Corrected Transcript

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Hertz Global Holdings, Inc. (HTZ)

Q4 2018 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Hertz Global Holdings Fourth Quarter and Full Year 2018 Earnings Call. Currently, all lines are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. I'd like to remind you that today's call is being recorded by the company.

I'd now like to turn the call over to your host, Leslie Hunziker. Please go ahead.

Leslie M. Hunziker

Senior Vice President-Investor Relations, Corporate Communications & Corporate Social Responsibility, Hertz Global Holdings, Inc.

Good morning, everyone. By now, you should have our press release and associated financial information. We've also provided slides to accompany our conference call that can be accessed on our website. I want to remind you that certain statements made on this call contain forward-looking information. Forward-looking statements are not guarantees of performance and by their nature are subject to inherent uncertainties. Actual results may differ materially. Any forward-looking information relayed on this call speaks only as of this date, and the company undertakes no obligation to update the information to reflect changed circumstances. Additional information concerning these statements is contained in our earnings press release and in the risk factors and forward-looking statements section of our 2018 Form 10-K. Copies of this filing is available from the SEC and our Hertz's website.

Today, we'll use certain non-GAAP financial measures, all of which are reconciled with GAAP numbers in our press release and related Form 8-K, which are posted on our website. We believe that our profitability and performance is better demonstrated using these non-GAAP metrics. Our call today focuses on Hertz Global Holdings, Incorporated, the publicly-traded company. Results for the Hertz Corporation are materially the same as Hertz Global Holdings.

On the call this morning, we have Kathy Marinello, our CEO; and Jamere Jackson, Hertz's Chief Financial Officer. Now, I'll turn the call over to Kathy.

Kathryn V. Marinello

President, Chief Executive Officer & Director, Hertz Global Holdings, Inc.

Thank you, Leslie, and good morning, everyone. I can't tell you how pleased I am with the progress and the performance of our turnaround in 2018. With a priority focus on growth, we hit the trifecta as we increased volume, price and utilization last year. Worldwide, we regenerated 8% higher revenue. And the combination of revenue growth and effectively managing our assets led to 3% higher revenue per unit, which is a key performance metric for us. We head into 2019 with significant momentum and even greater confidence in our strategies and capabilities as a result of our broad-based accomplishments over the last 12 months.

In 2018, our top priority was serving more customers more often, and we did. Aligning to customer preference, our product breadth and quality is now one of the best in the industry. Last year, we expanded loyalty through a service excellence with 59 Ultimate Choice locations expediting the rental process and new field training programs enhancing the customer experience.

With the reenergized brand assets, new segmentation strategies, enhanced mobile app and CRM capabilities and innovations like our new Hertz Fast Lane powered by CLEAR biometrics, we showcased speed, convenience and the customer-first promise. And an AI-led demand forecasting and revenue management helped ensure we had the right cars in the right place at the right time and, most importantly, for the right price.

When it comes to fleet capacity, we remain disciplined to meet growth in the highest-earning customer segment. Last year, we reduced unit depreciation expense in the U.S. in part due to a favorable residual market, but primarily because a result of a better fleet acquisition strategy, opportunistic fleet rotation, our more popular used car vehicle mix, the expansion of car sales to our highest-return retail channel and longer asset life in our growing ride-hailing and insurance replacement fleet. These actions led to a 16% reduction in U.S. monthly depreciation expense per unit in 2018.

Driving long-term sustainable value creation requires rigorous attention to people, processes and systems. When it comes to our people, in addition to rebuilding our leadership team to leverage diverse background, fresh perspectives and relevant experiences, we focus every day on personifying our culture and values throughout the organization. Culture and values provide the foundation upon which everything else is built. They will arguably become our most important competitive advantage.

We're reinforcing our purpose and priorities and creating a sense of urgency for our people. We're driving accountability, simplifying goals for the greatest impact and earning trust through regular transparent employee communications.

What I found most rewarding so far is the speed with which the organization has embraced these values. We have a huge amount of talent in our business and we're encouraging people to feel confident in their conviction and accelerate their decision making to get stuff done. Our people are our brands. They represent Hertz in the back office and on the frontline. We're focusing more than ever on listening to customers and acting faster to adapt to their changing priorities.

We get feedback from roughly 100,000 customers every month and they're telling us that we're delivering a more consistent and better experience than we were a year ago. As a result, all three brands are generating higher customer satisfaction scores in the U.S.

By all measures our strong performance in 2018 shows that our turnaround has momentum. Over the last two years, the investments to grow the business sustainably over the long term have been significant, but necessary. And the early payoff in revenue and earnings improvement shows that our strategies are working.

This year, we're continuing to commit significant energy towards completing our turnaround plan. We've been clear that this is a growth-led turnaround, because that's where the greatest long-term value can be created. With revenue growing again on increasing rates and a great fleet in place reflecting higher utilization and lower costs, productivity gains will be a priority in 2019.

But we are not just looking to cut costs. That's easy and it's a short-term solution. Our goal is to become a nimble, more focused and more efficient business at our foundation. We know that improvement in productivity allows for better and faster execution of our strategies and results in greater cash and income returns, and a better experience for our customers and employees.

Towards that end, we've been laser focused on zero-based budgeting to prioritize spending against our strategic goals and we're driving efficiency, centralizing maintenance to lower service and repair costs and to reduce out-of-service fleet time, optimizing procurement and working to achieve benchmark SG&A.

Savings from the productivity improvement initiatives will help offset the impact of higher technology spending as we begin to roll out the systems transformation in North America later this year. In 2020, we expect these savings to flow through with an incremental productivity coming from new systems-enabled capabilities and data analytics that will drive further organizational improvements.

Jamere and our entire team are determined to continue to explore every avenue and option to make sure that our businesses are working smarter and have the resources and flexibility to maximize their potential in the years to come.

When it comes to the transformation, our systems goals are to better serve our customers by leveraging real-time visibility into our fleet and operations and to more accurately predict future trends so that we can make smarter decisions faster.

Our major platform transformation includes cloud-based implementation for CRM, mobile apps, reservation, rental, fleet management and our back-office systems. As part of the upgrade, we are streamlining our infrastructure with fewer applications to simplify and improve the quality, usability and accessibility of our data.

While our already launched analytics engine for revenue management and demand forecasting continues to get smarter as they absorb actual outcomes, combining data from consumer rental trends and our connected fleet is the next step in our systems evolution.

Consumer rental data will allow us to enhance our customer satisfaction, support sales and marketing goals during customer acquisition, optimize marketing and channel benefit, further improve inventory planning and [ph] inform service and life (00:09:03) design.

Connected fleet data, which we have been collecting and managing since the acquisition of our Donlen corporate leasing business in 2011 will allow us to lower cost and provide a better customer experience. Donlen has been generating vehicle data since 2010 through our prioritized preparatory DriverPoint Telematics and information platform. With roughly a third of Donlen's customers connected today, growth is accelerating.

In 2018, we increased the number of new connected accounts by 50% year-over-year. DriverPoint's capabilities include monitoring route efficiency, driving behaviors, fuel levels, GPS logistics, and maintenance diagnostic [ph] helps (00:09:50). And Donlen's next generation Advanced Diagnostics device, launched in March of 2018, have the incremental ability to track tire pressure, odometer levels and oil life, all in a dynamic analytical tool that allows its customers the ability to optimize costs and productivity savings.

The benefits to DriverPoint accounts versus traditional leased accounts shows connected customers have 11% lower total fleet operating costs. While we're already piloting Donlen's connected capabilities in several rental customer segments, the real value quickly appreciates once their data capabilities are integrated into our new enterprise technology platform. At that point, expeditiously moving from pilot to a fully connected U.S. and global rental car fleet should be straightforward as we leverage Donlen's decade of in-market experience.

We've established real momentum in creating long-term sustainable value with strong leadership teams in place and employee base that is committed to a common purpose, and growth platforms that resonate with customers and markets around the world. Our growth focus and productivity initiatives in 2019 will support continued margin expansion as we launch our technology transformation later this year.

With that, I'll turn it over to Jamere to give you a more detailed insight into the fourth quarter performance.

Jamere Jackson

Executive Vice President and Chief Financial Officer, Hertz Global Holdings, Inc.

Thank you, Kathy, and good morning, everyone. We had another great quarter and a strong finish to 2018. Our growth initiatives are delivering and we're building a faster growing higher-margin business. Our execution in the quarter resulted in strong year-over-year improvement in revenue, adjusted corporate EBITDA and many of our key operating metrics.

The investments that we have made in our fleet, product offering, customer service and brand-building marketing, along with discipline pricing and fleet management, are driving growth and profitability. As we move forward into 2019, we expect this momentum, along with an intense focus on productivity, drive top-line growth, margin expansion and earnings growth this year.

First, let me provide an overview of our total company results. Slide 7 shows our consolidated results on a U.S. GAAP basis and our non-GAAP measures for the fourth quarter and the full year. Total revenue was $2.3 billion, up 10%, driven by another quarter of exceptionally strong growth in our U.S. RAC segment, along with moderate growth in our International RAC segment.

In addition, our Donlen business was up 39% due to the higher capital lease sales in the fourth quarter. Net loss attributable to Hertz Global was $101 million and net loss per diluted share was $1.20 compared to net income per diluted share of $7.42 in the fourth quarter of 2017, which included the benefit of $679 million or $8.18 per share resulting from U.S. tax reform.

On a non-GAAP basis, adjusted corporate EBITDA improved 133% to $49 million and our adjusted corporate EBITDA margin expanded to 2%, 110 basis point increase from fourth quarter 2017. Our adjusted corporate EBITDA results were driven by higher revenue from increased volume and pricing as well as lower vehicle depreciation expense in our RAC business.

These drivers were partially offset by investment spending to support our transformation initiatives and increased vehicle interest expense primarily in U.S. operations. Adjusted net loss for the quarter improved 28% to $46 million and adjusted diluted loss per share improved to $0.55 from $0.77 in the prior-year quarter.

For the full year, total revenues for the company were $9.5 billion, up 8%, led by strong performance in our U.S. RAC segment and solid growth in International. Adjusted corporate EBITDA for 2018 was $433 million, up 62% as strong revenue growth and lower vehicle depreciation more than offset operating investment and vehicle debt interest.

Adjusted corporate EBITDA margins expanded by 150 basis points to 5%. Net loss attributable to Hertz Global was $225 million versus net income of $327 million in 2017, and net loss per share was $2.68 compared with net income per share of $3.94 in 2017. As a reminder, the 2017 results were driven by a $679 million benefit recorded in 2017 related to U.S. tax reform.

Now, let me provide some additional color on the quarter, starting with of our U.S. RAC segment and let me start with revenue. Our U.S. RAC business had an outstanding year. Total U.S. RAC revenues were $1.6 billion, up 10% versus prior year and up 7% excluding fleet dedicated to ride-hailing or TNC fleet.

We saw a strong volume growth with a 6% increase in transaction days and solid pricing with T&M rate up 6%. Total RPD was up 3% versus the prior year and ex-TNC, total RPD grew 4%. Our TNC business continued to be a growth driver for Hertz with revenue nearly doubling behind volume and positive pricing. In 2018, we generated nearly $300 million in revenue from TNC and the business more than doubled versus 2017.

In addition, we continue to drive growth across all brands, on and off airport, in both business and leisure. While the market is growing, our execution has delivered exceptional results behind disciplined fleet management, strong customer service and brand-building marketing. We remain focused on sustaining top-line growth in a disciplined way as we transform our business.

U.S. RAC adjusted corporate EBITDA was $48 million, which more than quadrupled versus the prior year driven by the strong top-line results and a 15% decrease in per unit vehicle depreciation. We continue to invest heavily in innovation in both operations and technologies and those investments, such as the recent roll out of CLEAR, will enable new product and service offerings that will drive growth and future productivity.

Our U.S. RAC business had a tremendous year with revenue growth up 8% and an adjusted corporate EBITDA margins up 270 basis points. Importantly, the capabilities that we built in 2018 will help us deliver solid growth and profitability in 2019.

Now, turning to fleet, we continue to manage our fleet capacity with rigor and discipline. Fleet capacity was up 6% and up 2% ex-TNC fleet. Vehicle utilization was 81%, up 10 basis points as we continue to use sophisticated predictive analytics tool and data science to match capacity to profitable demand. Leveraging the tools and talent in our revenue and fleet management organizations has been a key driver of our success as we focus on driving price, utilization and lowering our fleet costs in the U.S. against the backdrop of strong market demand.

Moving to depreciation, monthly vehicle depreciation expense of $256 per unit decreased 15% versus the prior year quarter. The decrease in unit vehicle depreciation expense was a result of disciplined fleet acquisitions, residual value strength and solid execution. We'll continue to aggressively manage our vehicle acquisition costs and utilize our high-return retail channels to drive better outcomes on depreciation. These actions, combined with a favorable residual value market, have been significant contributor to our results in 2018.

Moving to our fleet sales initiatives, our non-program vehicle dispositions were up 20% in the quarter. Our retail sales capability is a tremendous asset, which we believe is undervalued and has given us a competitive advantage. In 2018, our sales we continue to make up one of the top used car sales operations in the country on a stand-alone basis.

As I've said previously, we have a world-class sales team, we're expanding to profitable new locations, and our web-based platform is driving revenue growth and profitability. We will continue to invest in these assets as they have tremendous synergies with our RAC operations and creates enormous value for our company.

Moving to our International RAC segment, total revenues were flat at $487 million and up 4% on a constant currency basis. RPD was flat and transaction days grew 4% driven by growth in Europe, Asia Pacific and across all customer segments. Utilization was down 60 basis points, which contributed to a 1 point RPU decline.

In 2019, we will expand our enhanced revenue and fleet management capabilities to our International organization and expect to reach similar benefits that we've seen in the U.S. The International RAC segment also reported adjusted corporate EBITDA of $8 million, a $3 million decrease versus the prior quarter driven by higher interest costs.

Now, I'll move to the balance sheet and cash flows, and I'd like to provide an update on our financing activities, our corporate liquidity and free cash flow. Our corporate leverage, as measured by adjusted corporate EBITDA to net corporate debt, declined 5 turns to 7.7 times from 12.7 times at year end 2017. We continue to focus on de-levering the business as our operating results improve. On the liquidity front, we ended the quarter with [ph] low (00:19:12) drawings under our corporate senior revolving credit facility with $1.6 billion in corporate liquidity and our first-lien covenant ratio of 1.4 times was well inside of the required 3 times.

In February, we executed a series of vehicle financing to cover our U.S. RAC maturities and forecasted seasonal [ph] fleet lease in (00:19:29) 2019. The transactions included a $700 million three-year term ABS issuance and an extension of $3.4 billion of revolving ABS commitments from March 2020 to March 2021.

In addition, we had a commitment under the U.S. revolving ABS facility and a new seasonal facility to round our coverage for our [ph] PCs (00:19:48). We also remain focused on managing the maturity profile of the non-vehicle debt [ph] set (00:19:55) with no significant maturities until October 2020, which we plan to proactively address in the coming months.

Turning to cash, adjusted free cash flow was positive $99 million, a $435 million improvement from 2017, driven primarily by the improvement in operating cash flow, excluding vehicle depreciation, higher European vehicle advance rates, and favorable ABS fair market value marks on our U.S. fleet, consistent with a strong residual value market [ph] this year (00:20:24).

So to wrap up, 2018 marked an important milestone in our turnaround. We have invested in capabilities that will help us create a faster-growing higher-margin business. The growth initiatives are delivering. We're winning with our customers. We have tremendous momentum entering 2019. Many of the challenges [ph] over the past few (00:20:44) years are behind us, including the remediation of our control environment. Our focus in 2019 is to maintain this momentum with disciplined fleet management, service excellence, innovations and brand-building marketing, while executing on the technology transformation that will be a key enabler for growth and profitability beyond 2019.

We will drive operational efficiency and productivity. We have a laser focus on execution and all these actions will be the catalysts to drive long-term shareholder value. I look forward to updating you on our progress in future quarters.

And with that, I'll now turn it back over to the operator for questions. Operator?

QUESTION AND ANSWER SECTION

Operator: Thank you [Operator Instructions] Our first question then comes from the line of Chris Woronka from Deutsche Bank. Please go ahead.

Chris J. Woronka
Analyst, Deutsche Bank Securities, Inc.

Q

Hey. Good morning, everyone. Wanted to, ask if I could, in terms of the TNC business, how significant could that become? I mean, you mentioned $300 million in revenue, more than double versus 2017. Is there a certain level that could get capped out or that you're targeting for this year or next year?

Kathryn V. Marinello
President, Chief Executive Officer & Director, Hertz Global Holdings, Inc.

A

I think it has been a significant contributor to our growth. The great news is all of the aspects of it are coming in better than planned. So, it is profitable and it is accretive. We plan on growing it, again, probably 30% to 40% over this year's numbers. We ended at about 42,000 vehicles. But we like the business, but we will grow it responsibly and will maximize the [ph] access (00:22:39) that we have, the cars that are coming off of our program because they're aging out. The cars we're able to put into the TNC fleet are at 40,000 miles and they're a value to these drivers. And frankly, we've been getting great feedback from them that it allows people to ease into the expenses and the business of ride sharing. And so, we continue to grow it. It's growing profitably and it will continue to be a contributor to the overall growth of our business. But we're going to do it sensibly. And so far, it's been going pretty well.

Chris J. Woronka
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Great. Just a follow-up on the fleet costs. You've made really remarkable progress there. I guess the question is kind of is the cadence that we've seen sustainable or are there things – maybe a few thoughts on residual market in 2019 and anything that might change the cadence of the downward trend in fleet costs?

Kathryn V. Marinello
President, Chief Executive Officer & Director, Hertz Global Holdings, Inc.

A

Well, I guess, it's hard for me to say what I'm most proud of, the team delivering the growth or the ability to buy and sell cars at an industry best level. And so, those – my background, used to be a long time ago CFO and Controller and I'm always looking at the P&L. And those are the two biggest lines in our business and we've made enormous progress with both of those lines. And we've done it getting both rate and volume, which has been a tough achievement, but we're pretty proud of it and we've been doing it in a sustainable way.

On the fleet costs, the key there is getting the fundamentals right. And so, we have gotten the fundamentals right. We have a great team that's doing a great job at buying cars, the right cars at a lower price that our customers are thrilled about driving. And then, on the other side of that, they want to buy those cars when we put them into the retail sale slot. And we have a great team, a great leader, and the retail sales business, I think, we're number 8 at this point in the sales of used cars. And that business is going really well. I think we're opening up another 10 retail outlets over the next year. So, we've gotten the fundamentals really strong in buying and selling cars and then managing them in between at great utilization level.

So now, the next challenge, and I think we might have mentioned it earlier, we can do better on utilization by 1 point or 2 points maybe on getting our out-of-service in line. But outside of that, if there is any kind of change in residual values; number one, we have a great fundamental capability in buying and selling cars and we're pretty good at selling cars quickly at profitable levels. And if we need to fleet up, we know where to buy cars, too. So, the way to get through any kind of residual downturn is your ability to have best-in-class practices on how we buy and sell the cars. Right now, we're building in about a 2% decline in residual values and so far the year is starting off fairly well.

Jamere Jackson
Executive Vice President and Chief Financial Officer, Hertz Global Holdings, Inc.

A

So, the only thing I'll add is that you saw from our results the monthly debt per unit was down 16% for 2018. And as Kathy said, we do expect to see some decline in residuals in the low-single digit range in 2019. And this is consistent with what we're seeing from external forecasts. But the reality is that the absolute number is more nuanced, as it depends on a variety of factors such as the market conditions, our execution on acquisition, our execution on retail [ph] dispositions (00:26:30), the vehicle mix by car class, what we have in terms of volume, exposure, model year. So, it's tough to put a normalized depreciation number, because at any given point in time, there are a number of things that impact [ph] it. But (00:26:43) what we can tell you is that our execution, no matter what the market conditions are, will be solid. And those are the kinds of capabilities that still – that Kathy mentioned, our execution around acquiring cars, making sure that we have the right mix, making sure that we have the right number of cars and then moving those cars to our highest-returning [ph] channels (00:27:01). Those will be the determining factors for where we actually end up. And I feel very good about the capabilities that [ph] we've built into (00:27:08) organization.

Kathryn V. Marinello
President, Chief Executive Officer & Director, Hertz Global Holdings, Inc.

A

And probably, as you know, what the OEMs do clearly impacts residual values. And so far, we are not seeing any unusual behaviors to spark any real concern. So, I think, all in all, the environment is holding up pretty well.

Chris J. Woronka
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Very good. Thanks.

Operator: Thank you. Our next question will come from the line of Brian Johnson from Barclays Capital. Please go ahead.

Brian A. Johnson
Analyst, Barclays Capital, Inc.

Q

Yes. Good morning team. Two questions. First, following up on that, and when we get the K, we'll get the numbers, but can you disaggregate in the 4Q and then maybe for the year the gain-on-sale portion of the domestic residual performance?

Jamere Jackson
Executive Vice President and Chief Financial Officer, Hertz Global Holdings, Inc.

A

So if I look at our depreciation results and you look at the results that we had year over year, I would say about two-thirds of that was actually driven from our performance, a combination of what we're doing on acquiring the cars and what we're doing in terms of moving cars through the retail channels. We can follow-up with you on the exact numbers associated with it, [ph] the best we can do to give you right numbers (00:28:23).

Brian A. Johnson
Analyst, Barclays Capital, Inc.

Q

Okay. Second question. I know you're not giving detailed guidance, but just as Kathy was talking, trying to get an – could you give us any direction between the increased technology spend versus cost takeouts on the OpEx side and SG&A – including SG&A, so we can kind of think about the costs side of the business in 2019?

Jamere Jackson
Executive Vice President and Chief Financial Officer, Hertz Global Holdings, Inc.

A

Yeah. So, here's what I'll say is our investments in 2019 are primarily related to the tech transformation. So in 2019, we expect to grow our DOE and SG&A at a significantly slower rate than revenue growth. We expect to drive incremental productivity in operations and SG&A. And quite frankly, this will serve as [ph] dual payers (00:29:10), if you will, for the investments we're making. And this will help us expand margins despite the incremental investments. So as a result, you should see adjusted corporate EBITDA margin improvement in 2019 and then incremental improvement in 2020, as Kathy mentioned, as we complete the tech transformation.

Brian A. Johnson
Analyst, Barclays Capital, Inc.

Q

Okay. Thanks.

Operator: Thank you. Our next question then will come from the line of Mike Millman from Millman Research. Please go ahead

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Michael Millman
Analyst, Millman Research

Q

Thank you. A follow-up on the last question. When you compare with Avis, you were about half of the margin – EBITDA margin they did. Kind of it would be helpful if you could let us know of that half, how much is cost – additional cost and how much is [ph] now (00:30:00) catch up? And when indeed do you expect to catch up, if you will, if not exceed? I guess, in the same vein, once you get into the technology world, does it continue to expand? And maybe in terms of the cost and benefits, you never quite catch up. So relatedly, what can we look for or what is your target EBITDA margin and when do you expect to reach that?

Kathryn V. Marinello
President, Chief Executive Officer & Director, Hertz Global Holdings, Inc.

A

Okay. So, I guess as I've said before if we look at the fundamentals in our business, given the strength of our brand, the Hertz brand, given the assets we have and our used – our eighth largest used car sales business as well as our corporate leasing business in Donlen, it's clear that there is no reason structurally that we wouldn't be best-in-class EBITDA and EBITDA margin. And right now, weighing on our ability to get there our interest expense, because of our lower-than-industry average EBITDA, right, which obviously impacts our leverage, as well as the catch up that we are doing around investing back into this business. So, we could have taken up a path that ultimately would not have panned out, which is dramatically cut costs without any kind of strategic focus to it and [ph] comp (00:31:48) up our EBITDA, which was sometimes done in the past. Instead, we're taking the right course which is investing in the assets of the company, where they haven't been invested in, in particular in our infrastructure, in our technology as well as re-energizing our brand.

And the spending that we've have done, we probably are spending less, but more productive when it comes to the growth-related initiatives around our brand and our marketing. So, we're very effective there. Where we've really been driving the bulk of the investments is getting the actual operating structure of our company back into shape and the technology where it needs to be longer term. And some of that technology is 30, 40 years old. We're 100-year old company. So, it has been in dire need of repair. I think the good news is, for the last several quarters, we have been consistently improving our rates and price that we're getting on cars, consistently reducing the cost of cars, and then consistently expanding margins from when I first came in and started turning around the business from the downturn it had been in.

So, if we look forward, the best predictor is, is this sustainable and are we continuing to make progress. And we do continue to make consistent progress in all the metrics we need to. And now, as we brought back the two largest lines to where they need to be, clearly, we need to attack our infrastructure costs and our operating costs. And we've got a great team here that when asked to do something they get it done and they've consistently performed in those areas. So, we consciously did focus on the growth and on the cars. And now, we are very decisively focusing in on productivity and any kind of cost in ways that we have out there, and using that to pay the bill and start expanding our margins further in 2019. And Jamere you can, if you want to get a little bit more into what the longer term looks like, go ahead.

Jamere Jackson
Executive Vice President and Chief Financial Officer, Hertz Global Holdings, Inc.
A

Yeah. So, as Kathy mentioned, our first order of business, quite frankly, was to invest in returning this company top-line growth and that's what you've seen us do. Simply put, we've had a very disciplined approach to how we manage the fleet. We're focused on having the right size and right mix of cars in the right locations. And quite frankly, that's been the backbone of our strategy. This is what's helped us enable – driving price, utilization and we're just getting a better return on the capital that we're investing and the great fleet that [ph] we have owned (00:34:37). So, all of these investments that we're making in technology, in service quality, in brand-building market, all underpin this strategy. And the capabilities – these are capabilities that you fundamentally must have as you move forward.

That being said, it is the next leg of the stool for us to drive productivity. And we're running the productivity [ph] play (00:34:57) with intensity across operations and SG&A. We have opportunities in virtually every line item of the P&L and we're attacking that. So, we have a pretty detailed plan to do that. In 2019, you will see those productivity efforts help offset the investments that we're making primarily in the tech transformation. But then, these are also the things that are building the right fundamentals for our as we emerge from that tech transformation in 2020, that has not only a faster-growing business, but a higher-margin business. And no structural impediments for us to not be at industry-leading growth rate and margins and that's the focus inside the company. So, I'm excited about the capabilities that we've built. We built them the right way. We built them with rigor and we built them with discipline. And now, we have an opportunity to go drive productivity in a way that can help us move the needle from a margin standpoint and get the EBITDA margin [ph] calories (00:35:53) back into the business.

Michael Millman
Analyst, Millman Research
Q

So I appreciate that. And I guess to drill down into what analysts always want to know is some sort of timing and level of EBITDA that you can reach under reasonably good market conditions?

Kathryn V. Marinello
President, Chief Executive Officer & Director, Hertz Global Holdings, Inc.

A

I think the best predictor of the future is the [ph] past (00:36:19) right now. And we did improve our EBITDA by 65% with headwinds of interest expense and investment -obviously, the investment spending. And we have definite plans in 2019, maybe not 65%, but I will say significant EBITDA improvement in 2019. And carrying that forward into 2020, when the bulk of our technology double redundant costs and the efforts to get new technology in and the old technology out, we should continue that kind of double-digit EBITDA growth into 2020. And at that point, there is no reason to think that we're not at very industry-competitive EBITDA levels. It should also help get our cost of debt down. And clearly, at that point, our leverage should be down in the [ph] 4 times (00:37:16) range versus where we're going to go up this year. So, we have very focused plans on bringing this company back up to industry-competitive profitability. And we're making significant progress year after year over the last two years and we intend to continue that progress in 2019.

Jamere Jackson
Executive Vice President and Chief Financial Officer, Hertz Global Holdings, Inc.

A

I think from a 2019 standpoint, there is growth available in the marketplace. We intend to get our fair share of that growth and do that in a very profitable way. And on top of that, as I mentioned, we're going to drive productivity. So, the comment that I made about our DOE and SG&A growing at a significantly lower rates than our revenue growth [ph] suggests (00:38:00) that we're going to have margin improvement in 2019. And you're going to [ph] see that carry through 2020 (00:38:04). So, I'm confident in the capabilities that we've had. Again, we've done it fundamentally the right way and adding productivity is the next leg of the sort of stool, if you will. We'll create the kind of company that I mentioned in my comments, which is we're growing faster, we've done a great job of returning to top line and we have a higher margin business, we have a laser focus on that inside the company.

Kathryn V. Marinello
President, Chief Executive Officer & Director, Hertz Global Holdings, Inc.

A

And where I'd end is, if you ask any operating CEO, what are the two things that keep them awake at night and are most important, and they may change up the order, but it's generally these two things: having great leaders in place and then, secondarily, getting growth. And honestly, the easiest thing any CEO has to do is cut costs that's in our control. So, I think the tougher battle over the last two years has been getting the right leadership in place and bringing growth back to the company and growth at a higher rate, which we've done, I think, in a significant way. And now, know given the strength of this leadership team, I have all the confidence in the world that they can get the costs out and do it in a way that doesn't put a [ph] chill (00:39:17) factor on our growth.

Michael Millman
Analyst, Millman Research

Q

At one time, there was talk in the industry of 13% to 15% EBITDA margins. Is that into your future?

Jamere Jackson
Executive Vice President and Chief Financial Officer, Hertz Global Holdings, Inc.

A

I mean, I think it will depend on a number of things, as you well know. It'll depend on a number of macro factors in terms of how fast the [ph] industry is growing (00:39:40) and whether or not [ph] there's available assets (00:39:43) out there. It will obviously depend on what happens with the cost of vehicles and [ph] depreciation and (00:39:49) a big chunk of that will depend on our execution. I think what I will say is that, again, there are no structural impediments for us to not be at industry-leading sort of margins, if you will. And we're building the fundamentals of the business that strengthens our business no matter where we are in the cycle.

So, all of the discipline that we've put in around managing the fleet, doing the right things from a revenue management standpoint and now driving productivity, underpinned by a technology, that is going to be enabler for both growth and productivity gives me a lot of confidence that, on a like-to-like basis, we have the ability to be a faster-growing higher-margin business and be an industry benchmark. And that's our focus inside the company.

Michael Millman
Analyst, Millman Research

Q

Okay. I thank you. Sorry to try to keep pushing to get a number, but that's what we do.

Jamere Jackson
Executive Vice President and Chief Financial Officer, Hertz Global Holdings, Inc.

A

I'd probably [ph] hit (00:40:46) it.

Operator: Thank you. Our next question then will come from the line of John Healy from Northcoast Research. Please go ahead.

John Healy
Analyst, Northcoast Research Partners LLC

Q

Thank you. And Kathy, congratulations on not only stabilizing the trends in EBITDA, but beginning to turn it the other way. So, it's been a long road and you guys deserve a lot of credit for that. Wanted to ask a big picture question about the top line, I think there's this perception out there that the rental car business is not really growing. Your results fight back on that. And I was just hoping to understand two things on the revenue line. If you look at 2018, what do you believe the industry rental revenue grew in the U.S. in the airport business? I know there is a lot of airport concession data that's [ph] reporting and I'm sure you guys see a lot of outside (00:41:32). Curious to know what you [ph] thought the market grew (00:41:36). And then, secondly, to you get to a normalized level of EBITDA for you, what sort of revenue growth or revenue level do you think the company needs to be at to produce those types of returns?

Kathryn V. Marinello
President, Chief Executive Officer & Director, Hertz Global Holdings, Inc.

A

I guess when what we focus on is to drive the progress, right, so every year being better than the year before and seeking that high-single digits, well, it'll be fabulous, obviously, low-double digits growth. I think any CEO would be happy with those kind of rates. I think embedded in the industry right now is probably about three – mid-single digit economic growth. There are different airports that grow at different rates. So, I think we've been very focused on where is the greatest demand and where are people willing to pay the price. And we have great analytics tools and we're learning every day with those tools and getting better at it. And that's the part of the reason why we saw lane improvement, at the same time we saw significant growth particularly in the U.S. So, I do think there are – the one interesting story that I share with people when they ask me about where is the rental car industry going, there are two things I point them to.

The first is the [ph] eclipse (00:43:05), when I first came, we got blown out of the water and hit all the new stations because we couldn't provide people cars. So, people need cars in all different places and ride sharing can't solve all the solutions; as well as when they need, where there car is and they need a car and they want to get around, [ph] we're (00:43:26) a car. And even from a corporate perspective, as company started moving towards [ph] new-born Lyft (00:43:33), they found that that was dramatically more expensive than renting a car. So, there's still so many reasons, whether you're leasing a car and you want to rent a car to avoid the miles, whether you're moving somebody into college and you need a great big SUV, there continues to be multiple reasons why people rent cars and new reasons all the time. So, that goes in our favor, just the general population in mid-single growth.

Then you add to it, from an autonomy perspective, we are a unique company in that we have a corporate fleet business along with a rental business and we have the unique ability to be best-in-class at managing a large fleet. So as autonomy comes into play, we really have a great opportunity there to win in a big way. And I don't know that we're actually getting the value for that, but we are growing our fleet business from a corporate perspective. And we see more coming and some of the partners that are approaching us around building for the world of autonomy. And then if you add into it, I don't think we're getting the value for our used car [ph] class (00:44:42). We're the eighth largest used car business out there. We are online. We have great – we have industry-leading capabilities around that and it's backed by a great brand. So, overall, we see great assets with future growth in ways that we're not necessarily seeing today. Within the economy, though, we're seeing a pretty stable mid-single digit economy supporting our business.

Jamere Jackson
Executive Vice President and Chief Financial Officer, Hertz Global Holdings, Inc.
A

Yeah. So, what I'll say is, I mean, to be really clear, the market is growing and there is growth available in the marketplace from both the pricing and volume standpoints. Historically, we've looked at data like employments and we've looked at GDP growth. But quite frankly, when we're managing our business on a day-to-day basis, this is a very data-rich environment. We're not just looking at the macro data on employment, GDP, but also market-level demand signals that help us plan capacity and placement of cars. And so, like I said before, we continue to build our capability with both systems and people. We have talented data [ph] scientists (00:45:44) and revenue management forecasting and these are all things that are helping us drive growth. So to be really clear, we do see growth available in the marketplace and the capabilities that we're building are allowing us to capture that both from a volume standpoint, but also from a pricing standpoint. And again, that's largely based on the capabilities that we've built inside our company.

Operator: Thank you. Our next question then will come from the line of Derek Glynn from Consumer Edge Research. Please go ahead.

Derek J. Glynn
Analyst, Consumer Edge Research LLC
Q

Good morning. Thanks for taking my questions. How would you characterize industry fleet conditions and the competitive environment today in the U.S.? And do you find your competitors acting rationally or has there been any change of behavior over the last couple of quarters?

Kathryn V. Marinello
President, Chief Executive Officer & Director, Hertz Global Holdings, Inc.
A

I think the fleets are tight. In general, we don't see any over-fleeting. I think, candidly, what's helping keep the fleets tight is residual values are great, so people are selling cars. So, you got to make hay while the sun is shining and I think we're seeing a fair amount of car sales as well. And I think, overall, that does tend to help us around keeping price up, it is a – as well as supply and demand. As we get moving forward, I also think the improved tools on demand forecasting are really helping all of us to be smarter about how many cars we really need and I think everybody is pretty rational on that. And as a result, we're seeing price overall continuing to steadily improve. And we know that it has to, with labor cost and minimal wages going up and the cost of cars, in general, going up, we have to have a rational industry and we have to maintain decent margins for the shareholders. And the only way to do that is to make sure that fleets are tight and get price for those cars.

Jamere Jackson
Executive Vice President and Chief Financial Officer, Hertz Global Holdings, Inc.

A

Yeah. I mean, we're encouraged by the discipline that we're seeing. I had an opportunity this past quarter to spend some time with our fleet management, our revenue management teams, and I'm really impressed by the capabilities that we have internally and the tools that we're using. It's such a data-rich environment that the teams are using artificial intelligence, they're using machine-learning, Fred is adding data scientists to his team everyday to help us get a lot smarter about doing this. And because we all have an opportunity to see the demand signals that are in the marketplace, we know, on a market-by-market basis, with some certainty, the number of cars we need to have by location and it's helping us to plan capacity and keep capacity tight and, importantly, helping us to drive pricing and utilization. And I think that's reflected in our results. So, those are the kind of capabilities that you need to maintain a healthy dynamic that we have in the marketplace and I'm encouraged by what we see from the competitive environment as well.

Derek J. Glynn
Analyst, Consumer Edge Research LLC

Q

Okay. Thanks. Appreciate that color. And then just secondly, as it relates to the sales-type leases driving the revenue growth in Donlen during the quarter, is that revenue benefit something we should expect to carry forward or should we think of that mix impact as being one time or limited to the fourth quarter, for some reason?

Jamere Jackson
Executive Vice President and Chief Financial Officer, Hertz Global Holdings, Inc.

A

We've always had some capital leases as part of the mix. We had a little bit more than normal in the fourth quarter. So, I wouldn't call that a normalized view. So, one thing that did happen this year, as you all know, is the leasing rules changed where basically operating leases are now ending up on the balance sheet. So, you could see some customers making some different decisions in terms of how we're managing their lease profiles, the swap between operating leases and capital leases. The reality is that many customers had operating leases that kept those off the balance sheet, if they're now all going on the balance sheet, people may make some tradeoffs in terms of the decisions between capital and operating. We'll keep an eye on it. We're still managing the business sort of the same way. There is no change in sort of the EBITDA profile, if you will, and we'll be very transparent, if see any spikes on having more capital leases where it's upfront, we'll share that [ph] data (00:50:18).

Operator: Thank you. We have a question from the line of Hamzah Mazari from Macquarie Capital. Please go ahead.

Hamzah Mazari
Analyst, Macquarie Capital

Q

Good morning. Thank you. My question is around the tech transformation. So, we talked about that ending in, I guess, 2020. 2021 seems like a normalized investment spend year for you. Maybe if you could touch on the execution risk, that's remaining as you complete the tech transformation? I guess you'll have duplicate systems running. Any sort of color around execution risk.

Kathryn V. Marinello
President, Chief Executive Officer & Director, Hertz Global Holdings, Inc.

A

I think we all, in this company, understand that we're going to have all hands on deck to make sure this goes well. The reality is, before I joined the company, this was in play and it's been the entire time I've been here. And so, we spent a lot of time making sure we're on the right track. We have very committed partners behind [ph] this (00:51:21) with their best resources backing the effort. And our intent is to make this happen as smoothly as possible, obviously. Now the reality is I've been through enough of these and been on both sides of these types of transformations that things will go wrong and we are anticipating that and we are prepared for it. And I think the efforts that we have in place and how we're doing it will mitigate some of the risks along those lines.

So, we do have a phased-in approach in North America, starting actually in a couple of months and going throughout the year with a 2020 anticipated full rollout. So, I think we have a lot of seasoned professionals here. We've brought in a fantastic CIO from this industry who's got deep experience in managing these types of challenges. She has built a great team around that. We are all hands on deck throughout the businesses supporting the efforts and we're going to get it done.

Hamzah Mazari
Analyst, Macquarie Capital

Q

Great. And then just on the comment around residuals being down 2% for this year, are you assuming OEMs do not get aggressive on incentives? Are you assuming just status quo of what the OEMs are doing or are you assuming sort of a step up in incentives given U.S. auto inventory levels are pretty high?

Kathryn V. Marinello
President, Chief Executive Officer & Director, Hertz Global Holdings, Inc.

A

Well, for the most part, we already have a big bulk of the buy already in for 2019. So, any kind of impact of that happening is somewhat minimal on the size of our fleet and the fleet we're buying and the costs. I think, as you know, I spent 10 years on one of the OEMs before, and before that, I spent five years buying more cars than anybody else in the United States. And what I've seen is a dramatic change in how rational the OEMs are across the industry. And I watch all the time, every month, who they're selling to, how much they're selling, what residual – what incentives they're doing. And frankly, I continue to see across the board fairly rational behavior. And so, they've figured out that to keep price up and to manage their margins, they have to manage production, they have to manage incentives and they've got to be smart about it. And I see them getting smarter every year. So, again, our best defense is the great offense and we have great capabilities in place just in case there is, for our 2020 buys, any kind of irrational behavior.

Operator: Thank you. We have a question from the line of Adam Jonas from Morgan Stanley. Please go ahead.

Adam Michael Jonas
Analyst, Morgan Stanley & Co. LLC

Q

Thanks. Just a brief question here. What is Enterprise doing in the TNC rental business arena, you can comment on?

Kathryn V. Marinello
President, Chief Executive Officer & Director, Hertz Global Holdings, Inc.

A

I honestly do not know. And we stay very focused on [ph] handling (00:54:40) what we're doing. I admire Enterprise as a company. But right now, the only real sizable action that we're seeing is – in the rental company space is ourselves.

Adam Michael Jonas
Analyst, Morgan Stanley & Co. LLC

Q

Okay. I mean – but you would be aware – I asked that because I imagine that just given the growth and obvious synergies of the business and the interplay of car rental [ph] as a (00:55:07) mega fleet manager in that business that you would – if they were large and active, you would see them. So it's more that you – I'm interpreting your answer as they're not a big presence right now, is that fair?

Kathryn V. Marinello
President, Chief Executive Officer & Director, Hertz Global Holdings, Inc.

A

Just to be candid, I really don't know.

Adam Michael Jonas
Analyst, Morgan Stanley & Co. LLC

Q

Okay. Okay. And then just as a follow up, could you tell – you mentioned that vehicles that enter the TNC fleet have a roughly 40,000 miles on them and this provides a great opportunity for you to extend the useful life. Was curious – and I know you've only been running these programs for a couple of years, if that. But how long are these vehicles in the TNC fleet, on average, and then kind on what mileage do they have when they exit? And can you give us some – the relationship with 767 Auto Leasing, [ph] Carls, The Leasing Company (00:55:54), VIE, how much of the 38,000 units are owned by 767 and kind of where does that go? Thanks.

Kathryn V. Marinello
President, Chief Executive Officer & Director, Hertz Global Holdings, Inc.

A

Well, I'm not going to comment on the 767 business, but I will comment we've been in the TNC business since 2016 and we're getting better and smarter around that and expanding the business, as you know, growing it. We generally put vehicles in that business at 40,000 miles. We even do buy some incremental [ph] lease (00:56:29) vehicles in the market. We have a fairly extensive dealer network that will buy some as well based on the demand. And we generally take those vehicles out at about 70,000 miles where we believe you maximize keeping maintenance expenses and promotion expenses down, but at the same time, our retail car sales guys love these cars. If you ask any dealer out there, they will tell you these cars are extraordinarily attractive, have great margins. And candidly, they told buyer into our – when we have these very affordable cars with relatively low mileage and fairly new cars, we attract a lot of buyers into our retail shop because – and a lot of times they will buy up and what they end up purchasing.

So, they are all around this business based on the demand it's filling and the need it's filling with ride sharing, and at the same time, how it [ph] bends the curve on our assets and puts (00:57:30) the used car we have already invested in. And then when we go to sell them, we sell them at attractive margins and they're a great marketing device to pull incremental business into our [ph] lots as (00:57:45) we've been doing very well with it.

Jamere Jackson
Executive Vice President and Chief Financial Officer, Hertz Global Holdings, Inc.

A

And a couple things I'll add. We expect this to be a very competitive market. There is a lot of growth that's available if you look at the growth in the TNC or ride-hailing business. I think if I think about those businesses and those business models, one of the constrains that they have is having enough cars and enough drivers to be able to service that demand. And so, we expect to be a marketplace that is a growth driver for us, but to also be very competitive. And then, to your point on the different models that are out, whether it's [ph] what we're doing or what 767 is doing (00:58:25), there are going to be lots models to service this industry. 767 is obviously a very small part of our business today and it's an interesting model. We'll see where that shakes out in the industry, but we expect this to be a very competitive market and we don't expect that there won't be multiple entrants coming in, but there is a lot of growth available here and we are happy to be capturing some of that today, again [ph] it's worth 2 (00:58:54) points on our U.S. RAC business.

Operator: Thank you. We have a question from the line of David Tamberrino from Goldman Sachs. Please go ahead.

David Tamberrino
Analyst, Goldman Sachs & Co. LLC

Q

Good morning. Kathy, could you just remind us what the elevated level of IT spend has been on an annual basis for the past two years?

Jamere Jackson
Executive Vice President and Chief Financial Officer, Hertz Global Holdings, Inc.

A

So, I'll take that. So, we've had somewhere in the neighborhood of, call it, $100 million or so associated with the technology transformation spend. And we're going to have elevated expenses in 2019, as I said, a big chunk of that will offset with our productivity initiatives, as we move forward. So, I think the focus for us inside the company is, one, getting that technology transformation completed. [ph] The spend (00:59:50) isn't just the development costs associated with it, but it's also the redundant costs that we have, because we are now in a period where we'll have dual running costs between the old system and [ph] the new system, and we'll need to see (01:00:03) that run off. But we're on track. We expect to deliver the productivity associated with other areas in direct operating expense and SG&A to be [ph] sort of dual payer (01:00:13) associated with that. And as we move into 2020 and 2021, you start to see some of that elevated spend rolled off and you see the margins [ph] back in the business (01:00:23).

David Tamberrino
Analyst, Goldman Sachs & Co. LLC

Q

Okay.

Kathryn V. Marinello
President, Chief Executive Officer & Director, Hertz Global Holdings, Inc.

A

I think as I'm sure, over the last two years, the focus has been on how much are you spending, when will it be over, at what point does it bring you back to industry competitive levels. And again, structurally, there is no reason, given the three things I talked about, our brands, our retail car sales and our corporate fleet business, that we shouldn't be as good as, if not better than, industry average earning levels. The reality is we focused on and brought the growth back. We got in line and, I would say, have industry – very industry competitive cost of cars. Honestly, the easiest part of this turnaround is now getting the waste out of the expenses, closing – maybe the third [ph] hardest (01:01:20) is finishing up the technology transformation, but an easier part is getting waste and productivity out of the expenses, which we're very focused on and we have the right [ph] team (01:01:30) to do.

So if we look at [ph] where (01:01:33) we've been elevated in expenses, it's about a third efficiency, it's about a third technology spending. And in the past, it's been about a third rebuilding some things that have been broken and not paid attention to. So as we go into 2019, we should see that incremental spending coming down and having an impact – further impact on expanding our margin and contributing to how we've been expanding our margins. And then, as we move to the other side of 2020, the bulk – there's no excuses, the work is done.

David Tamberrino
Analyst, Goldman Sachs & Co. LLC

Q

Okay. So, $100 million elevated spend, you've got $98 million of information technology adjustments for the year. Is that the same spend that you're adding back into your adjusted corporate EBITDA?

Jamere Jackson
Executive Vice President and Chief Financial Officer, Hertz Global Holdings, Inc.

A

Yeah. The $98 million is the add-back.

Operator: One moment. Please go ahead.

David Tamberrino
Analyst, Goldman Sachs & Co. LLC

Q

I'm sorry. The $98 million adjustment for information technology and finance [ph] transformation (01:02:38) costs, Part G represents company's information technology and finance transition programs.

Jamere Jackson
Executive Vice President and Chief Financial Officer, Hertz Global Holdings, Inc.

A

That's correct.

David Tamberrino
Analyst, Goldman Sachs & Co. LLC

Q

That's an add-back of the $100 million elevated spend. So, am I misinterpreting that?

Jamere Jackson
Executive Vice President and Chief Financial Officer, Hertz Global Holdings, Inc.

A

No, the $98 million is the add-back, that's correct.

David Tamberrino
Analyst, Goldman Sachs & Co. LLC

Q

Okay. So, look, just trying to understand your walk, if that elevated spend comes down, but you've already been adjusted for it, your corporate EBITDA doesn't improve, but I won't follow-up with that any further. For 2019, what are you expecting from a free cash flow perspective? It looks like, 2018, you benefited from some of the fleet growth. Trying to understand how much core improvement could actually get you to positive free cash flow generation, or if it's just similar, again, to be a factor driven by fleet or if you don't think you're going to get back to positive free cash flow in 2019?

Jamere Jackson
Executive Vice President and Chief Financial Officer, Hertz Global Holdings, Inc.

A

We're not planning to get back to positive free cash flow in 2019. As you recall from this year, we did have impact of favorable marks from a residual standpoint, a little bit of a windfall which we don't expect that [ph] to repeat (01:03:39) next year just given where residuals are. The second thing is that we also had a pretty significant benefit associated with our European facility that enabled us to increase the advanced rates there. So, those are two big things that sort of have impacted [ph] this year (01:03:55). What I would say is that we're focused on improving the operating cash flow profile of the company and we'll see where some of those other dynamics shake out [indiscernible] (01:04:05) but we're not planning on it for 2019.

Operator: Thank you. [Operator Instructions] We have a question from the line of Komal Patel from Goldman Sachs. Please go ahead

Komal Patel
Analyst, Goldman Sachs & Co. LLC

Q

Hi. Thanks for squeezing me in. I wanted to clarify your earlier comment on proactively addressing non-vehicle debt. Are you saying about just tackling the 2020 or both the 2020s and 2021? And given that the company has had a couple opportunities that come to market since mid last year, what makes the coming months the right time to do the refi? Is it capital structure or specific coupon that the company is targeting?

Jamere Jackson
Executive Vice President and Chief Financial Officer, Hertz Global Holdings, Inc.

A

We'll be opportunistic about addressing the stack, which could include both 2020 and the 2021 stack and we plan to do that in the coming months [ph] or so (01:05:00). And as I've said before, we have been [ph] balancing sort of entering (01:05:03) in the market with improvement in our results. We are pleased with the way that the improvement in our results has been back to the market, we're well aware of that. And as I said, we'll be opportunistic in the coming months to address the stack and it, quite frankly, could include both the 2020 and [ph] the 2021 stack (01:05:24).

Operator: Thank you. Please go ahead.

Kathryn V. Marinello
President, Chief Executive Officer & Director, Hertz Global Holdings, Inc.

Thank you very much and have a great day.

Operator: Thank you. And ladies and gentlemen, that does conclude our conference for today. Thank you for participation and for using AT&T Executive TeleConference. You may now disconnect.