as borrowing rates currently available to the Company for loans with similar terms and average maturities (Level 2 inputs) (in millions).

	March 31, 2024		December 31, 2023	
	Nominal Unpaid Principal Balance	Aggregate Fair Value	Nominal Unpaid Principal Balance	Aggregate Fair Value
2027 Notes	\$ 1,200	\$ 1,177	\$ 1,200	\$ 1,180

**HERC HOLDINGS INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Unaudited**

**Note 14—Earnings Per Share**

Basic earnings per share has been computed based upon the weighted average number of common shares outstanding. Diluted earnings per share has been computed based upon the weighted average number of common shares outstanding plus the effect of all potentially dilutive common stock equivalents, except when the effect would be anti-dilutive.

The following table sets forth the computation of basic and diluted earnings per share (in millions, except per share data).

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Basic and diluted earnings per share:		
Numerator:		
Net income, basic and diluted	\$ 65	\$ 67
Denominator:		
Basic weighted average common shares	28.3	29.0
Stock options, RSUs and PSUs	0.1	0.4
Weighted average shares used to calculate diluted earnings per share	28.4	29.4
Earnings per share:		
Basic	\$ 2.30	\$ 2.31
Diluted	\$ 2.29	\$ 2.28
Antidilutive stock options, RSUs and PSUs	—	0.1

**Note 15—Arrangements with New Hertz**

On June 30, 2016, the Company, in its previous form as the holding company of both the existing equipment rental operations as well as the former vehicle rental operations (in its form prior to the Spin-Off, "Hertz Holdings"), completed a spin-off (the "Spin-Off") of its global vehicle rental business through a dividend to stockholders of all of the issued and outstanding common stock of Hertz Rental Car Holding Company, Inc., which was re-named Hertz Global Holdings, Inc. ("New Hertz") in connection with the Spin-Off. New Hertz is an independent public company and continues to operate its global vehicle rental business through its operating subsidiaries including The Hertz Corporation ("THC").

In connection with the Spin-Off, the Company entered into a separation and distribution agreement (the "Separation Agreement") with New Hertz. In connection therewith, the Company also entered into various other ancillary agreements with New Hertz to effect the Spin-Off and provide a framework for its relationship with New Hertz. The following summarizes some of the most significant agreements and relationships that Herc Holdings continues to have with New Hertz.

***Separation and Distribution Agreement***

The Separation Agreement sets forth the Company's agreements with New Hertz regarding the principal actions taken in connection with the Spin-Off. It also sets forth other agreements that govern aspects of the Company's relationship with New Hertz following the Spin-Off including (i) the manner in which legal matters and claims are allocated and certain liabilities are shared between the Company and New Hertz; (ii) other matters including transfers of assets and liabilities, treatment or termination of intercompany arrangements and releases of certain claims between the parties and their affiliates; (iii) mutual indemnification clauses; and (iv) allocation of Spin-Off expenses between the parties.

***Tax Matters Agreement***

The Company entered into a tax matters agreement with New Hertz that governs the parties' rights, responsibilities and obligations after the Spin-Off with respect to tax liabilities and benefits, tax attributes, tax contests and other tax matters regarding income taxes, other taxes and related tax returns.

## HERC HOLDINGS INC. AND SUBSIDIARIES

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Management's discussion and analysis of financial condition and results of operations ("MD&A") should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes included in Part I, Item 1 of this Report, which include additional information about our accounting policies, practices and the transactions underlying our financial results. The preparation of our unaudited condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires us to make estimates and assumptions that affect the reported amounts in our unaudited condensed consolidated financial statements and the accompanying notes including receivables allowances, depreciation of rental equipment, the recoverability of long-lived assets, useful lives and impairment of long-lived tangible and intangible assets including goodwill and trade name, pension and postretirement benefits, valuation of stock-based compensation, reserves for litigation and other contingencies, accounting for income taxes and other matters arising during the normal course of business. We apply our best judgment, our knowledge of existing facts and circumstances and our knowledge of actions that we may undertake in the future in determining the estimates that will affect our condensed consolidated financial statements. We evaluate our estimates on an ongoing basis using our historical experience, as well as other factors we believe appropriate under the circumstances, such as current economic conditions, and adjust or revise our estimates as circumstances change. As future events and their effects cannot be determined with precision, actual results may differ from these estimates.*

#### **OVERVIEW OF OUR BUSINESS AND OPERATING ENVIRONMENT**

We are engaged principally in the business of renting equipment. Ancillary to our principal business of equipment rental, we also sell used rental equipment, sell new equipment and consumables and offer certain services and support to our customers. Our profitability is dependent upon a number of factors including the volume, mix and pricing of rental transactions and the utilization of equipment. Significant changes in the purchase price or residual values of equipment or interest rates can have a significant effect on our profitability depending on our ability to adjust pricing for these changes. Our business requires significant expenditures for equipment, and consequently we require substantial liquidity to finance such expenditures. See "Liquidity and Capital Resources" below.

Our revenues primarily are derived from rental and related charges and consist of:

- Equipment rental (includes all revenue associated with the rental of equipment including ancillary revenue from delivery, rental protection programs and fueling charges);
- Sales of rental equipment and sales of new equipment, parts and supplies; and
- Service and other revenue (primarily relating to training and labor provided to customers).

Our expenses primarily consist of:

- Direct operating expenses (primarily wages and related benefits, facility costs and other costs relating to the operation and rental of rental equipment, such as delivery, maintenance and fuel costs);
- Cost of sales of rental equipment, new equipment, parts and supplies;
- Depreciation expense relating to rental equipment;
- Selling, general and administrative expenses;
- Non-rental depreciation and amortization; and
- Interest expense.

**HERC HOLDINGS INC. AND SUBSIDIARIES**

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)**

**Economic Conditions**

Despite continued economic uncertainty, elevated interest rates, potential labor disruptions, and inflation, the equipment rental industry remains resilient, as demonstrated by the increase in volume in the current quarter. We actively monitor the impact of the dynamic macroeconomic environment and manage our business to adjust to such conditions. Interest rates on our debt instruments remain elevated; most notably, the weighted average interest rate on our floating rate debt has increased from 6.24% in the first quarter of 2023 to 6.82% in the current quarter. We monitor our exposure to floating rate debt and reevaluate our capital allocation strategy, as necessary. In response to supply chain disruptions easing in certain categories of equipment, we continue to increase the volume of sales of rental equipment, remaining mindful to the possibility we may experience more severe supply chain disruptions in the future. Although inflation appears to have stabilized, we have experienced and expect to continue to experience inflationary pressures, a portion of which, such as for fuel and delivery, is passed on to customers. There are other costs for which the pass through to customers is less direct, such as repairs and maintenance, and labor. We cannot predict the extent to which our financial condition, results of operations or cash flows will ultimately be impacted by these ongoing economic conditions, however, we believe we are well-positioned to operate effectively through the present environment.

**Seasonality**

Our business is seasonal, with demand for our rental equipment tending to be lower in the winter months, particularly in the northern United States and Canada. Our equipment rental business, especially in the construction industry, has historically experienced decreased levels of business from December until late spring and heightened activity during our third and fourth quarters until December. We have the ability to manage certain costs to meet market demand, such as fleet capacity, the most significant portion of our cost structure. For instance, to accommodate increased demand, we increase our available fleet and staff during the second and third quarters of the year. A number of our other major operating costs vary directly with revenues or transaction volumes; however, certain operating expenses, including rent, insurance and administrative overhead, remain fixed and cannot be adjusted for seasonal demand, typically resulting in higher profitability in periods when our revenues are higher, and lower profitability in periods when our revenues are lower. To reduce the impact of seasonality, we are focused on expanding our customer base through products that serve different industries with less seasonality and different business cycles.

**RESULTS OF OPERATIONS**

	<b>Three Months Ended March 31,</b>			
	<b>2024</b>	<b>2023</b>	<b>Change</b>	<b>Change</b>
Equipment rental	\$ 719	\$ 654	\$ 65	10 %
Sales of rental equipment	69	71	(2)	(3)
Sales of new equipment, parts and supplies	9	8	1	13
Service and other revenue	7	7	—	—
Total revenues	<u>804</u>	<u>740</u>	<u>64</u>	<u>9</u>
Direct operating	307	281	26	9
Depreciation of rental equipment	160	152	8	5
Cost of sales of rental equipment	46	46	—	—
Cost of sales of new equipment, parts and supplies	6	5	1	20
Selling, general and administrative	115	106	9	8
Non-rental depreciation and amortization	29	26	3	12
Interest expense, net	61	48	13	27
Other expense (income), net	(1)	1	(2)	(200)
Income before income taxes	81	75	6	8
Income tax provision	(16)	(8)	(8)	100
Net income	<u>\$ 65</u>	<u>\$ 67</u>	<u>\$ (2)</u>	<u>(3)%</u>

**HERC HOLDINGS INC. AND SUBSIDIARIES****ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)****Three Months Ended March 31, 2024 Compared with Three Months Ended March 31, 2023**

Equipment rental revenue increased \$65 million, or 10%, during the first quarter of 2024 due to higher volume of equipment on rent of 8.0% and pricing growth of 5.1% over the same period in the prior year.

Sales of rental equipment decreased \$2 million, or 3%, during the first quarter of 2024 when compared to the first quarter of 2023. We continue to sell equipment in line with our fleet rotation planning to improve the equipment mix and manage fleet age. The margin on sales of rental equipment was 33% in 2024 compared to 35% in 2023. The slight decrease in margin on sale of rental equipment in 2024 was primarily due to mix of equipment sold.

Direct operating expenses in the first quarter of 2024 increased \$26 million, or 9%, when compared to the first quarter of 2023. Direct operating expenses were 42.7% of equipment rental revenue in 2024, compared to 43.0% in the prior-year period, reflecting better cost performance and fixed cost absorption on higher revenue despite increases in (i) personnel-related expenses of \$17 million resulting from increased headcount in support of growth initiatives, (ii) facilities expense of \$5 million as we have added more locations through acquisitions and opening greenfield locations and (iii) maintenance expense of \$5 million related to our increased fleet size in 2024. These increases were partially offset by a decrease in fuel expense of \$4 million due to lower average fuel prices in the first quarter of 2024.

Depreciation of rental equipment increased \$8 million, or 5%, during the first quarter of 2024 when compared to the first quarter of 2023 due to an increase in average fleet size. Non-rental depreciation and amortization increased \$3 million, or 12%, primarily due to amortization of intangible assets related to acquisitions.

Selling, general and administrative expenses increased \$9 million, or 8%, in the first quarter of 2024 when compared to the first quarter of 2023. The increase was primarily due to increases in selling expenses, including commissions and other variable compensation, of \$4 million, advertising and travel expense of \$3 million, and general payroll and benefits of \$2 million. Selling, general and administrative expenses were 16.0% of equipment rental revenue in 2024 compared to 16.2% in the prior-year period due to continued focus on improving operating leverage while expanding revenues.

Interest expense, net increased \$13 million, or 27%, during the first quarter of 2024 when compared with the first quarter of 2023 due to increased borrowings on the ABL Credit Facility primarily to fund acquisition growth and invest in rental equipment and higher interest rates on floating rate debt.

Income tax provision was \$16 million, with an effective tax rate of 20%, during the first quarter of 2024 compared to \$8 million and 11% in the same period of 2023. The rate increase was driven by a reduction in the benefit related to stock-based compensation and certain non-deductible expenses.

***LIQUIDITY AND CAPITAL RESOURCES***

Our primary uses of liquidity include the payment of operating expenses, purchases of rental equipment to be used in our operations, servicing of debt, funding acquisitions, payment of dividends, and share repurchases. Our primary sources of funding are operating cash flows, cash received from the disposal of equipment and borrowings under our debt arrangements. As of March 31, 2024, we had approximately \$3.8 billion of total nominal indebtedness outstanding.

Our liquidity as of March 31, 2024 consisted of cash and cash equivalents of \$63 million and unused commitments of approximately \$1.3 billion under our ABL Credit Facility and AR Facility. See "Borrowing Capacity and Availability" below for further discussion. Our practice is to maintain sufficient liquidity through cash from operations, our ABL Credit Facility and our AR Facility to mitigate the impacts of any adverse financial market conditions on our operations. We believe that cash generated from operations and cash received from the disposal of equipment, together with amounts available under the ABL Credit Facility and the AR Facility or other financing arrangements will be sufficient to meet working capital requirements and anticipated capital expenditures, and other strategic uses of cash, if any, and debt payments, if any, over the next twelve months.



**HERC HOLDINGS INC. AND SUBSIDIARIES**

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)**

**Cash Flows**

Significant factors driving our liquidity position include cash flows generated from operating activities and capital expenditures. Historically, we have generated and expect to continue to generate positive cash flow from operations. Our ability to fund our capital needs will be affected by our ongoing ability to generate cash from operations and access to capital markets.

The following table summarizes the change in cash and cash equivalents for the periods shown (in millions):

	Three Months Ended March 31,		
	2024	2023	\$ Change
Cash provided by (used in):			
Operating activities	\$ 240	\$ 235	\$ 5
Investing activities	(296)	(451)	155
Financing activities	48	202	(154)
Effect of exchange rate changes	—	—	—
Net change in cash and cash equivalents	<u>\$ (8)</u>	<u>\$ (14)</u>	<u>\$ 6</u>

***Operating Activities***

During the three months ended March 31, 2024, we generated \$5 million more cash from operating activities compared with the same period in 2023. The increase was related to the timing of payments on accounts payable and accrued liabilities.

***Investing Activities***

Cash used in investing activities decreased \$155 million during the three months ended March 31, 2024 when compared with the prior-year period. Our primary use of cash in investing activities is for the acquisition of rental equipment, non-rental capital expenditures and acquisitions. Generally, we rotate our equipment and manage our fleet of rental equipment in line with customer demand and continue to invest in our information technology, service vehicles and facilities. Changes in our net capital expenditures are described in more detail in the "Capital Expenditures" section below. Additionally, we closed on four acquisitions during the three months ended March 31, 2024 for a net cash outflow of \$148 million.

***Financing Activities***

Cash provided by financing activities decreased \$154 million during the three months ended March 31, 2024 when compared with the prior-year period. Financing activities primarily represents our changes in debt, which included net borrowings of \$83 million on our revolving lines of credit and securitization, which were used primarily to fund acquisitions and invest in rental equipment during the period. Net borrowings in the prior year period were \$293 million.

In order to reduce future cash interest payments, as well as future amounts due at maturity or upon redemption, we may from time to time repurchase our debt, including our notes, bonds, loans or other indebtedness, in privately negotiated, open market or other transactions and upon such terms and at such prices as we may determine. We will evaluate any such transactions in light of then-existing market conditions, taking into account our current liquidity and prospects for future access to capital. The repurchases may be material and could relate to a substantial proportion of a particular class or series, which could reduce the trading liquidity of such class or series.

**HERC HOLDINGS INC. AND SUBSIDIARIES**

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)**

**Capital Expenditures**

Our capital expenditures relate largely to purchases of rental equipment, with the remaining portion representing purchases of property, equipment, and information technology. The table below sets forth the capital expenditures related to our rental equipment and related disposals for the periods noted (in millions).

	Three Months Ended March 31,	
	2024	2023
Rental equipment expenditures	\$ 181	\$ 332
Disposals of rental equipment	(61)	(49)
Net rental equipment expenditures	<u>\$ 120</u>	<u>\$ 283</u>

Net capital expenditures for rental equipment decreased \$163 million during the three months ended March 31, 2024 compared to the same period in 2023. As the supply chain constraints in several categories of equipment have eased, our rental equipment expenditures have returned to taking deliveries in line with our normal seasonal cadence, while we continue to optimize our fleet by investing in high growth markets as part of our long-term capital expenditure plans. Disposals have also slightly increased in the current year to maintain an appropriate mix of fleet and manage fleet age, while ensuring we have sufficient capacity of equipment to meet customer demand in light of some continuing supply chain constraints in certain equipment categories.

**Borrowing Capacity and Availability**

Our ABL Credit Facility and AR Facility (together, the "Facilities") provide our borrowing capacity and availability. Creditors under the Facilities have a claim on specific pools of assets as collateral as identified in each credit agreement. Our ability to borrow under the Facilities is a function of, among other things, the value of the assets in the relevant collateral pool. We refer to the amount of debt we can borrow given a certain pool of assets as the "Borrowing Base."

In connection with the AR Facility, we sell accounts receivable on an ongoing basis to a wholly-owned special-purpose entity (the "SPE"). The accounts receivable and other assets of the SPE are encumbered in favor of the lenders under our AR Facility. The SPE assets are owned by the SPE and are not available to settle the obligations of the Company or any of its other subsidiaries. Substantially all of the remaining assets of Herc and certain of its U.S. and Canadian subsidiaries are encumbered in favor of our lenders under our ABL Credit Facility. None of such assets are available to satisfy the claims of our general creditors. See Note 11, "Debt" to the notes to our consolidated financial statements included in Part II, Item 8 "Financial Statements" included in our Annual Report on Form 10-K for the year ended December 31, 2023, and Note 8, "Debt" included in Part I, Item 1 "Financial Statements" of this Report for more information.

With respect to the Facilities, we refer to "Remaining Capacity" as the maximum principal amount of debt permitted to be outstanding under the Facilities (i.e., the amount of debt we could borrow assuming we possessed sufficient assets as collateral) less the principal amount of debt then-outstanding under the Facility. We refer to "Availability Under Borrowing Base Limitation" as the lower of Remaining Capacity or the Borrowing Base less the principal amount of debt then-outstanding under the Facility (i.e., the amount of debt we could borrow given the collateral we possess at such time).

As of March 31, 2024, the following was available to us (in millions):

	Remaining Capacity	Availability Under Borrowing Base Limitation
ABL Credit Facility	\$ 1,300	\$ 1,300
AR Facility	45	5
Total	<u>\$ 1,345</u>	<u>\$ 1,305</u>

**HERC HOLDINGS INC. AND SUBSIDIARIES****ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)**

As of March 31, 2024, \$27 million of standby letters of credit were issued and outstanding, none of which have been drawn upon. The ABL Credit Facility had \$223 million available under the letter of credit facility sublimit, subject to borrowing base restrictions.

**Covenants**

Our ABL Credit Facility, our AR Facility and our 2027 Notes contain a number of covenants that, among other things, limit or restrict our ability to dispose of assets, incur additional indebtedness, incur guarantee obligations, prepay certain indebtedness, make certain restricted payments (including paying dividends, redeeming stock or making other distributions), create liens, make investments, make acquisitions, engage in mergers, fundamentally change the nature of our business, make capital expenditures, or engage in certain transactions with certain affiliates.

Under the terms of our ABL Credit Facility, our AR Facility and our 2027 Notes, we are not subject to ongoing financial maintenance covenants; however, under the ABL Credit Facility, failure to maintain certain levels of liquidity will subject us to a contractually specified fixed charge coverage ratio of not less than 1:1 for the four quarters most recently ended. As of March 31, 2024, the appropriate levels of liquidity have been maintained, therefore this financial maintenance covenant is not applicable.

At March 31, 2024, Herc Holdings' balance sheet was substantially identical to that of Herc, with the exception of the debt held by Herc Holdings (2027 Notes and ABL Credit Facility) and certain components of shareholders equity. For the three months ended March 31, 2024 and 2023, the statements of operations of Herc Holdings and Herc were identical with the exception of interest expense on the debt held at Herc Holdings that is not reflected in the statement of operations of Herc.

Additional information on the terms of our 2027 Notes, ABL Credit Facility and AR Facility is included in Note 11, "Debt" to the notes to our consolidated financial statements included in Part II, Item 8 "Financial Statements" included in our Annual Report on Form 10-K for the year ended December 31, 2023. For a discussion of the risks associated with our indebtedness, see Part I, Item 1A "Risk Factors" contained in our Annual Report on Form 10-K for the year ended December 31, 2023.

**Dividends**

On February 7, 2024, we declared a quarterly dividend of \$0.665 per share to record holders as of February 21, 2024, with payment date of March 7, 2024. The declaration of dividends on our common stock is discretionary and will be determined by our board of directors in its sole discretion and will depend on our business conditions, financial condition, earnings, liquidity and capital requirements, contractual restrictions and other factors. The amounts available to pay cash dividends are restricted by our debt agreements.

**OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS**

As of March 31, 2024, there have been no material changes to our indemnification obligations as disclosed in Note 17, "Commitments and Contingencies" in our Annual Report on Form 10-K for the year ended December 31, 2023. For further information, see the discussion on indemnification obligations included in Note 12, "Commitments and Contingencies" in Part I, Item 1 "Financial Statements" of this Report.

For information concerning contingencies, see Note 12, "Commitments and Contingencies" in Part I, Item 1 "Financial Statements" of this Report.

**RECENT ACCOUNTING PRONOUNCEMENTS**

For a discussion of recent accounting pronouncements, see Note 2, "Basis of Presentation and Significant Accounting Policies" in Part I, Item 1 "Financial Statements" of this Report.

## HERC HOLDINGS INC. AND SUBSIDIARIES

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of market risks, including the effects of changes in interest rates (including credit spreads), foreign currency exchange rates, and fluctuations in fuel prices. We manage our exposure to these market risks through our regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. Derivative financial instruments are viewed as risk management tools and have not been used for speculative or trading purposes. In addition, derivative financial instruments are entered into with a diversified group of major financial institutions in order to manage our exposure to counterparty nonperformance on such instruments.

As of March 31, 2024, there has been no material change in the information reported under Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in our Annual Report on Form 10-K for the year ended December 31, 2023.

### ITEM 4. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

Our senior management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined under Exchange Act Rules 13a-15(e) and 15d-15(e), as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2024, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

#### Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**HERC HOLDINGS INC. AND SUBSIDIARIES**

**PART II—OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

For a description of certain pending legal proceedings see Note 12, "Commitments and Contingencies" to the notes to our condensed consolidated financial statements in Part I, Item 1 "Financial Statements" of this Report.

**ITEM 1A. RISK FACTORS**

Except as set forth below, there have been no material changes to our risk factors from those previously disclosed under Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

**Share Repurchase Program**

In March 2014, we announced a \$1 billion share repurchase program (the "Share Repurchase Program"), which replaced an earlier program. The Share Repurchase Program permits us to purchase shares through a variety of methods, including in the open market or through privately negotiated transactions, in accordance with applicable securities laws. We are not obligated to make any repurchases at any specific time or in any specific amount and our repurchases may be subject to certain predetermined price/volume guidelines, set from time-to-time, by our board of directors. The timing and extent to which we repurchase shares will depend upon, among other things, strategic priorities, market conditions, share price, liquidity targets, contractual restrictions, regulatory requirements and other factors. Share repurchases may be commenced or suspended at any time or from time-to-time, subject to legal and contractual requirements, without prior notice. There were no share repurchases during the three months ended March 31, 2024. As of March 31, 2024, the approximate dollar value that remains available for share purchases under the Share Repurchase Program is \$161 million.

**ITEM 5. OTHER INFORMATION**

None.

**HERC HOLDINGS INC. AND SUBSIDIARIES**

**ITEM 6. EXHIBITS**

Exhibit Number	Description
3.1.1	<a href="#">Amended and Restated Certificate of Incorporation of Herc Holdings (Incorporated by reference to Exhibit 3.1 to the Annual Report on Form 10-K of Hertz Global Holdings, Inc. (File No. 001-33139), as filed on March 30, 2007).</a>
3.1.2	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Herc Holdings, effective as of May 14, 2014 (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Hertz Global Holdings, Inc. (File No. 001-33139), as filed on May 14, 2014).</a>
3.1.3	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Herc Holdings, dated June 30, 2016 (reflecting the registrant's name change to "Herc Holdings Inc.") (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Herc Holdings (File No. 001-33139), as filed on July 6, 2016).</a>
3.1.4	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Herc Holdings, dated June 30, 2016 (Incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K of Herc Holdings (File No. 001-33139), as filed on July 6, 2016).</a>
3.2	<a href="#">Amended and Restated By-Laws of Herc Holdings Inc., effective May 11, 2023 (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Herc Holdings Inc. (File No. 001-33139), as filed on May 15, 2023.)</a>
10.1*	<a href="#">Amendment No. 2 to Credit Agreement, dated April 11, 2024, by and among Bank of America, N.A., as Agent, the financial institutions from time to time parties thereto, Herc Holdings Inc. (the "Company"), each the Subsidiaries of the Company party hereto as U.S. Subsidiary Borrowers, Matthews Equipment Limited, and the Subsidiaries of the Company party hereto as Guarantors.</a>
31.1*	<a href="#">Certification of the Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002 of 2002</a>
31.2*	<a href="#">Certification of the Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002</a>
32.1**	<a href="#">18 U.S.C. Section 1350 Certifications of Principal Executive Officer and the Principal Financial Officer</a>
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\*Filed herewith

\*\*Furnished herewith

**HERC HOLDINGS INC. AND SUBSIDIARIES**

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: April 23, 2024

HERC HOLDINGS INC.  
(Registrant)

By: /s/ MARK HUMPHREY

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Mark Humphrey  
*Senior Vice President and Chief Financial Officer*