

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

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, 2022

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	☒	Smaller reporting company	☐
Accelerated filer	☐	Emerging growth company	☐
Non-accelerated filer	☐		

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 15, 2022, there were 29,889,593 shares of the registrant's common stock, \$0.01 par value, outstanding.

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, 2022 (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, the impact of and our response to COVID-19, our capital allocation strategy, liquidity and capital management 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, 2021 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 1. FINANCIAL STATEMENTS

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

	March 31, 2022	December 31, 2021
ASSETS		
Cash and cash equivalents	\$ 22.8	\$ 35.1
Receivables, net of allowances of \$11.7 and \$13.6, respectively	399.1	388.1
Other current assets	53.3	46.5
Total current assets	475.2	469.7
Rental equipment, net	2,792.2	2,665.3
Property and equipment, net	308.3	308.4
Right-of-use lease assets	443.2	413.7
Intangible assets, net	398.6	388.7
Goodwill	272.5	231.5
Other long-term assets	27.6	13.1
Total assets	\$ 4,717.6	\$ 4,490.4
LIABILITIES AND EQUITY		
Current maturities of long-term debt and financing obligations	\$ 14.6	\$ 15.2
Current maturities of operating lease liabilities	40.1	38.7
Accounts payable	239.4	280.6
Accrued liabilities	169.2	195.4
Total current liabilities	463.3	529.9
Long-term debt, net	2,142.1	1,916.1
Financing obligations, net	110.2	111.2
Operating lease liabilities	415.9	387.4
Deferred tax liabilities	543.2	536.8
Other long term liabilities	31.2	32.1
Total liabilities	3,705.9	3,513.5
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, 32.6 and 32.4 shares issued and 29.9 and 29.7 shares outstanding	0.3	0.3
Additional paid-in capital	1,796.6	1,822.2
Retained earnings (accumulated deficit)	5.1	(53.4)
Accumulated other comprehensive loss	(98.3)	(100.2)
Treasury stock, at cost, 2.7 shares and 2.7 shares	(692.0)	(692.0)
Total equity	1,011.7	976.9
Total liabilities and equity	\$ 4,717.6	\$ 4,490.4

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)

	Three Months Ended March 31,	
	2022	2021
Revenues:		
Equipment rental	\$ 526.8	\$ 400.4
Sales of rental equipment	27.7	44.2
Sales of new equipment, parts and supplies	7.7	6.1
Service and other revenue	5.1	3.1
Total revenues	<u>567.3</u>	<u>453.8</u>
Expenses:		
Direct operating	246.2	183.0
Depreciation of rental equipment	119.3	100.4
Cost of sales of rental equipment	18.5	38.4
Cost of sales of new equipment, parts and supplies	5.3	4.2
Selling, general and administrative	89.4	65.5
Interest expense, net	22.5	21.4
Other (income) expense, net	(1.0)	(0.2)
Total expenses	<u>500.2</u>	<u>412.7</u>
Income before income taxes	67.1	41.1
Income tax provision	(8.6)	(8.2)
Net income	<u>\$ 58.5</u>	<u>\$ 32.9</u>
Weighted average shares outstanding:		
Basic	29.8	29.5
Diluted	30.4	30.2
Earnings per share:		
Basic	\$ 1.96	\$ 1.12
Diluted	\$ 1.92	\$ 1.09

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)

	Three Months Ended March 31,	
	2022	2021
Net income	<u>\$ 58.5</u>	<u>\$ 32.9</u>
Other comprehensive income:		
Foreign currency translation adjustments	2.4	2.4
Pension and postretirement benefit liability adjustments:		
Amortization of net losses included in net periodic pension cost	0.3	0.5
Income tax provision related to defined benefit pension plans	(0.8)	(0.1)
Total other comprehensive income	<u>1.9</u>	<u>2.8</u>
Total comprehensive income	<u><u>\$ 60.4</u></u>	<u><u>\$ 35.7</u></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 Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Equity
	Shares	Amount					
Balance at December 31, 2021	29.7	\$ 0.3	\$ 1,822.2	\$ (53.4)	\$ (100.2)	\$ (692.0)	\$ 976.9
Net income	—	—	—	58.5	—	—	58.5
Other comprehensive income	—	—	—	—	1.9	—	1.9
Net settlement on vesting of equity awards	0.2	—	(15.0)	—	—	—	(15.0)
Dividends on common stock	—	—	(17.6)	—	—	—	(17.6)
Stock-based compensation charges	—	—	6.2	—	—	—	6.2
Employee stock purchase plan	—	—	0.8	—	—	—	0.8
Exercise of stock options	—	—	—	—	—	—	—
Balance at March 31, 2022	29.9	\$ 0.3	\$ 1,796.6	\$ 5.1	\$ (98.3)	\$ (692.0)	\$ 1,011.7

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Equity
	Shares	Amount					
Balance at December 31, 2020	29.4	\$ 0.3	\$ 1,818.2	\$ (277.5)	\$ (107.0)	\$ (692.0)	\$ 742.0
Net income	—	—	—	32.9	—	—	32.9
Other comprehensive income	—	—	—	—	2.8	—	2.8
Net settlement on vesting of equity awards	0.2	—	(7.1)	—	—	—	(7.1)
Stock-based compensation charges	—	—	5.3	—	—	—	5.3
Employee stock purchase plan	—	—	0.6	—	—	—	0.6
Exercise of stock options	—	—	1.5	—	—	—	1.5
Balance at March 31, 2021	29.6	\$ 0.3	\$ 1,818.5	\$ (244.6)	\$ (104.2)	\$ (692.0)	\$ 778.0

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)

	Three Months Ended March 31,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 58.5	\$ 32.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of rental equipment	119.3	100.4
Depreciation of property and equipment	14.8	13.4
Amortization of intangible assets	5.9	2.4
Amortization of deferred debt and financing obligations costs	0.8	0.8
Stock-based compensation charges	6.2	5.3
Provision for receivables allowances	9.3	7.9
Deferred taxes	5.2	6.2
Gain on sale of rental equipment	(9.2)	(5.8)
Other	1.0	—
Changes in assets and liabilities:		
Receivables	(23.5)	(6.5)
Other assets	(8.5)	(0.6)
Accounts payable	(8.8)	3.1
Accrued liabilities and other long-term liabilities	(28.0)	(24.8)
Net cash provided by operating activities	143.0	134.7
Cash flows from investing activities:		
Rental equipment expenditures	(286.8)	(90.9)
Proceeds from disposal of rental equipment	28.8	40.3
Non-rental capital expenditures	(12.9)	(13.4)
Proceeds from disposal of property and equipment	2.2	1.8
Acquisitions, net of cash acquired	(73.0)	—
Other investing activities	(5.0)	—
Net cash used in investing activities	(346.7)	(62.2)

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)

	Three Months Ended March 31,	
	2022	2021
Cash flows from financing activities:		
Proceeds from revolving lines of credit and securitization	345.0	70.0
Repayments on revolving lines of credit and securitization	(118.4)	(135.0)
Principal payments under finance lease and financing obligations	(3.9)	(2.8)
Dividends paid	(17.1)	—
Proceeds from exercise of stock options	—	1.5
Proceeds from employee stock purchase plan	0.8	0.6
Net settlement on vesting of equity awards	(15.0)	(7.1)
Net cash provided by (used in) financing activities	191.4	(72.8)
Effect of foreign exchange rate changes on cash and cash equivalents	—	0.2
Net change in cash and cash equivalents during the period	(12.3)	(0.1)
Cash and cash equivalents at beginning of period	35.1	33.0
Cash and cash equivalents at end of period	<u>\$ 22.8</u>	<u>\$ 32.9</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 37.9	\$ 36.9
Cash paid for income taxes, net	\$ 4.9	\$ 7.6
Supplemental disclosure of non-cash investing activity:		
Purchases of rental equipment in accounts payable	\$ —	\$ 24.5
Disposal of rental equipment in accounts receivable	\$ —	\$ 0.4
Equipment acquired through finance lease	\$ 0.8	\$ —

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 320 locations in North America as of March 31, 2022. The Company conducts substantially all of its operations through subsidiaries, including Herc Rentals Inc. ("Herc"). With over 56 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 classic fleet includes aerial, earthmoving, material handling, trucks and trailers, air compressors, compaction and lighting. 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, pumps, trench shoring, studio and production equipment, 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, 2021, filed with the SEC on February 10, 2022.

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

As of April 21, 2022, the Company has implemented all applicable new accounting standards and updates issued by the Financial Accounting Standards Board ("FASB") that were in effect. There were no new standards or updates during the three months ended March 31, 2022 that had a material impact on the condensed consolidated financial statements.

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 91.1% of total revenue for the three months ended March 31, 2022 compared to 92.2% for the same period in 2021.

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.

The following table summarizes the applicable accounting guidance for the Company's revenues for the three months ended March 31, 2022 and 2021 (in millions):

	Three Months Ended March 31,					
	2022			2021		
	Topic 842	Topic 606	Total	Topic 842	Topic 606	Total
Revenues:						
Equipment rental	\$ 476.5	\$ —	\$ 476.5	\$ 364.8	\$ —	\$ 364.8
Other rental revenue:						
Delivery and pick-up	—	30.5	30.5	—	20.9	20.9
Other	19.8	—	19.8	14.7	—	14.7
Total other rental revenues	19.8	30.5	50.3	14.7	20.9	35.6
Total equipment rental	496.3	30.5	526.8	379.5	20.9	400.4
Sales of rental equipment	—	27.7	27.7	—	44.2	44.2
Sales of new equipment, parts and supplies	—	7.7	7.7	—	6.1	6.1
Service and other revenues	—	5.1	5.1	—	3.1	3.1
Total revenues	\$ 496.3	\$ 71.0	\$ 567.3	\$ 379.5	\$ 74.3	\$ 453.8

Topic 842 revenues

Equipment Rental Revenue

The Company offers a broad portfolio of equipment for rent on a hourly, 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

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

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.

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,	
	2022	2021
Sales of rental equipment	\$ 27.7	\$ 44.2
Sales of new equipment	1.8	1.9
Sales of parts and supplies	5.9	4.2
Total	<u>\$ 35.4</u>	<u>\$ 50.3</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 \$7.2 million and \$11.1 million as of March 31, 2022 and December 31, 2021, 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

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

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, 2022 and 2021 that was included in the contract liability balance as of the beginning of each such period.

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, 2022 and 2021 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, 2022.

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, 2022	December 31, 2021
Rental equipment	\$ 4,462.9	\$ 4,254.8
Less: Accumulated depreciation	(1,670.7)	(1,589.5)
Rental equipment, net	<u>\$ 2,792.2</u>	<u>\$ 2,665.3</u>

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

Note 5—Business Combinations

On August 30, 2021, the Company completed the acquisition of substantially all of the assets of Contractors Building Supply Co. LLC ("CBS"). CBS was a full-service general equipment rental company comprising approximately 190 employees and twelve locations serving construction and industrial customers throughout Texas, as well as a location in New Mexico and Tennessee. The acquisition expanded the Company's presence in Texas to 38 physical locations, which collectively provide general and specialty equipment rental solutions and related services. The aggregate consideration was approximately \$190.3 million. The acquisition and related fees and expenses were funded through available cash and drawings on the senior secured asset-based revolving credit facility.

On November 15, 2021, the Company completed the acquisition of substantially all of the assets of Rapid Equipment Rental Limited ("Rapid"). Rapid was a full-service general equipment rental company comprising approximately 110 employees and seven locations serving construction and industrial customers throughout the Greater Toronto Area. The aggregate consideration was approximately \$75.4 million and is subject to a potential working capital adjustment. The acquisition and related fees and expenses were funded through available cash and drawings on the senior secured asset-based revolving credit facility.

Pro Forma Supplementary Data

The unaudited pro forma supplementary data presented in the table below (in millions) gives effect to the 2021 acquisitions, CBS and Rapid, as if they had been completed on January 1, 2020. The unaudited pro forma supplementary data is provided for informational purposes only and is not indicative of the Company's results of operations had the acquisitions been completed on the above date, nor is it indicative of the Company's future results.

	Three Months Ended March 31, 2021			
	Herc	CBS	Rapid	Total
Historic/pro forma total revenues	\$ 453.8	\$ 16.1	\$ 5.7	\$ 475.6
Historic/combined pretax income	41.1	2.4	1.9	45.4
Pro forma adjustments to consolidated pretax income:				
Impact of fair value adjustments/useful life changes on depreciation ^(a)		0.9	(1.0)	(0.1)
Intangible asset amortization ^(b)		(1.3)	(0.5)	(1.8)
Interest expense ^(c)		(0.6)	(0.3)	(0.9)
Elimination of historic interest ^(d)		0.4	0.3	0.7
Elimination of merger related costs ^(e)		0.1	0.1	0.2
Pro forma pretax income				\$ 43.5

(a) Depreciation of rental equipment were adjusted for the fair value at acquisition and changes in useful lives of equipment acquired.

(b) Intangible asset amortization was adjusted to include amortization of the acquired intangible assets.

(c) As discussed above, the Company funded the CBS and Rapid acquisitions primarily using drawings on its ABL facility. Interest expense was adjusted to reflect interest on the ABL facility borrowings.

(d) Historic interest on debt that is not part of the combined entity was eliminated.

(e) Merger related direct costs primarily comprised of financial and legal advisory fees associated with the CBS and Rapid acquisitions were eliminated as they were assumed to have been recognized prior to the pro forma acquisition date.

In addition to the acquisitions of CBS and Rapid, the Company completed the acquisitions of nine additional companies, totaling 14 locations, throughout 2021. During the second quarter, the Company acquired San Mateo Rentals and Jim-N-I Rentals, Inc. In the third quarter, the Company completed the acquisition of Dwight Crane Ltd. along with its U.S. based affiliate, LRX LLC. In the fourth quarter, the Company completed the acquisition of Reliable Equipment, LLC, SkyKing Lift, Inc., Atlantic Aerial Inc., Central Valley Shoring, Inc., Priority Rental LLC and Temp-Power, Inc.

During the first quarter of 2022, the Company completed the acquisitions of three companies, totaling 3 locations including Southern Equipment Rental, Harris Diversified, LLC, and Kilowatt Boy, Inc.

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

Note 6—Goodwill and Intangible Assets

Goodwill

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

	March 31, 2022	December 31, 2021
Balance at the beginning of the period:		
Goodwill	\$ 906.5	\$ 775.4
Accumulated impairment losses	(675.0)	(674.9)
	231.5	100.5
Additions	40.7	131.1
Currency translation	0.3	(0.1)
Balance at the end of the period:		
Goodwill	947.2	906.5
Accumulated impairment losses	(674.7)	(675.0)
	\$ 272.5	\$ 231.5

Intangible Assets

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

	March 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Finite-lived intangible assets:			
Customer-related and non-compete agreements	\$ 125.9	\$ (19.2)	\$ 106.7
Internally developed software ^(a)	52.9	(32.2)	20.7
Total	178.8	(51.4)	127.4
Indefinite-lived intangible assets:			
Trade name	271.2	—	271.2
Total intangible assets, net	\$ 450.0	\$ (51.4)	\$ 398.6

(a) Includes capitalized costs of \$9.9 million yet to be placed into service.

	December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Finite-lived intangible assets:			
Customer-related and non-compete agreements	\$ 113.7	\$ (15.0)	\$ 98.7
Internally developed software ^(a)	49.6	(30.5)	19.1
Total	163.3	(45.5)	117.8
Indefinite-lived intangible assets:			
Trade name	270.9	—	270.9
Total intangible assets, net	\$ 434.2	\$ (45.5)	\$ 388.7

(a) Includes capitalized costs of \$7.4 million yet to be placed into service.

Amortization of intangible assets was \$5.9 million and \$2.4 million for the three months ended March 31, 2022 and 2021, respectively.

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

Note 7—Leases

The Company leases real estate, office equipment and service vehicles. The Company's leases have remaining lease terms of up to 17 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.

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

	Classification	Three Months Ended March 31,	
		2022	2021
Operating lease cost ^(a)	Direct operating	\$ 31.4	\$ 23.8
Finance lease cost:			
Amortization of ROU assets	Depreciation and amortization ^(b)	4.8	2.3
Interest on lease liabilities	Interest expense, net	0.4	0.3
Sublease income	Equipment rental revenue	(18.2)	(13.4)
Net lease cost		<u>\$ 18.4</u>	<u>\$ 13.0</u>

(a) Includes short-term leases of \$15.3 million and \$8.8 millions for the three months ended March 31, 2022 and 2021, respectively, and variable lease costs of \$0.7 million and \$1.7 million for the three months ended March 31, 2022 and 2021, respectively.

(b) Depreciation and amortization are included with selling, general and administrative expense.

Note 8—Debt

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

	Weighted Average Effective Interest Rate at March 31, 2022	Weighted Average Stated Interest Rate at March 31, 2022	Fixed or Floating Interest Rate	Maturity	March 31, 2022	December 31, 2021
<i>Senior Notes</i>						
2027 Notes	5.61%	5.50%	Fixed	2027	\$ 1,200.0	\$ 1,200.0
<i>Other Debt</i>						
ABL Credit Facility	N/A	1.67%	Floating	2024	658.4	456.0
AR Facility	N/A	1.31%	Floating	2022	250.0	225.0
Finance lease liabilities	2.77%	N/A	Fixed	2022-2029	50.4	52.6
Unamortized Debt Issuance Costs ^(a)					(5.9)	(6.1)
Total debt					2,152.9	1,927.5
Less: Current maturities of long-term debt					(10.8)	(11.4)
Long-term debt, net					<u>\$ 2,142.1</u>	<u>\$ 1,916.1</u>

(a) Unamortized debt issuance costs totaling \$4.6 million and \$5.0 million related to the ABL Credit Facility and AR Facility (as each is defined below) as of March 31, 2022 and December 31, 2021, respectively, and 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.

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

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, 2021.

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"). The ABL Credit Facility provides (subject to availability under a borrowing base) for aggregate maximum borrowings of up to \$1,750 million under a revolving loan facility. 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 31, 2024. 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, 2021.

Accounts Receivable Securitization Facility

In September 2018, the Company entered into an accounts receivable securitization facility (the "AR Facility"). The AR Facility was amended in August 2021 to extend the maturity date to August 31, 2022 and increase the aggregate commitments from \$175 million to \$200 million. In October 2021, the Company increased the aggregate commitments to \$225 million and, in January 2022, further increased the aggregate commitments to \$250 million. In connection with the AR Facility, Herc and one of its wholly-owned subsidiaries sell their 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 the Herc subsidiary seller 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 Herc subsidiary seller and 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 consummate refinancing and extend the term of the agreement.

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, 2022 (in millions):

	Remaining Capacity	Availability Under Borrowing Base Limitation
ABL Credit Facility	\$ 1,066.8	\$ 1,066.8
AR Facility	—	—
Total	<u>\$ 1,066.8</u>	<u>\$ 1,066.8</u>

Letters of Credit

As of March 31, 2022, \$24.8 million of standby letters of credit were issued and outstanding, none of which have been drawn upon. The ABL Credit Facility had \$225.2 million available under the letter of credit facility sublimit, subject to borrowing base restrictions.

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

Note 9—Financing Obligations

In October 2017, Herc consummated a sale-leaseback transaction pursuant to which it sold 42 of its properties located in the U.S. for gross proceeds of approximately \$119.5 million, and during the fourth quarter of 2018, entered into sale-leaseback transactions with respect to two additional properties for gross proceeds of \$6.4 million. The sale of the properties did not qualify for sale-leaseback accounting due to continuing involvement with the properties. Therefore, the book value of the buildings and land remains on the Company's consolidated balance sheet.

During March 2019, Herc entered into a sale-leaseback transaction for certain service vehicles that did not qualify for sale-leaseback accounting, therefore the book value of the vehicles remains on the Company's consolidated balance sheet. Gross proceeds from the sale-leaseback transaction were \$4.7 million.

The Company's financing obligations consist of the following (in millions):

	Weighted Average Effective Interest Rate at March 31, 2022	Maturities	March 31, 2022	December 31, 2021
Financing obligations	5.21%	2026-2038	\$ 116.2	\$ 117.2
Unamortized financing issuance costs			(2.2)	(2.2)
Total financing obligations			114.0	115.0
Less: Current maturities of financing obligations			(3.8)	(3.8)
Financing obligations, net			<u>\$ 110.2</u>	<u>\$ 111.2</u>

Note 10—Income Taxes

Income tax provision was \$8.6 million and \$8.2 million for the three months ended March 31, 2022 and 2021, respectively. The provision in each period was driven by the level of pre-tax income, offset primarily by a benefit related to stock-based compensation of \$8.1 million and \$2.5 million for three months ended March 31, 2022 and 2021, respectively, and 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, 2022 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, 2021	\$ (12.3)	\$ (87.9)	\$ (100.2)
Other comprehensive income before reclassification	(0.7)	2.4	1.7
Amounts reclassified from accumulated other comprehensive income	0.2	—	0.2
Net current period other comprehensive income	(0.5)	2.4	1.9
Balance at March 31, 2022	<u>\$ (12.8)</u>	<u>\$ (85.5)</u>	<u>\$ (98.3)</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.

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

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 and has accrued for expected losses that are probable and estimable. The types of indemnification obligations for which payments are possible include the following:

The Spin-Off

In connection with the Spin-Off, pursuant to the separation and distribution agreement (agreements and defined terms are discussed in Note 21, "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.

Guarantee

The Company has guaranteed an outstanding bank loan in connection with a previous joint venture. The Company has determined the maximum potential payment amount under the guarantee is approximately \$2.3 million; however, the probability of any payment is remote and therefore the Company has not recorded a liability on its balance sheet as of March 31, 2022. The bank loan is collateralized by the rental equipment and other assets of the former joint venture entity and has maturities through 2024.

Note 13—Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The fair value of 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.

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

Cash Equivalents

Cash equivalents, when held, 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 determines the fair value of cash equivalents using a market approach based on quoted prices in active markets. The Company had no cash equivalents at March 31, 2022 or December 31, 2021.

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, 2022 and December 31, 2021. The fair value of the Company's 2027 Notes are 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, 2022		December 31, 2021	
	Nominal Unpaid Principal Balance	Aggregate Fair Value	Nominal Unpaid Principal Balance	Aggregate Fair Value
2027 Notes	\$ 1,200.0	\$ 1,216.8	\$ 1,200.0	\$ 1,248.0

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).

	Three Months Ended March 31,	
	2022	2021
Basic and diluted earnings per share:		
Numerator:		
Net income, basic and diluted	\$ 58.5	\$ 32.9
Denominator:		
Basic weighted average common shares	29.8	29.5
Stock options, RSUs and PSUs	0.6	0.7
Weighted average shares used to calculate diluted earnings per share	30.4	30.2
Earnings per share:		
Basic	\$ 1.96	\$ 1.12
Diluted	\$ 1.92	\$ 1.09
Antidilutive stock options, RSUs and PSUs	0.1	—

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

Note 15—Related Party Transactions

Agreements with Carl C. Icahn

The Company is subject to the Nomination and Standstill Agreement, dated September 15, 2014 (the "Nomination and Standstill Agreement"), with Carl C. Icahn and certain related entities and individuals. In connection with their appointments or nomination, as applicable, to the Company's board of directors (the "Board"), each of Jonathan Frates, Hunter C. Gary, Andrew Langham, Steven D. Miller and Andrew Teno (collectively, the "Icahn Designees," and, together with Carl C. Icahn and the other parties to the Nomination and Standstill Agreements, the "Icahn Group") executed a Joinder Agreement agreeing to become bound as a party to the terms and conditions of the Nomination and Standstill Agreement (such Joinder Agreements, together with the Nomination and Standstill Agreement, are collectively referred to herein as the "Icahn Agreements").

Pursuant to the Icahn Agreements, the Icahn Designees were appointed to the Company's Board. So long as an Icahn Designee is a member of the Board, the Board will not be expanded beyond its current size without approval from the Icahn Designees then on the Board. In addition, pursuant to the Icahn Agreements, subject to certain restrictions and requirements, the Icahn Group will have certain replacement rights in the event an Icahn Designee resigns or is otherwise unable to serve as a director (other than as a result of not being nominated by the Company for an annual meeting).

In addition, until the date that no Icahn Designee is a member of the Board (or otherwise deemed to be on the Board pursuant to the terms of the Icahn Agreements), the Icahn Group agrees to vote all of its shares of the Company's common stock in favor of the election of all of the Company's director nominees at each annual or special meeting of the Company's stockholders, and, subject to limited exceptions, the Icahn Group further agrees to (i) adhere to certain standstill obligations, including the obligation to not solicit proxies or consents or influence others with respect to the same, and (ii) not acquire or otherwise beneficially own more than 20% of the Company's outstanding voting securities.

Pursuant to the Icahn Agreements, the Company will not create a separate executive committee of the Board so as long as an Icahn Designee is a member of the Board. Under the Icahn Agreements, if the Icahn Group ceases to hold a "net long position," as defined in the Nomination and Standstill Agreement, in at least 1,900,000 shares of the Company's common stock, the Icahn Group will cause one Icahn Designee to resign from the Board; if the Icahn Group's holdings are further reduced to specified levels, additional Icahn Designees are required to resign.

In addition, pursuant to the Icahn Agreements, the Company entered into a registration rights agreement, effective June 30, 2016 (the "Registration Rights Agreement"), with certain entities related to Carl C. Icahn on behalf of any person who is a member of the "Icahn group" (as such term is defined therein) who owns applicable securities at the relevant time and is or has become a party to the Registration Rights Agreement. The Registration Rights Agreement provides for customary demand and piggyback registration rights and obligations.

Note 16—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.

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

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.

Note 17—Subsequent Event

In April 2022, the Company acquired Michigan-based Cloverdale Equipment Company ("Cloverdale") for approximately \$175 million. Cloverdale was a full-service general equipment rental company comprising approximately 120 employees and four locations serving construction and industrial customers throughout the metropolitan areas of Detroit and Grand Rapids, Michigan; Cleveland, Ohio; and Pittsburgh, Pennsylvania.

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; and
- Interest expense.

COVID-19 Update

We continue to monitor the ongoing impact of the COVID-19 pandemic, including the effects of recent notable variants of the virus. The health and safety of our employees, customers, and the communities in which we operate remains our top priority. We remain focused on the safety and well-being of our employees, customers and communities as we maintain a high-level of service to our customers. We continue to communicate frequently throughout the organization to reinforce our health and safety guidelines, informed by the Center for Disease Control recommendations.

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

During 2021, customer demand improved as the government rolled out the distribution of vaccines and lifted COVID-19 related restrictions, which opened up local economic activity. Demand in 2022 remains strong, however, despite the recovery we are seeing, the impact of the COVID-19 pandemic continues to evolve and the economic recovery could be slowed or reversed by a number of factors, including a widespread resurgence in COVID-19 infections, whether due to the spread of variants of the virus or otherwise, the rate and efficacy of vaccinations, labor constraints, the strength of the global supply chain, and government actions. We cannot predict the extent to which our financial condition, results of operations or cash flows will ultimately be impacted, however, we believe we are well-positioned to operate effectively through the present environment.

Seasonality

Our business is usually 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

(\$ in millions)	Three Months Ended March 31,			
	2022	2021	\$ Change	% Change
Equipment rental	\$ 526.8	\$ 400.4	\$ 126.4	31.6 %
Sales of rental equipment	27.7	44.2	(16.5)	(37.3)
Sales of new equipment, parts and supplies	7.7	6.1	1.6	26.2
Service and other revenue	5.1	3.1	2.0	64.5
Total revenues	567.3	453.8	113.5	25.0
Direct operating	246.2	183.0	63.2	34.5
Depreciation of rental equipment	119.3	100.4	18.9	18.8
Cost of sales of rental equipment	18.5	38.4	(19.9)	(51.8)
Cost of sales of new equipment, parts and supplies	5.3	4.2	1.1	26.2
Selling, general and administrative	89.4	65.5	23.9	36.5
Interest expense, net	22.5	21.4	1.1	5.1
Other expense (income), net	(1.0)	(0.2)	(0.8)	NM
Income before income taxes	67.1	41.1	26.0	63.3
Income tax provision	(8.6)	(8.2)	(0.4)	4.9
Net income	\$ 58.5	\$ 32.9	\$ 25.6	77.8 %

NM - Not Meaningful

Three Months Ended March 31, 2022 Compared with Three Months Ended March 31, 2021

Equipment rental revenue increased \$126.4 million, or 31.6%, during the first quarter of 2022 when compared to the first quarter of 2021 primarily due to higher volume of equipment on rent of 29.0% and positive pricing of 4.3% during the first quarter of 2022 over the same period in the prior year.

Sales of rental equipment decreased \$16.5 million, or 37.3%, during the first quarter of 2022 when compared to the first quarter of 2021. During the first quarter of 2022, the decline in volume of sales was related to the increase in utilization and the

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

strategic management of our rental equipment to maximize fleet size as part of our long-term strategy. The margin on sales of rental equipment was 33.2% in 2022 compared to 13.1% in 2021. The increase in margin on sale of rental equipment in 2022 was due to a larger proportion of overall volume of sales through higher margin sales channels and better pricing due to the overall strong market for used equipment.

Direct operating expenses in the first quarter of 2022 increased \$63.2 million, or 34.5%, when compared to the first quarter of 2021 primarily related to increases in (i) personnel-related expenses of \$26.8 million primarily resulting from increased headcount and increased payroll and benefits, (ii) fleet related expenses including fuel and maintenance expense of \$18.0 million related to our increased fleet size and higher average fuel prices in 2022, (iii) re-rent expense of \$6.5 million due to the corresponding increase in re-rent revenue, (iv) facilities expense of \$4.5 million as we have added more locations through acquisitions and opening greenfield locations.

Depreciation of rental equipment increased \$18.9 million, or 18.8%, during the first quarter of 2022 when compared to the first quarter of 2021 due to the increase in average fleet size.

Selling, general and administrative expenses increased \$23.9 million, or 36.5%, in the first quarter of 2022 when compared to the first quarter of 2021. The increase was primarily due to selling expense, including commissions and other variable compensation increases, of \$11.5 million and general payroll and benefits of \$4.1 million. Travel expense also increased by \$3.2 million.

Interest expense, net increased \$1.1 million, or 5.1%, during the first quarter of 2022 when compared with the same period in 2021 due to higher average outstanding balances and slightly higher weighted average interest rates on the ABL Credit Facility and AR Facility.

Income tax provision was \$8.6 million during the first quarter of 2022 compared to \$8.2 million in 2021. The provision in each period was driven by the level of pre-tax income, offset primarily by a benefit related to stock-based compensation of \$8.1 million and \$2.5 million for three months ended March 31, 2022 and 2021, respectively, and non-deductible expenses.

LIQUIDITY AND CAPITAL RESOURCES

Our primary liquidity needs include the payment of operating expenses, purchases of rental equipment to be used in our operations, servicing of debt, funding acquisitions and payment of dividends. 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, 2022, we had approximately \$2.2 billion of total nominal indebtedness outstanding.

Our liquidity as of March 31, 2022 consisted of cash and cash equivalents of \$22.8 million and unused commitments of approximately \$1.1 billion under our ABL Credit 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.

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.

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

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

	Three Months Ended March 31,		
	2022	2021	\$ Change
Cash provided by (used in):			
Operating activities	\$ 143.0	\$ 134.7	\$ 8.3
Investing activities	(346.7)	(62.2)	(284.5)
Financing activities	191.4	(72.8)	264.2
Effect of exchange rate changes	—	0.2	(0.2)
Net change in cash and cash equivalents	<u>\$ (12.3)</u>	<u>\$ (0.1)</u>	<u>\$ (12.2)</u>

Operating Activities

During the three months ended March 31, 2022, we generated \$8.3 million more cash from operating activities compared with the same period in 2021. The increase was related to improved operating results primarily resulting from higher revenues coupled with continued cost control measures, partially offset by the timing of payments on accounts payable as compared to the same period in 2021.

Investing Activities

Cash used in investing activities increased \$284.5 million during the three months ended March 31, 2022 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 three acquisitions during the three months ended March 31, 2022 for a net cash outflow of \$73.0 million.

Financing Activities

Cash provided by financing activities increased \$264.2 million during the three months ended March 31, 2022 when compared with the prior-year period. Financing activities primarily represents our changes in debt, which included net borrowings of \$226.6 million on our revolving lines of credit and securitization, which were used primarily to fund acquisitions during the period. Net repayments in the prior year period were \$65.0 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.

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,	
	2022	2021
Rental equipment expenditures	\$ 286.8	\$ 90.9
Disposals of rental equipment	(28.8)	(40.3)
Net rental equipment expenditures	<u>\$ 258.0</u>	<u>\$ 50.6</u>

HERC HOLDINGS INC. AND SUBSIDIARIES

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

Net capital expenditures for rental equipment increased \$207.4 million during the three months ended March 31, 2022 compared to the same period in 2021 as we manage our fleet by continuing to invest in our fleet in high growth markets as part of our long-term capital expenditure plans and manage disposals to respond to a tightening market.

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."

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, 2021, 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, 2022, the following was available to us (in millions):

	Remaining Capacity	Availability Under Borrowing Base Limitation
ABL Credit Facility	\$ 1,066.8	\$ 1,066.8
AR Facility	—	—
Total	\$ 1,066.8	\$ 1,066.8

As of March 31, 2022, \$24.8 million of standby letters of credit were issued and outstanding under the ABL Credit Facility, none of which have been drawn upon. The ABL Credit Facility had \$225.2 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, 2022, the appropriate levels of liquidity have been maintained, therefore this financial maintenance covenant is not applicable.

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

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

Report on Form 10-K for the year ended December 31, 2021. 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, 2021.

Dividends

On February 8, 2022, the Company declared a quarterly dividend of \$0.575 per share to record holders as of February 23, 2022, with payment date of March 10, 2022. 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, 2022, 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, 2021. 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.

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, 2022, 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, 2021.

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, 2022, 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, 2022, 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

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, 2021.

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

Share Repurchase Program

In March 2014, Hertz Holdings announced a \$1.0 billion share repurchase program (the "Share Repurchase Program"), which replaced an earlier program. The Share Repurchase Program permits us, as the successor to Hertz Holdings, 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. The timing and extent to which we repurchase shares will depend upon, among other things, market conditions, share price, liquidity targets, contractual restrictions 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, 2022. As of March 31, 2022, the approximate dollar value that remains available for share purchases under the Share Repurchase Program is \$395.9 million.

ITEM 5. OTHER INFORMATION

None.

HERC HOLDINGS INC. AND SUBSIDIARIES

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1.1	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).
3.1.2	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).
3.1.3	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).
3.1.4	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).
3.2	Amended and Restated By-Laws of Herc Holdings Inc., effective February 8, 2022 (Incorporated by reference to Exhibit 3.2 to the Annual Report on Form 10-K of Herc Holdings Inc. (File No. 001-33139), as filed on February 10, 2022.)
31.1*	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
31.2*	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
32.1**	18 U.S.C. Section 1350 Certifications of Principal Executive Officer and the Principal Financial Officer
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 21, 2022

HERC HOLDINGS INC.
(Registrant)

By: /s/ MARK IRION

Mark Irion
Senior Vice President and Chief Financial Officer

CERTIFICATIONS

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Lawrence H. Silber, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended March 31, 2022 (this "report") of Herc Holdings Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 21, 2022

By: /s/ LAWRENCE H. SILBER

Lawrence H. Silber
Chief Executive Officer, President and Director (Principal
Executive Officer)

CERTIFICATIONS

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Mark Irion, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended March 31, 2022 (this "report") of Herc Holdings Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 21, 2022

By: /s/ MARK IRION

Mark Irion
Senior Vice President and Chief Financial Officer (Principal
Financial Officer)

18 U.S.C. SECTION 1350 CERTIFICATIONS OF PRINCIPAL EXECUTIVE AND THE PRINCIPAL FINANCIAL OFFICER

In connection with the filing of this quarterly report on Form 10-Q of Herc Holdings Inc. (the "Company") for the quarterly period ended March 31, 2022 with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 21, 2022

By: /s/ LAWRENCE H. SILBER
Lawrence H. Silber
Chief Executive Officer, President and Director (Principal
Executive Officer)

Date: April 21, 2022

By: /s/ MARK IRION
Mark Irion
Senior Vice President and Chief Financial Officer (Principal
Financial Officer)