

LSEG STREETEVENTS

EDITED TRANSCRIPT

HTZ.OQ - Q4 2025 Hertz Global Holdings Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 26, 2026 / 2:00PM GMT

CORPORATE PARTICIPANTS

Johann Rawlinson *Hertz Global Holdings Inc - IR Contact Officer*

Wayne West *Hertz Global Holdings Inc - Chief Executive Officer and Director*

Sandeep Dube *Hertz Global Holdings Inc - Executive Vice President, Chief Commercial Officer*

Scott Haralson *Hertz Global Holdings Inc - Executive Vice President and Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Chris Woronka *Deutsche Bank AG - Research Analyst*

Christopher Stathoulopoulos *Susquehanna Financial Group LLLP - Analyst*

Dan Levy *Barclays Services Corp - Analyst*

John Healy *Northcoast Research - Analyst*

Ryan Brinkman *JPMorgan Chase & Co - Analyst*

PRESENTATION

Operator

Welcome to the Hertz Global Holdings fourth-quarter and full-year 2025 earnings call. (Operator Instructions) I would like to remind you that this morning's call is being recorded by the company.

I would now like to turn the call over to our host, Rohan (sic - Johann) Rawlinson, Vice President of Investor Relations. Please go ahead.

Johann Rawlinson - *Hertz Global Holdings Inc - IR Contact Officer*

Good morning, everyone, and thank you for joining us. By now, you should have our earnings press release and associated financial information, and these can be accessed through the Investor Relations section of our website.

I want to remind you that certain statements made on this call contain forward-looking information. Forward-looking statements are not a guarantee of performance and, by their nature, are subject to inherent risks and uncertainties. Actual results may differ materially. Any forward-looking information relayed on this call speaks only as of today's date, and the company undertakes no obligation to update that information to reflect changing circumstances.

Additional information concerning these statements, including factors that could cause our actual results to differ, is contained in our earnings press release and in the Risk Factors and Forward-Looking Statements section in the filings we make with the Securities and Exchange Commission. Our filings are available on the SEC's website and the Investor Relations section of the Hertz website.

Today, we will use certain non-GAAP financial measures, which are reconciled with GAAP numbers in our earnings press release available on our website. We believe that these non-GAAP measures provide additional useful information about our operations, allowing better evaluation of our profitability and performance. Unless otherwise noted, our discussion today focuses on our global business.

On the call this morning, we have Gil West, our Chief Executive Officer, who will discuss strategy, operational highlights, and our fleet. Our Chief Commercial Officer, Sandeep Dube, will share insights into our commercial strategy, followed by Scott Haralson, our Chief Financial Officer, who will discuss our financial performance.

I'll now turn the call over to Gil.

Wayne West - *Hertz Global Holdings Inc - Chief Executive Officer and Director*

Thanks, Johann. Good morning, everyone, and thank you for joining us.

I want to start by thanking the Hertz team. Their focus, discipline, and resilience, especially those serving our customers in the field, was evident throughout the year, but particularly during the fourth-quarter holiday travel season, which is historically one of our most operationally intensive periods. Together, they executed consistently against our goals and made real progress, building momentum for the year ahead.

2025 marked the first full year operating under the Back-to-Basics strategy. Guided by our North Star metrics, we brought greater discipline to fleet management, revenue optimization, rigorous cost control, and improving the customer experience. The work is far from finished, but the progress we made this year materially strengthened the foundation of our business for the long term.

In 2025, we achieved a full-year adjusted EBITDA improvement of more than \$1 billion year over year. We drove sequential improvements in revenue, RPU, and RPD, and improved utilization by sweating our assets, and drove DPU down in line with our North Star target.

We brought DOE per transaction day down despite lower volumes. We also completed our fleet rotation and successfully secured our model year '26 buys at our target prices and volumes. That allowed us to begin selling model year '25s through our enhanced retail channels, continue our short hold strategy, introduce a more optimized mix of car classes, and achieve our lowest average fleet age in almost a decade. And we delivered a nearly 50% improvement in customer satisfaction.

As we turned to the fourth quarter, a typically challenging seasonal environment was amplified by a number of external headwinds that were primarily isolated to the quarter. From government shutdown, coupled with FAA cancellations, multiple technology vendor outages, and unfavorable residual value environment, to elevated recall volumes, taken together, these created outsized pressure of well over \$100 million on our business and kept us from hitting some of our targets.

But even within that environment, we made progress. In the fourth quarter, adjusted EBITDA improved \$150 million year over year. But our strongest result this quarter was revenue. In fact, it was our strongest revenue result in nearly two years. If you remember, we entered 2025 with revenue down double digits year over year. And by the end of the fourth quarter, we were nearly flat revenue with a 3% smaller fleet, significant accomplishment, driven by our ability to sequentially improve RPU and RPD and sustained utilization and transaction days, all with a smaller fleet.

We also saw a more stable industry pricing backdrop throughout the quarter, which is especially noteworthy given the very polarizing peak and off-peak dynamic that plays out during this period every year. This is evidence that both our commercial investments in pricing and demand generation are paying off and that the industry setup is more positive than in prior periods.

While DPU, as I mentioned, was in line with our North Star target for the year, in the fourth quarter, it moved above our North Star target due to a revised Black Book residual value forecast and lower-than-expected wholesale prices from heavy OEM and rental car company deflating during the car market seasonal low period. While we monitor multiple market trend sources, we have historically indexed heavily on Black Book forecast, which tends to be more seasonally volatile. As of the end of the year, it was down nearly 5% year over year, resulting in a \$60 million non-cash charge to depreciation.

By contrast, Manheim average rental vehicle prices in December were up 2.85% year over year. And as we look ahead, updated projections from our partners at Cox Automotive show that their Manheim Used Vehicle Value Index is expected to end the year roughly 2% higher than in December 2025. While our forecast is not predicated on such a positive outlook, our internal analysis is encouraging, and we've seen early signs of recovery in Q1 in line with these Manheim values, which in January were up 2.4% year over year.

On the cost side, we brought adjusted DOE per transaction day down 6% year on year. This moved us closer to our North Star target in the low \$30s. Recall volumes peaked in mid-November and December, taking over 20,000 cars out of service, which is almost three times

higher than the normal rate. This resulted in us having to carry more fleet than we had planned and limited our performance, which had ripple effects across the business, impacting our fleet utilization, particularly for our Rideshare business.

We have strategically managed through this by redeploying available fleet where it would have the most impact. And as a vast majority of these recalls lack available fixes and restrict us from renting and selling vehicles, we are actively working with our OEM partners to find solutions to minimize fleet downtime.

Recall volumes have moderated slightly throughout the first quarter, but remain elevated. With this in mind, we're staying disciplined in our capacity planning to ensure our rentable fleet stays well utilized and inside of demand. It's clear Q4 presented real challenges, but the decisions we made throughout 2025 held up under pressure and reinforced that our strategy is the right one. Today, Hertz stands on a meaningfully stronger foundation than it did a year ago: a healthier fleet, improved unit economics, a more disciplined operating model, a better customer experience.

And what I want to be clear about is this: the improvements we're seeing in the business are structural. They're permanent. The headwinds we faced and continue to navigate are transitory. That difference matters, and it's what gives me confidence in the trajectory ahead. That confidence is already being validated as 2026 is off to a good start. Q1 trends in both revenue and RPD are positive year over year, a particularly encouraging sign given that this is typically a seasonal trough period for the industry. This means we're entering the upcoming peak period from a position of strength.

Looking ahead to the rest of the year, we remain focused on accelerating revenue, RPD, and RPU growth, while staying disciplined on cost, putting core rental business firmly on the path to profitability. While Rent a Car remains our core business today, this transformation is about becoming more than a single line of business. We're executing with discipline in the business that powers us now, but we're intentionally building the capabilities that will power what's next.

We're laying the groundwork for a diversified value-creating platform that will unlock value beyond the core. The Hertz platform spans Rent a Car, Service, Fleet, and Mobility. It's still early days, and while the areas of our platform sit at different maturity levels, each presents meaningful upside, both near and long term.

In Rent a Car, we'll maintain steady momentum in our mature airport locations by driving pricing, utilization, demand generation, and asset management. We see real near-term upside from growth in our off-airport locations in areas like insurance replacement, local commercial agreements, and small business. We're also sharpening our focus to unlock additional value in our franchise footprint, while piloting new offerings and service.

We see a particularly strong runway in Fleet through Hertz Car Sales and in Mobility, where the long-term opportunity has the potential to become as, if not more, meaningful than our core Rent a Car business. We're transforming Hertz Car Sales into a truly omnichannel experience, meeting customers where they are online, in person, through rent-to-buy, and delivery right to their door. The opportunity here is significant.

We are a used car factory with a building customer base, and we're building the shopping experience to match, one that can ultimately rival the largest used car dealers in the country. We have a constant supply of pre-owned vehicles and sales volume that already puts us in the top five used car dealerships in the country. Our improved website has a wide variety of vehicles for sale, an intuitive interface, enhanced imagery, and more detailed descriptions that help customers shop more confidently. We already have scale, and shifting our primary sales channel to retail is a major unlock.

We also have established key partnerships with Cox Automotive, Amazon, and Palantir. That gives us the capability to scale this business profitably. Hertz Car Sales value proposition has never been more compelling, as new cars are increasingly out of reach for many buyers, with prices topping \$50,000 on average. With our short hold strategy, we deliver the best bang for the buck, as consumers can get a nearly new car for around half the cost. This is an important differentiator as we head into spring, typically a peak buying season, which will be bolstered this year by record-high tax returns.

Now to Mobility. Hertz owns and manages fleets at scale, with core strengths in fleet ownership, large-scale operations, world-class maintenance, and vehicle fleet financing. Along our physical infrastructure, operating capacity, and leadership experience, this business is evolving to meet the mobility needs of tomorrow, whether driver-led or autonomous.

Our journey in Mobility began in Rideshare by renting cars to Uber and Lyft drivers. Today, we operate the largest Rideshare rental fleet in the world. And it has become one of our highest growth potential businesses with double-digit revenue opportunities. And in the background, we're developing and testing new approaches in this space with strategic partners.

While it's difficult to quantify the full growth potential of our Mobility business at this stage, the opportunity undoubtedly is significant. For context, Uber's CEO has described autonomous vehicles as potentially a multi-trillion-dollar market. We're building the capabilities now to ensure Hertz's position to play a significant role in that ecosystem.

Today, our Rent a Car business remains the largest consumer of our time and operational focus. But as we scale the broader platform across Rent a Car, Service, Fleet, and Mobility, the mix will evolve. Rental will become one part of a more diversified value-creating enterprise.

With that, I'll turn it over to Sandeep.

Sandeep Dube - Hertz Global Holdings Inc - Executive Vice President, Chief Commercial Officer

Thanks, Gil, and good morning, everyone.

I want to jump right into the headlines on revenue this morning. The fourth quarter, the industry's typical trough period with volatile seasonal demand, represented Hertz's strongest year-over-year revenue result since Q1 2024. After adjusting for Q4 2024's one-time loyalty gains, in Q4 2025, we drove year-over-year revenue growth, with the primary driver being RPD, which was nearly flat on a year-over-year basis. Most importantly, RPD for the airports in the Americas, our largest segment, was positive year over year for the quarter. We achieved this meaningful sequential improvement despite several headwinds, including a lower car class mix, the extended government shutdown, and elevated recalls.

In Q4, we achieved a difficult feat by improving both year-over-year pricing and days sequentially, primarily driven by Hertz's commercial strategies. Our revenue metrics showed good sequential progression. Q4 2025 adjusted revenue was sequentially 4 points better, going from down 4% to about flat. RPD mirrored the same sequential improvement on a loyalty-adjusted basis as well.

The driving factors of these improvements were the same as detailed in our Q3 earnings call. Let's dive deeper into the details a bit. First, driving a better customer experience. Our Net Promoter Score grew by nearly 50% year over year, and it is driving better organic demand for our brands.

Second, generating greater durable demand from higher-margin channels. Direct website demand is showing strong growth. Our corporate business is gaining ground. We are now driving consistent growth in our off-airport business, and our Mobility business is growing revenue double digits.

Third, improving our pricing tactics and strategies. We are on a multi-phase approach to bring more sophistication in the way we drive demand, with a focus on driving positive RPD for comparable asset class. Mid-quarter in Q4, we executed a totally new pricing matrix and we saw immediate results from that change in driving positive RPD. Our next iteration is going into test mode in a few weeks. I expect phased improvements in the sophistication of our pricing approach.

Fourth, better monetization of our higher-RPU assets. This was achieved by improved asset deployment, having the right vehicle at the right location, ensuring that higher-RPU assets are effectively monetized.

Fifth, better value-added product sales. We drove better sales of our value-added products through improved operational performance and pricing sophistication.

Lastly, local level profitability and optimization. We continue to manage our business at a more granular level for profitability.

These commercial strategies and tactics primarily drove the positive momentum in Q4 2025. Most importantly, these foundational changes raised the baseline productivity of our revenue and RPD production. And we expect these gains to largely persist, irrespective of the macroeconomic environment. And just a reminder, we are still in the early innings of the transformation of our commercial strategies. And we expect more foundational improvements in the coming quarters.

If we step back even further, the takeaway here is the sequential improvement through 2025 as a result of our Back-to-Basics strategy. We started 2025 down double digits year over year on revenue and down mid-single digits year over year on RPD. This narrowed to near parity on both metrics by the end of the year. And they have both turned positive in the early part of 2026.

We also delivered improvements in utilization across our total fleet in each of the quarters in 2025, including Q4, where we were able to offset the impact of high rate of recalls and delivered an improvement of 200 basis points year over year. Total fleet includes all vehicles, irrespective of operating status, whether in-service, out-of-service, or in our Car Sales inventory.

We are delivering clear results and building momentum for the year ahead. 2026 is off to a strong start as the strength we saw at the end of December for the holidays carried forward into the new year. In January, we are seeing year-on-year positive revenue and unit revenue growth, mostly driven by a couple of percentage points increase in global RPD, reflecting pricing growth in both our Americas and our International segments. February is trending even more positively, and March looks to continue on that trajectory.

As a result, we expect Q1 2026 revenue to be up mid-single digits year over year, with fleet growth of only low-single digits. Q1 2026 is also supported by a more constructive industry environment compared to Q4 2025, with the industry demand environment looking better. For the rest of 2026, we will manage our growth in a disciplined manner. This means holding airport growth at or below TSA levels while pursuing off-airport and mobility opportunities.

At the same time, we are focused on doing more for our customers. The improvements we have seen in our Net Promoter Score is a clear indicator that our work to create a more consistent, convenient, and caring customer experience are resonating.

We are deeply grateful to the millions of customers who choose Hertz, and we have recently lowered the threshold for achieving five-star status to reward them even more for their loyalty. At a time when status across the travel industry feels harder to earn than ever, we are offering a faster, more transparent path, providing more value with every booking and one more reason to continue choosing Hertz. So in summary, our commercial playbook is working, and the results are starting to prove it.

With that, I'll hand it over to Scott to walk through our financial performance.

Scott Haralson - Hertz Global Holdings Inc - Executive Vice President and Chief Financial Officer

Thanks, Sandeep. And good morning, everyone, and thanks for joining us.

As you heard from Gil and Sandeep, the fourth quarter had a number of items that cloud the results. But once you get past the transitory impacts in the quarter, you can see some interesting foundational elements. Revenue trends are improving, our fleet is rotated, and model year 2026 buys have been secured at prices and volumes we expected.

In spite of a richer fleet mix in 2026, which will provide a tailwind to RPD, we still expect to keep DPU for the year below \$300 per unit. NPS took a big leap forward in 2025, and that's primed to continue in 2026. Our digital customer experience, operational consistency, and

customer-focused initiatives are being recognized by our customers. We have found a good balance between utilization and NPS scores, but have our eyes set on improving both at the same time.

The moves we made last year to create a rental car fleet with an average age of less than 10 months, which is the youngest it's been in almost a decade, and to drive record-setting utilization are now strategic tailwinds. The cost and efficiency actions pay dividends and will get even better in 2026. Throughout 2025, we pulled off a difficult task. We lowered unit costs while also reducing units. That's difficult to do in a heavy fixed cost and operationally complex business like ours.

We have real opportunities for growth in 2026. The focus of that growth will be at our off-airport locations and in our Mobility business. Our expansion of the platform outside of traditional rental car is progressing nicely. Our digital Car Sales business has made some important technological advancements on both the back-end website and the merchandising capabilities, as well as the digital transformation of the Car Sales process. While early, we think 2026 digital expansion could produce a meaningful progression in the percentage of our Car Sales that will be transacted through retail channels.

On Mobility, while we are the industry leader in rental rideshare, we are growing and developing the business to meet evolving needs. We also have been actively building in the background a substantial set of capabilities that we will be leveraging to position Hertz to be a significant player in the aggregation of the supply of mobility in the future, whether that is driver-led or autonomous.

This will ultimately be the future of Hertz, but we are balancing the current optimization of the mature part of our business while building the platform for the future. Even though the absolute financial results are not where we want them to be yet, the actions we have taken over the past year or so are showing real sustainable results, and the opportunity in front of us is exciting.

So with that preamble, I do want to quickly walk through some details in the quarter, where we are with liquidity, and cover a bit of our 2026 outlook. Starting with the quarter, for Q4, we reported revenue of \$2.0 billion, which came in ahead of consensus expectations, with RPD broadly in line and down approximately 1% year over year. Importantly, excluding the prior year loyalty adjustment, revenue growth was up year on year, with RPD nearly flat.

Adjusted EBITDA for the quarter was a negative approximately \$200 million. While this is a \$150 million year-over-year improvement, it was still about \$100 million off of our target. This was entirely in our vehicle carrying costs.

We incurred about \$20 million of additional costs, resulting from the additional fleet to compensate for the elevated recalls. We also had a \$20 million loss in the sale of assets due to the large number of cars available in the marketplace that weighed on residuals in the quarter.

We also took a non-cash depreciation expense of approximately \$60 million due to the late-in-the-quarter residual value adjustment by Black Book. While we do believe the adjustment on the forward view of residuals to be a bit conservative, we did take the entire impact to the P&L.

We view these items as mostly isolated to the fourth quarter, albeit recalls will likely remain elevated throughout the first quarter. We expect the residual value market to improve as we head into the peak Car Sales cycle, starting in Q1 into Q2.

The government shutdown duration and timing also weighed on results. We were able to recoup most of the days lost in the period, but it did come in more off-peak days production, since the shutdown came in what was becoming an improving October with positive demand and pricing momentum.

While difficult to quantify, and while the revenue for the quarter was still positive, we estimate the government shutdown cost us an additional \$10 million to 20 million of adjusted EBITDA in the quarter. In total, the underlying business performed better than the reported adjusted EBITDA would suggest, as we performed well on the items within our control.

Transaction days were almost flat year over year, as we kept the higher fleet to mitigate the recall issues and recoup some of the days lost due to the transitory events. Utilization remained solid, and even with the additional fleet, the global fleet was 3% lower than prior year.

Adjusted DOE per day was another positive story. It improved 6% year over year, coming in at \$36.39, as our cost initiatives are taking hold. It did, however, reflect higher collision severity and repair costs and ongoing elevated insurance costs. We still have more to do, but have done good work on addressing operating expenses in our big three categories: labor, facilities, and vehicle maintenance and repair. With further work to be done in growth and transaction days in 2026, we do expect lower unit costs this year.

Core SG&A remained flat, with total year-over-year variances primarily stemming from the timing of expenses in 2024, with 2025 being a more normalized expense level.

Turning to depreciation and DPU. For 2025, we produced a full-year net DPU of \$300 per month. While this is right at our North Star metric, we were certainly not happy that we had to take a late charge to depreciation due to the move from Black Book. We were expecting to be below \$300 per unit. However, if residual values end up where we think they will in 2026, this will prove to be timing of the expense and will benefit us with less depreciation this year. The fourth quarter ended at \$330 per unit, down 21% year over year, but nonetheless higher than we expected.

Now, let's talk liquidity. We ended the quarter with approximately \$1.5 billion of total liquidity, including revolver capacity. This reflects the impact of the partial redemption of \$300 million of the 2026 notes in Q4, leaving \$200 million outstanding. The Wells Fargo make-whole liability, which had been reserved for some time, was primarily concluded with the \$346 million payment made in late January. This reduced our available liquidity to just under \$1.2 billion.

This number was about \$100 million lower than expected due to the timing of vehicle dispositions that were delayed and the early acceptance of vehicles in Q4 due to the large number of recalls and the impact of the government shutdown. Other than the cost to carry the additional vehicles in the quarter, the timing of the vehicles in and out of the fleet is not expected to have any meaningful positive or negative impact on our expected liquidity at the end of the second quarter.

Also, our ABS programs remain healthy, with ABS vehicle fair values comfortably above net book values, and market access is solid. We recently entered into financing transactions that we expect will result in an increase in our liquidity by approximately \$200 million at an attractive cost of capital. We also have several other liquidity enhancement opportunities that we'll be evaluating in the coming months that could total more than \$500 million. In addition, we also have approximately \$400 million of first lien capacity to refinance the expiring revolving credit facility commitments in June of this year.

With the disciplined growth that we have planned for 2026, we have access to the liquidity capacity to make that happen. We expect to reach the low point of liquidity at the end of Q2 at something likely below \$1 billion, as we invest in the fleet in the first half of the year, and then expect to end the year well north of \$1 billion as free cash flow generation improves after Q1 and from the return of capital that happens in the fleet rotation cycle in the back half of the year. To be clear, this assumes we action some of the liquidity enhancements we have available to us.

Finally, let's turn to guidance for the year. For Q1, we expect transaction days and fleet to increase low-single digits year over year. Total fleet utilization will likely be flat in Q1 year over year due to the impact from the heavy winter storms and continued elevated fleet recalls, which should decline throughout the quarter.

On the revenue front, as Gil and Sandeep noted, January saw positive year-over-year RPD and revenue growth, with February trending even better and March bookings to date showing a similar trend. However, Q1 is still an off-peak quarter for us, and the recall levels are still going to impact our results. Given this, our Q1 expected margin range is in the negative high-single-digit to low-double-digit range, which is a year-over-year improvement of approximately 600 to 800 basis points, assuming DPU at around \$300 per unit.

For the full year, we previously communicated an outlook of a 3% to 6% adjusted EBITDA margin range. While the revenue trends are positive and the internal expectations for DPU are in line with prior expectations, it is early in the year and we would like to see more game film before we revise the guidance upward. Thus, we are maintaining the guidance for the year in the 3% to 6% margin range. We continue to target \$1 billion of adjusted EBITDA in 2027.

With that, I'll turn it back to Gil for closing remarks.

Wayne West - *Hertz Global Holdings Inc - Chief Executive Officer and Director*

Thank you, Scott.

2025 was a year of Back-to-Basics, focused on rebuilding the core and transforming Hertz for the long term. We first tackled our fleet, the biggest problem to solve, along with cost and revenue, all while elevating our customer experience.

Through our fleet strategy and rotation, we operated as an asset management company, and the team turned our fleet, which was once a massive headwind, into a competitive advantage, positioning us well for 2026 and beyond. We delivered year-over-year improvements in unit cost, even with a smaller fleet, and we see a long runway of cost and productivity initiatives that cut across all aspects of our business. This, along with operating leverage from growth, should help propel us forward.

Unit revenue growth has been a key area of focus. The team's work around customer service, demand generation, and the right segments, revenue management strategies and initiatives are paying off, and we have the talent, tools, and technology to continue this momentum, return Hertz to solid profitability this year, and achieve over \$1 billion in adjusted EBITDA in 2027.

But our transformation does not stop there. We're both pragmatic and ambitious, focused on what's in front of us while also planning for the future. We're making progress in developing our platform to unlock value beyond our core business, leveraging the same operational discipline, rigorous cost control, and revenue optimization that would define this turnaround.

With that, let's open it up for questions. Back to you, operator.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Chris Woronka, Deutsche Bank.

Chris Woronka - *Deutsche Bank AG - Research Analyst*

Hey. Good morning, guys. Thanks for taking the questions. I guess, Gil -- good morning -- to start off, one of your competitors recently took about a \$500 million write-down related to EVs. You obviously heard someone through a process a couple years back that I think is complete or largely complete. Can you maybe give us a refresh on where you guys are on EVs, whether your strategy has changed or evolved at all recently? Thanks.

Wayne West - *Hertz Global Holdings Inc - Chief Executive Officer and Director*

Yeah. Hey, Chris. Thanks for the question.

I think a lot of headlines across all the automotive industry on EVs, of course, of late. I think we're probably a little further down the road than most, and we do have a bit of a different strategy now in that -- I just start with some context. We're the largest fleet supplier to Rideshare in the world, as I mentioned. It's really important to get that fleet right because the Rideshare just has different fleet needs than our traditional RAC business, and EVs remain central to Rideshare and remain a long-lived asset in that fleet.

So we're just probably more experienced than anyone as an EV fleet operator at scale. We've been building a lot of operational muscle around EVs over the years, and that includes the technical expertise as well as operating infrastructure. So as part of our transformation, as you well know, we've gone through and right-sized our EV fleet based on what the natural demand is for EVs. So essentially, we've redeployed that fleet in the right channels with the majority of that fleet moving towards Rideshare business, and that puts EVs into real high-intensive operating environments and that helps us accelerate our learning curve.

So specifically with our Tesla fleet, just to give you an example, we're in the process of doing an interior refresh on that fleet. So it's really given the wear we've encountered on the interiors over the last several years. So this is a low-cost investment per vehicle for us, and then the vehicle condition comes out looking nearly new and then extends the useful life of that asset and then, of course, has considerable economic benefits for us on that fleet.

So we've got a world-class maintenance and tech ops team, and they've done this all their life, really, on older-generation aircraft, applying a similar approach where we refurbish the interiors and do it at a low cost. So it's what's happening with our Tesla fleet.

And ultimately then, I think with that fleet, the limiting life factor will be battery life at this point, kind of given the current battery replacement costs, but even that could change in the future. But we've got to remain agile with our EV fleet. It's really set us up well, though, in our Rideshare position. And then, it's probably worth noting that that experience we've been building with EVs really sets us up well in the future for AVs because I think every future autonomous vehicle will likely be an EV, so all that will bode well for us in the future.

Operator

Chris Stathoulopoulos, Susquehanna International Group.

Christopher Stathoulopoulos - Susquehanna Financial Group LLLP - Analyst

So Gil, a lot of commentary here on the Mobility business in your prepared remarks. I think you said Mobility has the potential to more than surpass Rent a Car. So could you dig into a little bit more here on the future potential of the Mobility business for Hertz? What does that look like? What is the plan for the next year, one, three, five years, if you could? Just want a little bit more detail on how you're thinking about that. Thank you.

Wayne West - Hertz Global Holdings Inc - Chief Executive Officer and Director

No, thanks, Chris. Obviously, as we mentioned in the call, the potential is significant here, and we continue to position Hertz for the future of mobility. And I think we'll be a big part of that because we've already got great partnerships in the Rideshare space. So as you think about the next step of Mobility, it's really the evolution of Rideshare into autonomous.

So we've been piloting some innovative new models with a strategic partner, and we're starting to scale some of those. We'll talk about those in the future. But I think we're a natural player in Mobility and ultimately the AV space as it continues to evolve. So we've got really an incredible team leading our mobility business. I'm extremely bullish about what that future looks like.

So maybe just to recap, as I see it at least, how the space plays out, first of all, it'll be a huge TAM, if you will. We had some comments in the script about that. And it's not a winner-take-all game. It's very big. And I think Hertz is really one of just a limited number of companies

that have all the necessary ingredients to be a major player in AVs. Our core business is owning and operating large fleets of vehicles. And that's a foundational requirement in AVs and the model for mobility going forward.

So we've got an iconic brand. We've got a global footprint. We've got operational excellence. We've got really advanced maintenance capabilities, and then, of course, large fleet management skills. And as I just mentioned, experience managing EVs. And again, I'll just reiterate, I think in the future, almost all AVs will be EVs. So that experience will be a big stepping stone for us. But we've got Rideshare experience, the infrastructure. We're an asset-heavy business, but we've got the vehicle financing capability. And then we've got a team literally with years of direct AV operating experience.

So I mean, in sum, I think we've got the right ingredients to do it. We're focused on it. But be remiss if I also didn't say we're also focused on making sure the core business is turning, heading the right direction. And we're not going to be distracted by anything around that. But we can do more than one thing, and we are, and Mobility is a big part of our future.

Operator

Dan Levy, Barclays.

Dan Levy - Barclays Services Corp - Analyst

Hi. Good morning. Thank you for taking the questions. I wanted to go back to the question of DPU. And I know your North Star metric is the \$300. But perhaps you could just walk us through, again, the path to how you can sustainably be at that \$300.

Given some of the vehicle inflation that we've seen, what offsets do you have? Because just mathematically, if you're holding a car for 18 months and the price is going up, that DPU is going to just increase above \$300. So what offsets do you have to get it to that \$300, and what's the confidence on that?

Wayne West - Hertz Global Holdings Inc - Chief Executive Officer and Director

Yeah. Thanks, Dan. Appreciate the question. I'll start, and Scott, feel free to add.

But yeah, we've got confidence that kind of our end-to-end fleet strategy that we've talked about in the past will work in any environment, first of all. And we can maintain the sub-\$300 DPU this year and beyond. So although, as we noted, there's some seasonality in the trends and some volatility, but we've rotated the fleet. We've got model year '25, '26 vehicles to sustain our depreciation North Star. And the used car market set up well this year as we move forward. We've also pivoting in to heavier retail car sales, along with shorter hold periods. And I think both of those will be tailwinds for us as we go forward.

But ultimately, it's about managing the right buy, hold, and sell at a make, model, trim level in order to maximize the retention value over that hold period. It's not necessarily the cap cost. It's the retention value from what we buy it for, the net purchase price, and what we sell it for. And that retention value, then, over that hold period is the key. And managing that really gives us the ability to hit our DPU targets.

Scott Haralson - Hertz Global Holdings Inc - Executive Vice President and Chief Financial Officer

Yeah. Hey, Dan, it's Scott, too. I'll just add an important sort of mathematical component here.

Obviously, we buy a ton of vehicles at large volumes that are significantly below MSRP. And that's at a discount level. I mean, ideally, you'd turn around and sell the vehicle the next day, obviously, to monetize that discount. But obviously, we can't do that, and we rent the car for a period of time.

But to Gil's point, the idea of a short hold has significant mathematical components, albeit operationally complex, because you do need a large inflow of vehicles. You need the piping to be able to exit vehicles at that volume. So the combination of all those things create the ability to optimize DPU that we think will be below \$300. And we have the capabilities to drive it a good bit further once all of the components sort of start humming. So I think mathematically, you could easily get to that point.

And historically, the Rental Car business has been well below \$300. So I don't think we're charting new territory here, respectively. But I think there's a lot of components that we've definitely gotten good at, and we'll continue to do that. But I think mathematically, it's important to sort of think of it around those factors.

Dan Levy - *Barclays Services Corp - Analyst*

Great. Thank you. And if I could just ask a follow-up on the liquidity standpoint. So I appreciate the commentary on Q2 being the trough and some other liquidity actions. But just given you're still going to be a ways away from being free cash flow positive, maybe you could comment on the free cash flow dynamics. But in the absence of that, what other capital raise options do you have to keep the liquidity in line until you hit free cash flow positive?

Scott Haralson - *Hertz Global Holdings Inc - Executive Vice President and Chief Financial Officer*

Yeah. Let me touch on a couple of points there, Dan.

I think we'll make pretty sizable strides in free cash flow generation in '26. Obviously, post Q1, if you sort of look at the margin profile, we'll be somewhat cash flow neutral in the year post Q1. And so obviously, we've got to drive the business in '27 to the point where we become cash flow positive, covering all of the components within our working capital needs.

But we talked about a few things that we have in the pipeline, the \$200 million initiative that we created, which was an alternative LC credit facility that reduces the need for those funds to be taken out of the RCF. We have a large number of initiatives that are not your typical sort of first lien offering, which we have as well, that talk about things like more capacity within our ABS structure.

We have real estate assets that are both locations we no longer need. I mean, we're a 100-year-old company, so we have some excess assets that we need to monetize as we optimize our facility footprints. But we also have other locations where we do operate and want to continue that -- we may do sale leaseback transactions at a very good cost of capital. That's a better capital allocation than owning real estate across the entire network.

We also have a number of strategic initiatives to grow our franchise base, including new geographies where we don't operate today, plus some locations that are corporate-owned and operated, which are desirable franchise opportunities that are both strategically interesting, but also create an upfront capital infusion opportunity. So there's a whole host of items here that give us a good bit of flexibility, including the first lien capacity that we have, which is roughly \$400 million. A lot of that comes from the rolling off of some of the RCF capacity that we can refinance in the year.

Dan Levy - *Barclays Services Corp - Analyst*

Great. Thank you.

Operator

John Healy, Northcoast Research.

John Healy - Northcoast Research - Analyst

Thanks for taking the question. Gil, I wanted to go to a comment that you kind of weaved into the prepared remarks a few times. You used the word off-airport and you seem to use it in separation with the word Mobility. So I would just love to get your view on the word off-airport, what you guys are doing there, if it is separate from the Mobility business. And does it relate to maybe a desire to get back into the insurance business that the company was in a while ago? Thanks.

Wayne West - Hertz Global Holdings Inc - Chief Executive Officer and Director

Yeah. Thanks, John.

Just to clarify -- I appreciate that question -- the way we were using the term off-airport was in respect to our Rental Car business, not for Mobility. So it's a separate and included part of our Rental Car business. And we consider, of course, on-airport and our what we call Hertz Local Edition off-airport volume in that mix.

And maybe just for context, that growth in that, we do see the growth and it's profitable growth for us. And we're disciplined about that. But if you recall, as we rotated the fleet, we had to shrink our fleet in order to accelerate the rotation of the fleet. We were managing capital. We were managing vehicle availability. We're managing working our way through depreciation, all those things. So we had to shrink to accelerate the fleet rotation. Essentially, we kept our airport capacity more or less flat during that period. And we shrank in our off-airport HLE location and, to some degree, our Mobility business.

So as we think about off-airport and growing that business in '26, it's really just going to going back to where we were in prior years is certainly the first step of that. The demand's there, again, in various segments. And so that's really the context of our off-airport.

Mobility is separate. We're growing that business, and it's even at a much faster rate than off-airport. And it's through the partnerships, and again, that's got, we think, a long runway.

Scott Haralson - Hertz Global Holdings Inc - Executive Vice President and Chief Financial Officer

Yeah. Hey, John. This is Scott, too. Just a quick comment.

I think we view those businesses differently, too, by the way. The airport has different demand profiles, obviously driven by airlines and TSA demand. Our off-airport business has a different cycle to it, obviously related to insurance replacement and even some of the leisure demand and commercial components operate on a different cyclical component. So as we think about growth profiles, profitability profiles, we do view those a bit differently, which is why when we talk about growth, we segment it out into those sort of airport, off-airport rideshare components, just because they behave differently.

John Healy - Northcoast Research - Analyst

Great. Thank you. And then just one question on cap structure and balance sheet. You guys have said that I believe 300 to 600 basis points of EBITDA margin this year. If you're at the high end of that range, does that get you towards kind of cash flow breakeven for the year?

And just longer term, any thoughts about the approach to deleveraging here? I mean, even on the '27 goal of \$1 billion in EBITDA, even if we earmark a lot of that improvement to debt repayment, we're still an awfully leveraged company. So just wanted to get your thoughts about how we bring down leverage. And I know you talked about sale leaseback and some of those things. But just love to get your view on ideal cap structure and, hypothetically, maybe when we could be below certain leverage levels. Thanks.

Scott Haralson - Hertz Global Holdings Inc - Executive Vice President and Chief Financial Officer

Yeah. Hey, John. It's a good question.

Obviously, the business has to get to the point where it can cover its sort of debt servicing and working capital needs. I mean, you could probably do the math within our balance sheet. But the sort of free cash flow breakeven number sits in that sort of 6% to 7%. So yeah, at the high end of that, we're going to be pretty close to sort of free cash flow breakeven for the year.

And I've said this before. Obviously, the business has to get to the point where it's producing free cash flow to start thinking about using those funds to delever. There are other components that will take place in the future as well as we refinance. We may have the capability within our stock price to use equity at some point in the future that we've talked about. But we're definitely price sensitive to that because we are so optimistic about where the business goes.

And the other components of that that we think through are how the platform and the initiatives will play out in forming the ability to delever. We think the components of Mobility and Fleet car sales will both drive operating profits to the business, as well as an infusion of equity capital that may also participate in all the holistic views of capitalizing those components necessary to grow those businesses, but also helping the cap structure at the same time.

So there's a lot of moving pieces, and this is going to happen over time. But the first step is getting the business on solid profitable footing.

John Healy - Northcoast Research - Analyst

Understood. Thank you.

Operator

Ryan Brinkman, JPMorgan.

Ryan Brinkman - JPMorgan Chase & Co - Analyst

Hi. Thanks for taking my question. With regard to the Hertz Car Sales strategy, what are you expecting in terms of the percentage of vehicles disposed of via various channels in 2026 relative to 2025? And maybe looking beyond this year also, what is assumed already in your North Star target for per unit depreciation of under \$300 per month or \$1 billion of EBITDA in '27 versus what level of disposition performance would be incremental to those targets?

Wayne West - Hertz Global Holdings Inc - Chief Executive Officer and Director

Yeah. I'll start with the latter point, Ryan. Nothing. We're not assuming that Hertz Car Sales factors into the \$1 billion of EBITDA in '27 or really anything material this year.

The real key -- from a growth standpoint, there's two points I would make here on Hertz Car Sales, because we do want to grow the percent of car sales that we have into retail. Keep in mind, historically what we've done is to move volume through the rental car seasonal periods and do it through wholesale channels in order to match the timing of kind of the ins and outs of that. So we're shifting our strategy to move the bulk of that volume through retail channels and shorten our sales time to do that.

Today, we're roughly at, call it, about a third of our cars move through retail channels. Today, that's both Hertz Car Sales, our direct sales, along with retail partners that we have established to move volume through. Aspirationally, we want to grow that to about 80%, so there's a path there. And we're pushing hard to do that.

And then if you peel that back, I think we tried to cover a little bit of this in the script, but we see kind of a couple of pieces of that. We've got a physical footprint today. We've been investing in our digital channels and e-commerce as well. The combination of those creates a really good model for us, so we can meet our customers where ultimately they want to be, rather than just relying either on a physical channel or a digital channel. So that combination is really important for us.

We've got a lot of great ingredients to drive this to course. We've got a building customer base. People are test driving our cars every day. We've done rent to buy. We partnered with Cox to revamp our website. Again, I would encourage you guys to go see it. It's really impressive.

I would also just mention, on a customer basis, the cars we sell to customers, the Net Promoter Scores of those buyers are as high as anything I've ever seen anywhere. They're over 90% Net Promoter Scores. That's almost impossible achievement, candidly. So the experience is already good. We've got a great, trusted brand. And then it's a matter of top-of-funnel demand. We've got big partnerships that drive that.

And then, the real problems for us to solve are distilling that into qualified leads and conversion rates. And the team's really focused on that. We've got some great people helping us. And those are the real keys, along with driving up our net margin per sale. It's not just about volume. Ultimately, it's about adding a few thousand dollars to the net here, selling hundreds of thousands of cars where we have the material impact.

So the net margin's key in the equation. We've been focusing really hard on reconditioning cost, along with capturing F&I on the back end of the transaction that we've never had. So a combination of those two plus selling more digitally reduces the overall selling expenses. And we're seeing the margin side heading the right way on a per car basis, and then it's about increasing volume.

This isn't easy, obviously, but we've got the ability to -- again, we've already got the scale. It's just a matter of channel shift in the way we're selling. So a big opportunity for us.

Ryan Brinkman - *JPMorgan Chase & Co - Analyst*

Okay, thanks. And then lastly, with regards to the more sophisticated approach to pricing that you referenced in your prepared remarks, which is leading to higher revenue per unit and you expect to contribute more, are you utilizing or refining a new or existing software system? Or what would you say are the drivers of the progress so far and the catalyst for further improvement?

Wayne West - *Hertz Global Holdings Inc - Chief Executive Officer and Director*

Just to clarify, are you talking about the Car Sales or Rental business -- Rental Car business?

Ryan Brinkman - *JPMorgan Chase & Co - Analyst*

Now, the Rental business, the pricing that's leading to the RPD.

Wayne West - *Hertz Global Holdings Inc - Chief Executive Officer and Director*

Yeah. Because we're doing the same, by the way, on the cars. But go ahead, Sandeep.

Sandeep Dube - Hertz Global Holdings Inc - Executive Vice President, Chief Commercial Officer

Yeah, Sandeep here. Thanks for the question there on pricing sophistication.

So we are relooking broad scale how we price demand overall. And it's a combination of improved system, and we've talked about this in prior earnings calls around our work around there. And that's a longer turn. And we are well on that journey.

On top of that, you have to always relook how you structure your pricing and the approach that you use within the systems. And that's the piece that I referred to when I talked about Q4, where we've infused the revenue management team with some new talent. There's some really good thinking that's going on there. And we've applied different theories into how we actually price for demand. And that's leading to a different outcome there.

So I think it's a combination of systems and different thinking. And by the way, this is still in the early innings of how we kind of go about this. This is a journey, and I expect continuous improvement on this front.

Ryan Brinkman - JPMorgan Chase & Co - Analyst

Great. Thank you.

Operator

Chris Woronka, Deutsche Bank.

Chris Woronka - Deutsche Bank AG - Research Analyst

Hey, guys. Thanks for getting me back into the queue. The second question -- yeah, no, thanks. So the second question is going to be kind of as we think about the \$1 billion target for next year on EBITDA, we know that the North Star targets are kind of numerically.

But if I think about how much fleet maybe that requires, and that also on the more importantly on the revenue side, maybe you can at a high level directionally bucket for us where you think is this market share on corporate? Is it market share on leisure? Is it more of a rideshare where you don't maybe have quite as much direct competition? If you can maybe at some high level bucket those out for us, what you think drives it, or if anything is equal, that would be super helpful. Thanks.

Wayne West - Hertz Global Holdings Inc - Chief Executive Officer and Director

Okay. Well, I'll start. And I would encourage Scott and Sandeep to dive in. Thanks, Chris.

First of all, I think in terms of the \$1 billion EBITDA in '27, I mean, a little bit of context at least from my view. I mean, these aren't uncharted waters. We've been there in the past. Others in the industry are there now and achieve that level of performance. So it's clearly achievable. I think the North Star financial targets that we've given on DPU, RPU, and DOE along with some just modest growth get us there conceptually. And we can talk about any of those assumptions.

And then, of course, the approach we've taken on Back-to-Basics laid a foundation to get there. The trajectory of all those metrics are heading that way. They've turned. They're heading that direction. I think the biggest economic leverage is the fleet, which we've addressed, and that's the economic engine. And we're tracking really with all the North Star metrics directionally where we want to go.

We'll never be satisfied with the timing, and we'll keep pushing hard. That is the one variable that's always a little difficult to gauge given the kind of nature of the significant transformation we've been doing. But there's a strong sense of urgency at the team. Everybody's full throttle. The needles are moving.

So we talked about depth. So maybe the revenue piece, you want to touch on --

Sandeep Dube - *Hertz Global Holdings Inc - Executive Vice President, Chief Commercial Officer*

Yeah. On the revenue piece, I think, again, it's going to be very, very disciplined growth. And going back to our business lines, on the airport side, we're going to be very clear that our growth is going to be at or below TSA levels. And the beauty in there is we're going to keep refining the segments that we -- the segment mix there so that we generate a higher and higher margin out of our airports.

And for the off-airport business, again, there's more growth there and we'll keep working on that. I think Gil alluded to that earlier on. By the way, there's a segment mix play within the off-airport segment business line as well, which would help us enhance the margins there.

And then, lastly, Mobility, again, we've talked about that. There's more growth there. We're growing that business at a pretty good clip, and we'll continue on that journey. But I would say discipline in where we grow and discipline on how we fleet is the answer there.

Scott Haralson - *Hertz Global Holdings Inc - Executive Vice President and Chief Financial Officer*

Yeah. I think just real quick before we wrap up the call here, Chris, is that I think mathematically, all three levels of the North Star get you well above \$1 billion. I think the point here is that there's a number of ways to get there. They all don't have to hit \$1 billion, plus you've got the fourth dimension of scale, which plays into here. And then, we really haven't even talked about the platform component that adds on to it. So Gil talked about timing, but I think the takeaway is there's multiple ways to get there.

Wayne West - *Hertz Global Holdings Inc - Chief Executive Officer and Director*

Yeah, well said.

Chris Woronka - *Deutsche Bank AG - Research Analyst*

Okay. Thanks a lot, guys. Very helpful.

Scott Haralson - *Hertz Global Holdings Inc - Executive Vice President and Chief Financial Officer*

Yeah. Thanks, Chris.

Wayne West - *Hertz Global Holdings Inc - Chief Executive Officer and Director*

Thanks.

Operator

There are no further questions at this time. This concludes the Hertz Global Holdings fourth-quarter and full-year 2025 earnings conference call. Thank you for your participation.

DISCLAIMER

LSEG reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES LSEG OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2026, LSEG. All Rights Reserved.