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

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**FORM 10-Q**

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

**For the quarterly period ended March 31, 2023**

**OR**

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

**Commission File Number 001-33139**

**HERC HOLDINGS INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**20-3530539**

(I.R.S. Employer  
Identification Number)

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

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

**Not Applicable**

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

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

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

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

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

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

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

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

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

As of April 14, 2023, there were 28,486,099 shares of the registrant's common stock, \$0.01 par value, outstanding.

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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, 2023 (this "Report") includes "forward-looking statements," as that term is defined by the federal securities laws. Forward-looking statements include statements concerning our business plans and strategy, projected profitability, performance or cash flows, future capital expenditures, our growth strategy, including our ability to grow organically and through M&A, anticipated financing needs, business trends, our capital allocation strategy, liquidity and capital management 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, 2022 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,<br>2023  | December 31,<br>2022 |
|---------------------------------------------------------------------------------------------------------------------------|--------------------|----------------------|
| <b>ASSETS</b>                                                                                                             |                    |                      |
|                                                                                                                           | <b>(Unaudited)</b> |                      |
| Cash and cash equivalents                                                                                                 | \$ 40              | \$ 54                |
| Receivables, net of allowances of \$16 and \$18, respectively                                                             | 514                | 523                  |
| Other current assets                                                                                                      | 71                 | 67                   |
| Total current assets                                                                                                      | 625                | 644                  |
| Rental equipment, net                                                                                                     | 3,699              | 3,485                |
| Property and equipment, net                                                                                               | 415                | 392                  |
| Right-of-use lease assets                                                                                                 | 597                | 552                  |
| Intangible assets, net                                                                                                    | 447                | 431                  |
| Goodwill                                                                                                                  | 460                | 419                  |
| Other long-term assets                                                                                                    | 33                 | 34                   |
| Total assets                                                                                                              | <u>\$ 6,276</u>    | <u>\$ 5,957</u>      |
| <b>LIABILITIES AND EQUITY</b>                                                                                             |                    |                      |
| Current maturities of long-term debt and financing obligations                                                            | \$ 16              | \$ 16                |
| Current maturities of operating lease liabilities                                                                         | 43                 | 42                   |
| Accounts payable                                                                                                          | 348                | 318                  |
| Accrued liabilities                                                                                                       | 186                | 228                  |
| Total current liabilities                                                                                                 | 593                | 604                  |
| Long-term debt, net                                                                                                       | 3,215              | 2,922                |
| Financing obligations, net                                                                                                | 107                | 108                  |
| Operating lease liabilities                                                                                               | 573                | 528                  |
| Deferred tax liabilities                                                                                                  | 655                | 647                  |
| Other long term liabilities                                                                                               | 46                 | 40                   |
| Total liabilities                                                                                                         | 5,189              | 4,849                |
| Commitments and contingencies (Note 12)                                                                                   |                    |                      |
| Equity:                                                                                                                   |                    |                      |
| Preferred stock, \$0.01 par value, 13.3 shares authorized, no shares issued and outstanding                               | —                  | —                    |
| Common stock, \$0.01 par value, 133.3 shares authorized, 33.0 and 32.7 shares issued and 28.8 and 28.9 shares outstanding | —                  | —                    |
| Additional paid-in capital                                                                                                | 1,801              | 1,820                |
| Retained earnings                                                                                                         | 272                | 224                  |
| Accumulated other comprehensive loss                                                                                      | (127)              | (129)                |
| Treasury stock, at cost, 4.2 shares and 3.8 shares                                                                        | (859)              | (807)                |
| Total equity                                                                                                              | 1,087              | 1,108                |
| Total liabilities and equity                                                                                              | <u>\$ 6,276</u>    | <u>\$ 5,957</u>      |

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

**HERC HOLDINGS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Unaudited**  
**(In millions, except per share data)**

|                                                    | <b>Three Months Ended March 31,</b> |             |
|----------------------------------------------------|-------------------------------------|-------------|
|                                                    | <b>2023</b>                         | <b>2022</b> |
| <b>Revenues:</b>                                   |                                     |             |
| Equipment rental                                   | \$ 654                              | \$ 527      |
| Sales of rental equipment                          | 71                                  | 28          |
| Sales of new equipment, parts and supplies         | 8                                   | 8           |
| Service and other revenue                          | 7                                   | 5           |
| Total revenues                                     | 740                                 | 568         |
| <b>Expenses:</b>                                   |                                     |             |
| Direct operating                                   | 281                                 | 226         |
| Depreciation of rental equipment                   | 152                                 | 119         |
| Cost of sales of rental equipment                  | 46                                  | 19          |
| Cost of sales of new equipment, parts and supplies | 5                                   | 5           |
| Selling, general and administrative                | 106                                 | 89          |
| Non-rental depreciation and amortization           | 26                                  | 21          |
| Interest expense, net                              | 48                                  | 23          |
| Other expense (income), net                        | 1                                   | (1)         |
| Total expenses                                     | 665                                 | 501         |
| Income before income taxes                         | 75                                  | 67          |
| Income tax provision                               | (8)                                 | (9)         |
| Net income                                         | \$ 67                               | \$ 58       |
| <b>Weighted average shares outstanding:</b>        |                                     |             |
| Basic                                              | 29.0                                | 29.8        |
| Diluted                                            | 29.4                                | 30.4        |
| <b>Earnings per share:</b>                         |                                     |             |
| Basic                                              | \$ 2.31                             | \$ 1.96     |
| Diluted                                            | \$ 2.28                             | \$ 1.92     |

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, |              |
|------------------------------------------------------------------------|------------------------------|--------------|
|                                                                        | 2023                         | 2022         |
| Net income .....                                                       | \$ 67                        | \$ 58        |
| Other comprehensive income:                                            |                              |              |
| Foreign currency translation adjustments .....                         | 1                            | 2            |
| Pension and postretirement benefit liability adjustments:              |                              |              |
| Amortization of net losses included in net periodic pension cost ..... | 1                            | 1            |
| Income tax provision related to defined benefit pension plans .....    | —                            | (1)          |
| Total other comprehensive income .....                                 | 2                            | 2            |
| Total comprehensive income .....                                       | <u>\$ 69</u>                 | <u>\$ 60</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)**

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

|                                                  | <b>Common Stock</b> |               | <b>Additional<br/>Paid-In<br/>Capital</b> | <b>Retained<br/>Earnings<br/>(Accumulated<br/>Deficit)</b> | <b>Accumulated<br/>Other<br/>Comprehensive<br/>Income (Loss)</b> | <b>Treasury<br/>Stock</b> | <b>Total<br/>Equity</b> |
|--------------------------------------------------|---------------------|---------------|-------------------------------------------|------------------------------------------------------------|------------------------------------------------------------------|---------------------------|-------------------------|
|                                                  | <b>Shares</b>       | <b>Amount</b> |                                           |                                                            |                                                                  |                           |                         |
| Balance at December 31, 2021 .....               | 29.7                | \$ —          | \$ 1,822                                  | \$ (53)                                                    | \$ (100)                                                         | \$ (692)                  | \$ 977                  |
| Net income .....                                 | —                   | —             | —                                         | 58                                                         | —                                                                | —                         | 58                      |
| Other comprehensive income .....                 | —                   | —             | —                                         | —                                                          | 2                                                                | —                         | 2                       |
| Stock-based compensation charges .....           | —                   | —             | 6                                         | —                                                          | —                                                                | —                         | 6                       |
| Dividends declared, \$0.575 per share .....      | —                   | —             | (18)                                      | —                                                          | —                                                                | —                         | (18)                    |
| Net settlement on vesting of equity awards ..... | 0.2                 | —             | (15)                                      | —                                                          | —                                                                | —                         | (15)                    |
| Employee stock purchase plan .....               | —                   | —             | 1                                         | —                                                          | —                                                                | —                         | 1                       |
| Balance at March 31, 2022 .....                  | 29.9                | \$ —          | \$ 1,796                                  | \$ 5                                                       | \$ (98)                                                          | \$ (692)                  | \$ 1,011                |

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

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

|                                                                                          | <b>Three Months Ended March 31,</b> |             |
|------------------------------------------------------------------------------------------|-------------------------------------|-------------|
|                                                                                          | <b>2023</b>                         | <b>2022</b> |
| <b>Cash flows from operating activities:</b>                                             |                                     |             |
| Net income                                                                               | \$ 67                               | \$ 58       |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |                                     |             |
| Depreciation of rental equipment                                                         | 152                                 | 119         |
| Depreciation of property and equipment                                                   | 17                                  | 15          |
| Amortization of intangible assets                                                        | 9                                   | 6           |
| Amortization of deferred debt and financing obligations costs                            | 1                                   | 1           |
| Stock-based compensation charges                                                         | 4                                   | 6           |
| Provision for receivables allowances                                                     | 13                                  | 9           |
| Deferred taxes                                                                           | 3                                   | 5           |
| Gain on sale of rental equipment                                                         | (25)                                | (9)         |
| Other                                                                                    | 2                                   | 1           |
| <b>Changes in assets and liabilities:</b>                                                |                                     |             |
| Receivables                                                                              | 13                                  | (23)        |
| Other assets                                                                             | (2)                                 | (8)         |
| Accounts payable                                                                         | 8                                   | (9)         |
| Accrued liabilities and other long-term liabilities                                      | (27)                                | (28)        |
| Net cash provided by operating activities                                                | 235                                 | 143         |
| <b>Cash flows from investing activities:</b>                                             |                                     |             |
| Rental equipment expenditures                                                            | (332)                               | (287)       |
| Proceeds from disposal of rental equipment                                               | 49                                  | 29          |
| Non-rental capital expenditures                                                          | (33)                                | (13)        |
| Proceeds from disposal of property and equipment                                         | 3                                   | 2           |
| Acquisitions, net of cash acquired                                                       | (138)                               | (73)        |
| Other investing activities                                                               | —                                   | (5)         |
| Net cash used in investing activities                                                    | (451)                               | (347)       |

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



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

|                                                                                | <b>Three Months Ended March 31,</b> |              |
|--------------------------------------------------------------------------------|-------------------------------------|--------------|
|                                                                                | <b>2023</b>                         | <b>2022</b>  |
| <b>Cash flows from financing activities:</b>                                   |                                     |              |
| Proceeds from revolving lines of credit and securitization . . . . .           | 640                                 | 345          |
| Repayments on revolving lines of credit and securitization . . . . .           | (347)                               | (118)        |
| Principal payments under finance lease and financing obligations . . . . .     | (4)                                 | (4)          |
| Dividends paid . . . . .                                                       | (20)                                | (17)         |
| Net settlement on vesting of equity awards . . . . .                           | (25)                                | (15)         |
| Proceeds from employee stock purchase plan . . . . .                           | 1                                   | 1            |
| Proceeds from exercise of stock options . . . . .                              | 1                                   | —            |
| Repurchase of common stock . . . . .                                           | (44)                                | —            |
| Net cash provided by financing activities . . . . .                            | 202                                 | 192          |
| Effect of foreign exchange rate changes on cash and cash equivalents . . . . . | —                                   | —            |
| Net change in cash and cash equivalents during the period . . . . .            | (14)                                | (12)         |
| Cash and cash equivalents at beginning of period . . . . .                     | 54                                  | 35           |
| Cash and cash equivalents at end of period . . . . .                           | <u>\$ 40</u>                        | <u>\$ 23</u> |
| <b>Supplemental disclosure of cash flow information:</b>                       |                                     |              |
| Cash paid for interest . . . . .                                               | \$ 63                               | \$ 38        |
| Cash paid for income taxes, net . . . . .                                      | \$ 1                                | \$ 5         |
| <b>Supplemental disclosure of non-cash investing activity:</b>                 |                                     |              |
| Purchases of rental equipment in accounts payable . . . . .                    | \$ 18                               | \$ —         |
| Non-rental capital expenditures in accounts payable . . . . .                  | \$ 3                                | \$ 1         |
| Disposal of rental equipment in accounts receivable . . . . .                  | \$ 15                               | \$ —         |
| <b>Supplemental disclosure of non-cash investing and financing activity:</b>   |                                     |              |
| Equipment acquired through finance lease . . . . .                             | \$ 3                                | \$ 1         |

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 364 locations in North America as of March 31, 2023. The Company conducts substantially all of its operations through subsidiaries, including Herc Rentals Inc. ("Herc"). With over 57 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, 2022, filed with the SEC on February 14, 2023.

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.

***Reclassifications***

Certain amounts in prior years have been reclassified to conform with the presentation in the current year.

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

***Recently Issued Accounting Pronouncements***

As of March 31, 2023, 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, 2023 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 91.9% of total revenue for the three months ended March 31, 2023 compared to 91.1% for the same period in 2022.

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, 2023 and 2022 (in millions):

|                                            | Three Months Ended March 31, |               |               |               |              |               |
|--------------------------------------------|------------------------------|---------------|---------------|---------------|--------------|---------------|
|                                            | 2023                         |               |               | 2022          |              |               |
|                                            | Topic 842                    | Topic 606     | Total         | Topic 842     | Topic 606    | Total         |
| <b>Revenues:</b>                           |                              |               |               |               |              |               |
| Equipment rental                           | \$ 590                       | \$ —          | \$ 590        | \$ 477        | \$ —         | \$ 477        |
| Other rental revenue:                      |                              |               |               |               |              |               |
| Delivery and pick-up                       | —                            | 41            | 41            | —             | 30           | 30            |
| Other                                      | 23                           | —             | 23            | 20            | —            | 20            |
| Total other rental revenues                | 23                           | 41            | 64            | 20            | 30           | 50            |
| <b>Total equipment rental</b>              | <b>613</b>                   | <b>41</b>     | <b>654</b>    | <b>497</b>    | <b>30</b>    | <b>527</b>    |
| Sales of rental equipment                  | —                            | 71            | 71            | —             | 28           | 28            |
| Sales of new equipment, parts and supplies | —                            | 8             | 8             | —             | 8            | 8             |
| Service and other revenues                 | —                            | 7             | 7             | —             | 5            | 5             |
| <b>Total revenues</b>                      | <b>\$ 613</b>                | <b>\$ 127</b> | <b>\$ 740</b> | <b>\$ 497</b> | <b>\$ 71</b> | <b>\$ 568</b> |

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

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pay, which is based on the rental contract period applicable to the actual number of days the equipment was out on rent, over the cumulative amount of revenue recognized to date. In any given accounting period, the Company will have customers return equipment and be contractually required to pay more than the cumulative amount of revenue recognized to date under the straight-line methodology. Also included in equipment rental revenue is re-rent revenue in which the Company will rent specific pieces of equipment from vendors and then re-rent that equipment to its customers. Provisions for discounts, rebates to customers and other adjustments are provided for in the period the related revenue is recorded.

*Other*

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

Topic 606 revenues

*Delivery and pick-up*

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

*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):

|                                   | <b>Three Months Ended March 31,</b> |              |
|-----------------------------------|-------------------------------------|--------------|
|                                   | <b>2023</b>                         | <b>2022</b>  |
| Sales of rental equipment .....   | \$ 71                               | \$ 28        |
| Sales of new equipment .....      | 1                                   | 2            |
| Sales of parts and supplies ..... | 7                                   | 6            |
| Total .....                       | <u>\$ 79</u>                        | <u>\$ 36</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 \$24 million and \$9 million as of March 31, 2023 and December 31, 2022, 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.

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

*Receivables and contract assets and liabilities*

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

The Company does not have material contract assets or contract liabilities associated with customer contracts. The Company's contracts with customers do not generally result in material amounts billed to customers in excess of recognizable revenue. The Company did not recognize material revenue during the three months ended March 31, 2023 and 2022 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, 2023 and 2022 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, 2023.

*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, 2023  | December 31, 2022 |
|--------------------------------|-----------------|-------------------|
| Rental equipment               | \$ 5,688        | \$ 5,408          |
| Less: Accumulated depreciation | (1,989)         | (1,923)           |
| Rental equipment, net          | <u>\$ 3,699</u> | <u>\$ 3,485</u>   |

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**Note 5—Business Combinations**

On April 19, 2022, the Company completed the acquisition of Cloverdale Equipment Company ("Cloverdale"). Cloverdale was a full-service general equipment rental company comprising of approximately 120 employees and four locations serving industrial and construction customers with core operations in the metropolitan areas of Detroit and Grand Rapids, Michigan; Cleveland, Ohio; and Pittsburgh, Pennsylvania. The aggregate consideration was approximately \$178.0 million. 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 acquisition of Cloverdale as if it had been included in the Company's condensed consolidated results for the entire period reflected. 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 included for the period presented, nor is it indicative of the Company's future results.

|                                                                                     | Three Months Ended March 31, 2022 |            |              |
|-------------------------------------------------------------------------------------|-----------------------------------|------------|--------------|
|                                                                                     | Herc                              | Cloverdale | Total        |
| Historic/pro forma total revenues                                                   | \$ 568                            | \$ 21      | \$ 589       |
| Historic/combined pretax income                                                     | 67                                | 6          | 73           |
| Pro forma adjustments to consolidated pretax income:                                |                                   |            |              |
| Impact of fair value adjustments/useful life changes on depreciation <sup>(a)</sup> |                                   | 2          | 2            |
| Interest expense <sup>(b)</sup>                                                     |                                   | (1)        | (1)          |
| Elimination of historic interest <sup>(c)</sup>                                     |                                   | 1          | 1            |
| Elimination of merger related costs <sup>(d)</sup>                                  |                                   | 1          | 1            |
| Pro forma pretax income                                                             |                                   |            | <u>\$ 76</u> |

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

(b) As discussed above, the Company funded the Cloverdale acquisition primarily using drawings on its senior secured asset-based revolving credit facility. Interest expense was adjusted to reflect interest on such borrowings.

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

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

In addition to the acquisition of Cloverdale, the Company completed the acquisitions of three companies totaling three locations including Southern Equipment Rental, Harris Diversified, LLC, and Kilowatt Boy, Inc. during the first quarter of 2022, five companies totaling five locations including All Trade Rentals, Inc., Absolute Rental & Supply, Inc., Single Source Rentals Ltd., Kropp Equipment, Inc., and Colvin's Inc. during the second quarter of 2022, seven companies totaling 12 locations including All Star Rents, High River Rentals, Inc., Longhorn Car-Truck Rental, Inc., Avalanche Equipment, LLC, Portable Air II, LLC, Golf Tournaments, Inc., and Shore-Tek, Inc. during the third quarter of 2022, and two companies totaling five locations including Power Rents, LLC and Prime Construction Rentals during the fourth quarter of 2022.

During the first quarter of 2023, the Company completed three acquisitions totaling six locations including Patriot Rentals & Equipment, LLC, Miami Tool Rental, Inc. and the trench division of Lance Rental Company, LP.

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**Note 6—Goodwill and Intangible Assets**

***Goodwill***

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

|                                         | March 31, 2023 | December 31, 2022 |
|-----------------------------------------|----------------|-------------------|
| Balance at the beginning of the period: |                |                   |
| Goodwill                                | \$ 1,088       | \$ 907            |
| Accumulated impairment losses           | (669)          | (675)             |
|                                         | 419            | 232               |
| Additions                               | 41             | 190               |
| Currency translation                    | —              | (3)               |
| Balance at the end of the period:       |                |                   |
| Goodwill                                | 1,129          | 1,088             |
| Accumulated impairment losses           | (669)          | (669)             |
|                                         | <u>\$ 460</u>  | <u>\$ 419</u>     |

***Intangible Assets***

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

|                                              | March 31, 2023        |                          |                    |
|----------------------------------------------|-----------------------|--------------------------|--------------------|
|                                              | Gross Carrying Amount | Accumulated Amortization | Net Carrying Value |
| Finite-lived intangible assets:              |                       |                          |                    |
| Customer-related and non-compete agreements  | \$ 204                | \$ (45)                  | \$ 159             |
| Internally developed software <sup>(a)</sup> | 59                    | (41)                     | 18                 |
| Total                                        | 263                   | (86)                     | 177                |
| Indefinite-lived intangible assets:          |                       |                          |                    |
| Trade name                                   | 270                   | —                        | 270                |
| Total intangible assets, net                 | <u>\$ 533</u>         | <u>\$ (86)</u>           | <u>\$ 447</u>      |

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

|                                              | December 31, 2022     |                          |                    |
|----------------------------------------------|-----------------------|--------------------------|--------------------|
|                                              | Gross Carrying Amount | Accumulated Amortization | Net Carrying Value |
| Finite-lived intangible assets:              |                       |                          |                    |
| Customer-related and non-compete agreements  | \$ 181                | \$ (38)                  | \$ 143             |
| Internally developed software <sup>(a)</sup> | 57                    | (39)                     | 18                 |
| Total                                        | 238                   | (77)                     | 161                |
| Indefinite-lived intangible assets:          |                       |                          |                    |
| Trade name                                   | 270                   | —                        | 270                |
| Total intangible assets, net                 | <u>\$ 508</u>         | <u>\$ (77)</u>           | <u>\$ 431</u>      |

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

Amortization of intangible assets was \$9 million and \$6 million for the three months ended March 31, 2023 and 2022, respectively.

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**Note 7—Leases**

The Company leases real estate, office equipment and service vehicles. The Company's leases have remaining lease terms of up to 16 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):

|                                     |                               | Three Months Ended March 31, |       |
|-------------------------------------|-------------------------------|------------------------------|-------|
|                                     |                               | 2023                         | 2022  |
|                                     | Classification                |                              |       |
| Operating lease cost <sup>(a)</sup> | Direct operating              | \$ 33                        | \$ 31 |
| Finance lease cost:                 |                               |                              |       |
| Amortization of ROU assets          | Depreciation and amortization | 6                            | 5     |
| Sublease income                     | Equipment rental revenue      | (16)                         | (18)  |
| Net lease cost                      |                               | \$ 23                        | \$ 18 |

(a) Includes short-term leases of \$14 million and \$15 million for the three months ended March 31, 2023 and 2022, respectively, and variable lease costs of \$1 million for the three months ended March 31, 2023 and 2022.

**Note 8—Debt**

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

|                                                | Weighted<br>Average<br>Effective<br>Interest Rate at<br>March 31, 2023 | Weighted<br>Average Stated<br>Interest Rate at<br>March 31, 2023 | Fixed or<br>Floating<br>Interest Rate | Maturity  | March 31,<br>2023 | December 31,<br>2022 |
|------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------|-----------|-------------------|----------------------|
| <i>Senior Notes</i>                            |                                                                        |                                                                  |                                       |           |                   |                      |
| 2027 Notes                                     | 5.61%                                                                  | 5.50%                                                            | Fixed                                 | 2027      | \$ 1,200          | \$ 1,200             |
| <i>Other Debt</i>                              |                                                                        |                                                                  |                                       |           |                   |                      |
| ABL Credit Facility                            | N/A                                                                    | 6.35%                                                            | Floating                              | 2027      | 1,673             | 1,340                |
| AR Facility                                    | N/A                                                                    | 5.63%                                                            | Floating                              | 2023      | 295               | 335                  |
| Finance lease liabilities                      | 3.42%                                                                  | N/A                                                              | Fixed                                 | 2023-2030 | 64                | 64                   |
| Unamortized Debt Issuance Costs <sup>(a)</sup> |                                                                        |                                                                  |                                       |           | (5)               | (5)                  |
| Total debt                                     |                                                                        |                                                                  |                                       |           | 3,227             | 2,934                |
| Less: Current maturities of long-term debt     |                                                                        |                                                                  |                                       |           | (12)              | (12)                 |
| Long-term debt, net                            |                                                                        |                                                                  |                                       |           | \$ 3,215          | \$ 2,922             |

(a) Unamortized debt issuance costs totaling \$10 million related to the ABL Credit Facility and AR Facility (as each is defined below) as of March 31, 2023 and December 31, 2022, 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.



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***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, 2022.

***ABL Credit Facility***

On July 31, 2019, Herc Holdings, Herc and certain other subsidiaries of Herc Holdings entered into a credit agreement with respect to a senior secured asset-based revolving credit facility (the "ABL Credit Facility"), which was amended and extended on July 5, 2022. The ABL Credit Facility provides for aggregate maximum borrowings of up to \$3.5 billion (subject to availability under a borrowing base). Up to \$250 million of the revolving loan facility is available for the issuance of letters of credit, subject to certain conditions including issuing lender participation. Subject to the satisfaction of certain conditions and limitations, the ABL Credit Facility allows for the addition of incremental revolving commitments and/or incremental term loans. The ABL Credit Facility matures on July 5, 2027. Additional information about the ABL Credit Facility is included in Note 11, "Debt" to the Company's financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2022.

***Accounts Receivable Securitization Facility***

The accounts receivable securitization facility (the "AR Facility"), as amended, matures on August 31, 2023 and has aggregate commitments of up to \$335 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 fund the AR Facility's borrowings on a long-term basis either by further extending the maturity date of the AR Facility or by utilizing the capacity available at the balance sheet date under the ABL Credit Facility.

***Borrowing Capacity and Availability***

After outstanding borrowings, the following was available to the Company under the ABL Credit Facility and AR Facility as of March 31, 2023 (in millions):

|                           | Remaining<br>Capacity | Availability Under<br>Borrowing Base<br>Limitation |
|---------------------------|-----------------------|----------------------------------------------------|
| ABL Credit Facility ..... | \$ 1,802              | \$ 1,433                                           |
| AR Facility .....         | 40                    | 17                                                 |
| Total .....               | <u>\$ 1,842</u>       | <u>\$ 1,450</u>                                    |

***Letters of Credit***

As of March 31, 2023, \$25 million of standby letters of credit were issued and outstanding, \$1 million of which has been drawn upon. The ABL Credit Facility had \$225 million available under the letter of credit facility sublimit, subject to borrowing base restrictions.

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**Note 9—Financing Obligations**

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

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

|                                                   | Weighted Average<br>Effective Interest Rate<br>at March 31, 2023 | Maturities | March 31,<br>2023 | December 31,<br>2022 |
|---------------------------------------------------|------------------------------------------------------------------|------------|-------------------|----------------------|
| Financing obligations                             | 5.30%                                                            | 2026-2038  | \$ 113            | \$ 114               |
| Unamortized financing issuance costs              |                                                                  |            | (2)               | (2)                  |
| Total financing obligations                       |                                                                  |            | 111               | 112                  |
| Less: Current maturities of financing obligations |                                                                  |            | (4)               | (4)                  |
| Financing obligations, net                        |                                                                  |            | <u>\$ 107</u>     | <u>\$ 108</u>        |

**Note 10—Income Taxes**

Income tax provision was \$8 million and \$9 million for the three months ended March 31, 2023 and 2022, 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 \$12 million and \$8 million for three months ended March 31, 2023 and 2022, respectively, and certain non-deductible expenses.

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

The changes in the accumulated other comprehensive income (loss) balance by component (net of tax) for the three months ended March 31, 2023 are presented in the table below (in millions).

|                                                                | Pension and<br>Other Post-<br>Employment<br>Benefits | Foreign<br>Currency<br>Items | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) |
|----------------------------------------------------------------|------------------------------------------------------|------------------------------|--------------------------------------------------------|
| Balance at December 31, 2022                                   | \$ (25)                                              | \$ (104)                     | \$ (129)                                               |
| Other comprehensive income before reclassification             | —                                                    | 1                            | 1                                                      |
| Amounts reclassified from accumulated other comprehensive loss | 1                                                    | —                            | 1                                                      |
| Net current period other comprehensive loss                    | 1                                                    | 1                            | 2                                                      |
| Balance at March 31, 2023                                      | <u>\$ (24)</u>                                       | <u>\$ (103)</u>              | <u>\$ (127)</u>                                        |

**Note 12—Commitments and Contingencies**

**Legal Proceedings**

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

The Company has established reserves for matters where the Company believes the losses are probable and can be reasonably estimated. For matters where a reserve has not been established, the ultimate outcome or resolution cannot be predicted at this time, or the amount of ultimate loss, if any, cannot be reasonably estimated. Litigation is subject to many uncertainties and there can be no assurance as to the outcome of the individual litigated matters. It is possible that certain of the actions, claims, inquiries or proceedings could be decided unfavorably to the Company or any of its subsidiaries involved. Accordingly, it is

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possible that an adverse outcome from such a proceeding could exceed the amount accrued in an amount that could be material to the Company's consolidated financial condition, results of operations or cash flows in any particular reporting period.

### **Off-Balance Sheet Commitments**

#### *Indemnification Obligations*

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

#### *The Spin-Off*

In connection with the Spin-Off, pursuant to the separation and distribution agreement (agreements and defined terms are discussed in Note 16, "Arrangements with New Hertz"), the Company has assumed the liability for, and control of, all pending and threatened legal matters related to its equipment rental business and related assets, as well as assumed or retained liabilities, and will indemnify New Hertz for any liability arising out of or resulting from such assumed legal matters. The separation and distribution agreement also provides for certain liabilities to be shared by the parties. The Company is responsible for a portion of these shared liabilities (typically 15%), as set forth in that agreement. New Hertz is responsible for managing the settlement or other disposition of such shared liabilities. Pursuant to the tax matters agreement, the Company has agreed to indemnify New Hertz for any resulting taxes and related losses if the Company takes or fails to take any action (or permits any of its affiliates to take or fail to take any action) that causes the Spin-Off and related transactions to be taxable, or if there is an acquisition of the equity securities or assets of the Company or of any member of the Company's group that causes the Spin-Off and related transactions to be taxable.

### **Note 13—Fair Value Measurements**

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

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

#### Cash Equivalents

Cash equivalents primarily consist of money market accounts which are classified as Level 1 assets which the Company measures at fair value on a recurring basis. The Company measures the fair value of cash equivalents using a market approach based on quoted prices in active markets. The Company had \$6 million in cash equivalents at March 31, 2023 and December 31, 2022.

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### 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, 2023 and December 31, 2022. The fair value of the Company's 2027 Notes is estimated based on quoted market rates as well as borrowing rates currently available to the Company for loans with similar terms and average maturities (Level 2 inputs) (in millions).

|            | March 31, 2023                   |                      | December 31, 2022                |                      |
|------------|----------------------------------|----------------------|----------------------------------|----------------------|
|            | Nominal Unpaid Principal Balance | Aggregate Fair Value | Nominal Unpaid Principal Balance | Aggregate Fair Value |
| 2027 Notes | \$ 1,200                         | \$ 1,158             | \$ 1,200                         | \$ 1,119             |

### **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, |         |
|----------------------------------------------------------------------|------------------------------|---------|
|                                                                      | 2023                         | 2022    |
| Basic and diluted earnings per share:                                |                              |         |
| Numerator:                                                           |                              |         |
| Net income, basic and diluted                                        | \$ 67                        | \$ 58   |
| Denominator:                                                         |                              |         |
| Basic weighted average common shares                                 | 29.0                         | 29.8    |
| Stock options, RSUs and PSUs                                         | 0.4                          | 0.6     |
| Weighted average shares used to calculate diluted earnings per share | 29.4                         | 30.4    |
| Earnings per share:                                                  |                              |         |
| Basic                                                                | \$ 2.31                      | \$ 1.96 |
| Diluted                                                              | \$ 2.28                      | \$ 1.92 |
| Antidilutive stock options, RSUs and PSUs                            | 0.1                          | 0.1     |

### **Note 15—Related Party Transactions**

#### **Agreements with Carl C. Icahn**

The Company was party to the Nomination and Standstill Agreement, dated September 15, 2014 (the "Nomination Agreement"), with Carl C. Icahn and certain related entities and individuals.

Pursuant to the Nomination Agreement, Hunter C. Gary, Steven D. Miller and Andrew J. Teno were Icahn Group designees and elected to the Company's board of directors (the "Board") at the 2022 annual meeting of stockholders. In March 2023, Messrs. Gary, Miller and Teno resigned from the Board as a result of the Icahn Group ceasing to hold a "net long position" above certain levels. As a result of their resignations, neither the Icahn Group nor the Company have any further duties or obligations under the Nomination Agreement, which is described below.

While an Icahn Group designee was a member of the Board, the Board could not be expanded without approval from the Icahn designees then on the Board. In addition, pursuant to the Nomination Agreement, subject to certain restrictions and requirements, the Icahn Group had certain replacement rights in the event an Icahn designee resigned or was otherwise unable to serve as a director (other than as a result of not being nominated by the Board to stand for election at an annual meeting).

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

In addition, until the date that no Icahn Group designee was a member of the Board (or otherwise deemed to be on the Board pursuant to the terms of the Nomination Agreement), the Icahn Group agreed to vote all of its shares of Company common stock in favor of the election of all of the Company's director nominees at each annual or special meeting of stockholders and, subject to limited exceptions, the Icahn Group further agreed 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 Nomination Agreement, 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 provided 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.

***Separation and Distribution Agreement***

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

***Tax Matters Agreement***

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

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

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

**OVERVIEW OF OUR BUSINESS AND OPERATING ENVIRONMENT**

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

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

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

Our expenses primarily consist of:

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

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

Our operations are impacted by economic conditions, including increased interest rates, supply chain constraints and inflation, and we manage our business to adjust to such conditions. Interest rates on our debt instruments have increased over the past year, most notably the weighted average interest rate on our floating rate debt has increased from 1.57% in the first quarter of 2022 to 6.24% in the current quarter. We monitor our exposure to floating rate debt and reevaluate our capital allocation strategy, as necessary. In response to equipment supply chain issues, in 2022 we decreased the volume of sales of rental equipment to maintain sufficient capacity of equipment to meet customer demand. In recent quarters, supply chain disruptions have continued, however, we have begun to receive rental equipment more consistently, but we may experience more severe supply chain disruptions in the future. We have experienced and are continuing to experience inflationary pressures, a portion of which, such as for fuel and delivery, is passed on to customers. There are other costs for which the pass through to customers is less direct, such as repairs and maintenance, and labor. We cannot predict the extent to which our financial condition, results of operations or cash flows will ultimately be impacted by these ongoing economic conditions, however, we believe we are well-positioned to operate effectively through the present environment.

**Seasonality**

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

**RESULTS OF OPERATIONS**

|                                                    | Three Months Ended March 31, |        |           |          |
|----------------------------------------------------|------------------------------|--------|-----------|----------|
| (\$ in millions)                                   | 2023                         | 2022   | \$ Change | % Change |
| Equipment rental                                   | \$ 654                       | \$ 527 | \$ 127    | 24 %     |
| Sales of rental equipment                          | 71                           | 28     | 43        | 154      |
| Sales of new equipment, parts and supplies         | 8                            | 8      | —         | —        |
| Service and other revenue                          | 7                            | 5      | 2         | 40       |
| Total revenues                                     | 740                          | 568    | 172       | 30       |
| Direct operating                                   | 281                          | 226    | 55        | 24       |
| Depreciation of rental equipment                   | 152                          | 119    | 33        | 28       |
| Cost of sales of rental equipment                  | 46                           | 19     | 27        | 142      |
| Cost of sales of new equipment, parts and supplies | 5                            | 5      | —         | —        |
| Selling, general and administrative                | 106                          | 89     | 17        | 19       |
| Non-rental depreciation and amortization           | 26                           | 21     | 5         | 24       |
| Interest expense, net                              | 48                           | 23     | 25        | 109      |
| Other expense (income), net                        | 1                            | (1)    | 2         | (200)    |
| Income before income taxes                         | 75                           | 67     | 8         | 12       |
| Income tax provision                               | (8)                          | (9)    | 1         | (11)     |
| Net income                                         | \$ 67                        | \$ 58  | \$ 9      | 16 %     |



**HERC HOLDINGS INC. AND SUBSIDIARIES****ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)****Three Months Ended March 31, 2023 Compared with Three Months Ended March 31, 2022**

Equipment rental revenue increased \$127 million, or 24%, during the first quarter of 2023 due to higher volume of equipment on rent of 23.2% and pricing growth of 7.0% over the same period in the prior year.

Sales of rental equipment increased \$43 million, or 154%, during the first quarter of 2023 when compared to the first quarter of 2022 as we increased the volume of sales in line with our fleet rotation planning to improve the equipment mix and manage fleet age. The margin on sales of rental equipment was 35% in 2023 compared to 32% in 2022. The increase in margin on sale of rental equipment in 2023 was due to continued strength in the market for used equipment.

Direct operating expenses in the first quarter of 2023 increased \$55 million, or 24%, when compared to the first quarter of 2022 primarily related to increases in (i) personnel-related expenses of \$27 million resulting from increased headcount in support of growth initiatives, (ii) fleet related expenses, including fuel and maintenance expense, of \$17 million related to our increased fleet size and higher volume in 2023, and (iii) field related expenses, including facilities and systems, of \$7 million as we have added more locations through acquisitions and opening greenfield locations.

Depreciation of rental equipment increased \$33 million, or 28%, during the first quarter of 2023 when compared to the first quarter of 2022 due to the increase in average fleet size. Non-rental depreciation and amortization increased \$5 million, or 24%, primarily due to amortization of intangible assets related to acquisitions.

Selling, general and administrative expenses increased \$17 million, or 19%, in the first quarter of 2023 when compared to the first quarter of 2022. The increase was primarily due to selling expense, including commissions and other variable compensation increases, of \$8 million and credit and collections expense of \$5 million.

Interest expense, net increased \$25 million, or 109%, during the first quarter of 2023 when compared with the same period in 2022 due to higher interest rates on floating rate debt and increased borrowings on the ABL Credit Facility primarily to fund acquisition growth.

Income tax provision was \$8 million during the first quarter of 2023 compared to \$9 million in 2022. 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 \$12 million and \$8 million for three months ended March 31, 2023 and 2022, respectively, and certain non-deductible expenses.

***LIQUIDITY AND CAPITAL RESOURCES***

Our primary uses of liquidity include the payment of operating expenses, purchases of rental equipment to be used in our operations, servicing of debt, funding acquisitions, payment of dividends, and share repurchases. Our primary sources of funding are operating cash flows, cash received from the disposal of equipment and borrowings under our debt arrangements. As of March 31, 2023, we had approximately \$3.2 billion of total nominal indebtedness outstanding.

Our liquidity as of March 31, 2023 consisted of cash and cash equivalents of \$40 million and unused commitments of approximately \$1.5 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, |                |               |
|-----------------------------------------|------------------------------|----------------|---------------|
|                                         | 2023                         | 2022           | \$ Change     |
| Cash provided by (used in):             |                              |                |               |
| Operating activities                    | \$ 235                       | \$ 143         | \$ 92         |
| Investing activities                    | (451)                        | (347)          | (104)         |
| Financing activities                    | 202                          | 192            | 10            |
| Effect of exchange rate changes         | —                            | —              | —             |
| Net change in cash and cash equivalents | <u>\$ (14)</u>               | <u>\$ (12)</u> | <u>\$ (2)</u> |

***Operating Activities***

During the three months ended March 31, 2023, we generated \$92 million more cash from operating activities compared with the same period in 2022. The increase was related to improved operating results primarily resulting from higher revenues coupled with improved operating leverage on costs.

***Investing Activities***

Cash used in investing activities increased \$104 million during the three months ended March 31, 2023 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, 2023 for a net cash outflow of \$138 million.

***Financing Activities***

Cash provided by financing activities increased \$10 million during the three months ended March 31, 2023 when compared with the prior-year period. Financing activities primarily represents our changes in debt, which included net borrowings of \$293 million on our revolving lines of credit and securitization, which were used primarily to fund acquisitions and invest in rental equipment during the period. Net borrowings in the prior year period were \$227 million.

In accordance with our Share Repurchase Program, we may from time to time repurchase shares in the open market or through privately negotiated transactions, in accordance with applicable securities laws. We repurchased approximately 460,000 shares during 2023 in accordance with our overall capital allocation strategy and as of March 31, 2023, \$229 million remains available for repurchases.

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

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

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

|                                   | <b>Three Months Ended March 31,</b> |               |
|-----------------------------------|-------------------------------------|---------------|
|                                   | <b>2023</b>                         | <b>2022</b>   |
| Rental equipment expenditures     | \$ 332                              | \$ 287        |
| Disposals of rental equipment     | (49)                                | (29)          |
| Net rental equipment expenditures | <u>\$ 283</u>                       | <u>\$ 258</u> |

Net capital expenditures for rental equipment increased \$25 million during the three months ended March 31, 2023 compared to the same period in 2022 as we optimize our fleet by continuing to invest in high growth markets as part of our long-term capital expenditure plans. Disposals have increased in the current year to maintain an appropriate mix of fleet and manage fleet age, while ensuring we have sufficient capacity of equipment to meet customer demand in light of the continuing constraints in the equipment 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."

In connection with the AR Facility, we sell accounts receivable on an ongoing basis to a wholly-owned special-purpose entity (the "SPE"). The accounts receivable and other assets of the SPE are encumbered in favor of the lenders under our AR Facility. The SPE assets are owned by the SPE and are not available to settle the obligations of the Company or any of its other subsidiaries. Substantially all of the remaining assets of Herc and certain of its U.S. and Canadian subsidiaries are encumbered in favor of our lenders under our ABL Credit Facility. None of such assets are available to satisfy the claims of our general creditors. See Note 11, "Debt" to the notes to our consolidated financial statements included in Part II, Item 8 "Financial Statements" included in our Annual Report on Form 10-K for the year ended December 31, 2022, 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, 2023, the following was available to us (in millions):

|                     | <b>Remaining Capacity</b> | <b>Availability Under Borrowing Base Limitation</b> |
|---------------------|---------------------------|-----------------------------------------------------|
| ABL Credit Facility | \$ 1,802                  | \$ 1,433                                            |
| AR Facility         | 40                        | 17                                                  |
| Total               | <u>\$ 1,842</u>           | <u>\$ 1,450</u>                                     |

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

As of March 31, 2023, \$25 million of standby letters of credit were issued and outstanding under the ABL Credit Facility, one of which have been drawn upon. The ABL Credit Facility had \$225 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, 2023, the appropriate levels of liquidity have been maintained, therefore this financial maintenance covenant is not applicable.

At March 31, 2023, Herc Holdings' balance sheet was substantially identical to that of Herc, with the exception of the debt held by Herc Holdings (2027 Notes and ABL Credit Facility) and certain components of shareholders equity. For the three months ended March 31, 2023 and 2022, the statements of operations of Herc Holdings and Herc were identical with the exception of interest expense on the debt held at Herc Holdings that is not reflected in the statement of operations of Herc.

Additional information on the terms of our 2027 Notes, ABL Credit Facility and AR Facility is included in Note 11, "Debt" to the notes to our consolidated financial statements included in Part II, Item 8 "Financial Statements" included in our Annual Report on Form 10-K for the year ended December 31, 2022. 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, 2022.

**Dividends**

On February 8, 2023, we declared a quarterly dividend of \$0.6325 per share to record holders as of February 22, 2023, with payment date of March 9, 2023. 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, 2023, 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, 2022. For further information, see the discussion on indemnification obligations included in Note 12, "Commitments and Contingencies" in Part I, Item 1 "Financial Statements" of this Report.

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

**RECENT ACCOUNTING PRONOUNCEMENTS**

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

## HERC HOLDINGS INC. AND SUBSIDIARIES

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

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

As of March 31, 2023, 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, 2022.

### 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, 2023, 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, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## HERC HOLDINGS INC. AND SUBSIDIARIES

### PART II—OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

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

#### ITEM 1A. RISK FACTORS

Except as set forth below, there have been no material changes to our risk factors from those previously disclosed under Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022.

*The instability of certain financial institutions may have adverse impacts on us and certain of our vendors and customers, which could negatively impact our cash flows, results of operations, and financial condition.*

During 2023, there have been public reports of instability at certain financial institutions. Although we do not hold deposits or investments at these financial institutions, and despite the steps taken to date by U.S. and foreign agencies and institutions to protect depositors, the follow-on effects of the events surrounding recent bank failures and pressure on other financial institutions are unknown, could include failures of other financial institutions to which we face direct or indirect exposure, and may lead to significant disruptions to the cash flows, operations and financial condition of our vendors, customers, and/or us. Additionally, tight credit conditions could impair the ability of developers and contractors to effectively access capital markets or obtain reasonable costs of capital on borrowed funds, resulting in depressed levels of construction projects, including the cancellation or significant delay of projects. The inability of these constituents to borrow money to fund construction projects may reduce the demand for our products and services.

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

##### Share Repurchase Program

In March 2014, we announced a \$1 billion share repurchase program (the "Share Repurchase Program"), which replaced an earlier program. The Share Repurchase Program permits us to purchase shares through a variety of methods, including in the open market or through privately negotiated transactions, in accordance with applicable securities laws. We are not obligated to make any repurchases at any specific time or in any specific amount and our repurchases may be subject to certain predetermined price/volume guidelines, set from time-to-time, by our board of directors. The timing and extent to which we repurchase shares will depend upon, among other things, strategic priorities, market conditions, share price, liquidity targets, contractual restrictions, regulatory requirements and other factors. Share repurchases may be commenced or suspended at any time or from time-to-time, subject to legal and contractual requirements, without prior notice.

The following table provides information about our repurchases of our common stock during the first quarter of 2023:

| Period                                | Total Number of<br>Shares Purchased | Average<br>Price Per<br>Share | Total Number of<br>Shares Purchased as<br>Part of Publicly<br>Announced Plans or<br>Programs | Maximum Dollar<br>Amount of Shares<br>That May Yet Be<br>Purchased Under the<br>Program |
|---------------------------------------|-------------------------------------|-------------------------------|----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| January 1, 2023 to January 31, 2023   | —                                   | \$ —                          | —                                                                                            |                                                                                         |
| February 1, 2023 to February 28, 2023 | —                                   | —                             | —                                                                                            |                                                                                         |
| March 1, 2023 to March 31, 2023       | 463,392                             | 111.32                        | 463,392                                                                                      |                                                                                         |
| Total                                 | 463,392                             | \$ 111.32                     | 463,392                                                                                      | \$ 229,053,499                                                                          |

#### ITEM 5. OTHER INFORMATION

None.

## HERC HOLDINGS INC. AND SUBSIDIARIES

### ITEM 6. EXHIBITS

| Exhibit Number | Description                                                                                                                                                                                                                                                                                                                                                    |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1.1          | <a href="#"><u>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).</u></a>                                                                                                        |
| 3.1.2          | <a href="#"><u>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).</u></a>                                            |
| 3.1.3          | <a href="#"><u>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).</u></a> |
| 3.1.4          | <a href="#"><u>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).</u></a>                                                                   |
| 3.2            | <a href="#"><u>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.)</u></a>                                                                                                  |
| 10.1*          | <a href="#"><u>Offer Letter, dated as of March 7, 2023, by and between Herc Holdings and William Mark Humphrey.</u></a>                                                                                                                                                                                                                                        |
| 31.1*          | <a href="#"><u>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</u></a>                                                                                                                                  |
| 31.2*          | <a href="#"><u>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</u></a>                                                                                                                                      |
| 32.1**         | <a href="#"><u>18 U.S.C. Section 1350 Certifications of Principal Executive Officer and the Principal Financial Officer</u></a>                                                                                                                                                                                                                                |
| 101.INS*       | XBRL Instance Document - the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document                                                                                                                                                                                                     |
| 101.SCH*       | Inline XBRL Taxonomy Extension Schema Document                                                                                                                                                                                                                                                                                                                 |
| 101.CAL*       | Inline XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                                                                                                                                                                                                                   |
| 101.DEF*       | Inline XBRL Taxonomy Extension Definition Linkbase Document                                                                                                                                                                                                                                                                                                    |
| 101.LAB*       | Inline XBRL Taxonomy Extension Label Linkbase Document                                                                                                                                                                                                                                                                                                         |
| 101.PRE*       | Inline XBRL Taxonomy Extension Presentation Linkbase Document                                                                                                                                                                                                                                                                                                  |
| 104*           | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)                                                                                                                                                                                                                                                                       |

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\*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 20, 2023

HERC HOLDINGS INC.  
(Registrant)

By: /s/ MARK HUMPHREY

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Mark Humphrey  
*Senior Vice President and Chief Financial Officer*