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

FORM 10-Q

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

For the quarterly period ended September 30, 2024

OR

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

Commission File Number 001-33139

HERC HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-3530539**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

27500 Riverview Center Blvd.
Bonita Springs, Florida 34134
(239) 301-1000
(Address, including Zip Code, and telephone number,
including area code, of registrant's principal executive offices)

Not Applicable
(Former name, former address and former fiscal year,
if changed since last report)

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

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

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

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

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

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

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

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

As of October 18, 2024, there were 28,404,593 shares of the registrant's common stock, $0.01 par value, outstanding.

HERC HOLDINGS INC. AND SUBSIDIARIES

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q for the period ended September 30, 2024 (this "Report") includes "forward-looking statements," as that term is defined by the federal securities laws. Forward-looking statements include statements concerning our business plans and strategy, projected profitability, performance or cash flows, future capital expenditures, our growth strategy, including our ability to grow organically and through M&A, anticipated financing needs, business trends, our capital allocation strategy, liquidity and capital management, exploring strategic alternatives for Cinelease, including the timing of the review process, the outcome of the process and the costs and benefits of the process, and other information that is not historical information. Forward looking statements are generally identified by the words "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "forecasts," "looks," and future or conditional verbs, such as "will," "should," "could" or "may," as well as variations of such words or similar expressions. All forward-looking statements are based upon our current expectations and various assumptions and apply only as of the date of this Report. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that our expectations, beliefs and projections will be achieved.

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

PART I—FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

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

	September 30, 2024	December 31, 2023
ASSETS	**(Unaudited)**	
Current assets:		
Cash and cash equivalents	$ 142	$ 71
Receivables, net of allowances of $21 and $20, respectively	623	563
Other current assets	66	77
Assets held for sale	20	21
Total current assets	**851**	**732**
Rental equipment, net	4,283	3,831
Property and equipment, net	541	465
Right-of-use lease assets	842	665
Intangible assets, net	572	467
Goodwill	659	483
Other long-term assets	9	10
Assets held for sale	415	408
Total assets	**$ 8,172**	**$ 7,061**
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt and financing obligations	$ 20	$ 19
Current maturities of operating lease liabilities	38	37
Accounts payable	360	212
Accrued liabilities	258	221
Liabilities held for sale	21	19
Total current liabilities	**697**	**508**
Long-term debt, net	4,163	3,673
Financing obligations, net	101	104
Operating lease liabilities	830	646
Deferred tax liabilities	799	743
Other long term liabilities	44	46
Liabilities held for sale	61	68
Total liabilities	**6,695**	**5,788**
Commitments and contingencies (Note 13)		
Equity:		
Preferred stock, $0.01 par value, 13.3 shares authorized, no shares issued and outstanding	—	—
Common stock, $0.01 par value, 133.3 shares authorized, 33.3 and 33.1 shares issued and 28.4 and 28.2 shares outstanding	—	—
Additional paid-in capital	1,829	1,820
Retained earnings	698	498
Accumulated other comprehensive loss	(123)	(118)
Treasury stock, at cost, 4.9 shares and 4.9 shares	(927)	(927)
Total equity	**1,477**	**1,273**
Total liabilities and equity	**$ 8,172**	**$ 7,061**

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

HERC HOLDINGS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited

(In millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues:				
Equipment rental	$ 866	$ 765	$ 2,350	$ 2,121
Sales of rental equipment	81	124	215	278
Sales of new equipment, parts and supplies	9	11	28	29
Service and other revenue	9	8	24	22
Total revenues	**965**	**908**	**2,617**	**2,450**
Expenses:				
Direct operating	334	288	967	851
Depreciation of rental equipment	174	167	499	480
Cost of sales of rental equipment	66	99	157	201
Cost of sales of new equipment, parts and supplies	6	7	18	19
Selling, general and administrative	123	115	358	332
Non-rental depreciation and amortization	33	29	92	83
Interest expense, net	69	60	193	162
Other expense (income), net	—	(3)	(1)	(2)
Total expenses	**805**	**762**	**2,283**	**2,126**
Income before income taxes	**160**	**146**	**334**	**324**
Income tax provision	(38)	(33)	(77)	(68)
Net income	**$ 122**	**$ 113**	**$ 257**	**$ 256**
Weighted average shares outstanding:				
Basic	28.4	28.3	28.4	28.5
Diluted	28.5	28.5	28.5	28.8
Earnings per share:				
Basic	$ 4.30	$ 3.99	$ 9.05	$ 8.98
Diluted	$ 4.28	$ 3.96	$ 9.02	$ 8.89

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

HERC HOLDINGS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	**$ 122**	**$ 113**	**$ 257**	**$ 256**
Other comprehensive income (loss):				
Foreign currency translation adjustments	3	(6)	(6)	—
Pension and postretirement benefit liability adjustments:				
Amortization of net losses included in net periodic pension cost	1	—	1	1
Total other comprehensive income (loss)	4	(6)	(5)	1
Total comprehensive income	**$ 126**	**$ 107**	**$ 252**	**$ 257**

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

HERC HOLDINGS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

(In millions)

	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Equity
Balance at December 31, 2023	**28.2**	**$ —**	**$ 1,820**	**$ 498**	**$ (118)**	**$ (927)**	**$ 1,273**
Net income	—	—	—	65	—	—	65
Other comprehensive loss	—	—	—	—	(6)	—	(6)
Stock-based compensation charges	—	—	5	—	—	—	5
Dividends declared, $0.665 per share	—	—	—	(19)	—	—	(19)
Net settlement on vesting of equity awards	0.1	—	(12)	—	—	—	(12)
Employee stock purchase plan	—	—	1	—	—	—	1
Exercise of stock options	—	—	1	—	—	—	1
Balance at March 31, 2024	**28.3**	**—**	**1,815**	**544**	**(124)**	**(927)**	**1,308**
Net income	—	—	—	70	—	—	70
Other comprehensive loss	—	—	—	—	(3)	—	(3)
Stock-based compensation charges	—	—	4	—	—	—	4
Dividends declared, $0.665 per share	—	—	—	(19)	—	—	(19)
Employee stock purchase plan	—	—	1	—	—	—	1
Exercise of stock options	0.1	—	1	—	—	—	1
Balance at June 30, 2024	**28.4**	**—**	**1,821**	**595**	**(127)**	**(927)**	**1,362**
Net income	—	—	—	122	—	—	122
Other comprehensive income	—	—	—	—	4	—	4
Stock-based compensation charges	—	—	7	—	—	—	7
Dividends declared, $0.665 per share	—	—	—	(19)	—	—	(19)
Employee stock purchase plan	—	—	1	—	—	—	1
Balance at September 30, 2024	**28.4**	**—**	**$ 1,829**	**$ 698**	**$ (123)**	**$ (927)**	**$ 1,477**

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

HERC HOLDINGS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

Unaudited

(In millions)

	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Equity
Balance at December 31, 2022	**28.9**	**$ —**	**$ 1,820**	**$ 224**	**$ (129)**	**$ (807)**	**$ 1,108**
Net income	—	—	—	67	—	—	67
Other comprehensive income	—	—	—	—	2	—	2
Stock-based compensation charges	—	—	4	—	—	—	4
Dividends declared, $0.6325 per share	—	—	—	(19)	—	—	(19)
Net settlement on vesting of equity awards	0.3	—	(25)	—	—	—	(25)
Employee stock purchase plan	—	—	1	—	—	—	1
Exercise of stock options	—	—	1	—	—	—	1
Repurchase of common stock	(0.4)	—	—	—	—	(52)	(52)
Balance at March 31, 2023	**28.8**	**—**	**1,801**	**272**	**(127)**	**(859)**	**1,087**
Net income	—	—	—	76	—	—	76
Other comprehensive income	—	—	—	—	5	—	5
Stock-based compensation charges	—	—	5	—	—	—	5
Dividends declared, $0.6325 per share	—	—	—	(18)	—	—	(18)
Employee stock purchase plan	—	—	1	—	—	—	1
Exercise of stock options	—	—	1	—	—	—	1
Repurchase of common stock	(0.5)	—	—	—	—	(55)	(55)
Balance at June 30, 2023	**28.3**	**—**	**1,808**	**330**	**(122)**	**(914)**	**1,102**
Net income	—	—	—	113	—	—	113
Other comprehensive loss	—	—	—	—	(6)	—	(6)
Stock-based compensation charges	—	—	6	—	—	—	6
Dividends declared, $0.6325 per share	—	—	—	(18)	—	—	(18)
Employee stock purchase plan	—	—	1	—	—	—	1
Exercise of stock options	—	—	1	—	—	—	1
Balance at September 30, 2023	**28.3**	**$ —**	**$ 1,816**	**$ 425**	**$ (128)**	**$ (914)**	**$ 1,199**

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

HERC HOLDINGS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

(In millions)

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Cash flows from operating activities:		
Net income	$ 257	$ 256
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of rental equipment	499	480
Depreciation of property and equipment	60	53
Amortization of intangible assets	32	30
Amortization of deferred debt and financing obligations costs	3	3
Stock-based compensation charges	16	15
Provision for receivables allowances	48	49
Deferred taxes	57	41
Gain on sale of rental equipment	(58)	(77)
Other	10	1
Changes in assets and liabilities:		
Receivables	(76)	(79)
Other assets	(5)	(3)
Accounts payable	17	10
Accrued liabilities and other long-term liabilities	34	17
Net cash provided by operating activities	**894**	**796**
Cash flows from investing activities:		
Rental equipment expenditures	(753)	(1,100)
Proceeds from disposal of rental equipment	198	231
Non-rental capital expenditures	(127)	(119)
Proceeds from disposal of property and equipment	6	11
Acquisitions, net of cash acquired	(567)	(332)
Other investing activities	—	(15)
Net cash used in investing activities	**(1,243)**	**(1,324)**

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

HERC HOLDINGS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Unaudited

(In millions)

	Nine Months Ended September 30,	
	2024	**2023**
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	800	—
Proceeds from revolving lines of credit and securitization	1,530	1,755
Repayments on revolving lines of credit and securitization	(1,821)	(1,016)
Principal payments under finance lease and financing obligations	(15)	(12)
Payment of debt issuance costs	(9)	—
Dividends paid	(58)	(56)
Net settlement on vesting of equity awards	(12)	(25)
Proceeds from employee stock purchase plan	3	3
Proceeds from exercise of stock options	2	3
Repurchase of common stock	—	(107)
Net cash provided by financing activities	**420**	**545**
Effect of foreign exchange rate changes on cash and cash equivalents	—	—
Net change in cash and cash equivalents during the period	**71**	**17**
Cash and cash equivalents at beginning of period	71	54
Cash and cash equivalents at end of period	**$ 142**	**$ 71**
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 194	$ 175
Cash paid for income taxes, net	$ 12	$ 21
Supplemental disclosure of non-cash investing activity:		
Purchases of rental equipment in accounts payable	$ 126	$ —
Non-rental capital expenditures in accounts payable	$ 5	$ —
Disposal of rental equipment in accounts receivable	$ 4	$ —
Supplemental disclosure of non-cash investing and financing activity:		
Equipment acquired through finance lease	$ 4	$ 15

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

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

Note 1—Organization and Description of Business

Herc Holdings Inc. ("we," "us," "our," "Herc Holdings," or "the Company") is one of the leading equipment rental suppliers with 439 locations in North America as of September 30, 2024. The Company conducts substantially all of its operations through subsidiaries, including Herc Rentals Inc. ("Herc"). With over 59 years of experience, the Company is a full-line equipment rental supplier offering a broad portfolio of equipment for rent. In addition to its principal business of equipment rental, the Company sells used equipment and contractor supplies such as construction consumables, tools, small equipment and safety supplies; provides repair, maintenance, equipment management services and safety training to certain of its customers; offers equipment re-rental services and provides on-site support to its customers; and provides ancillary services such as equipment transport, rental protection, cleaning, refueling and labor.

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

Note 2—Basis of Presentation and Significant Accounting Policies

Basis of Presentation

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

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

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

Principles of Consolidation

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

Recently Issued Accounting Pronouncements and Disclosure Rules

Not Yet Adopted

Improvements to Reportable Segment Disclosures

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

Improvements to Income Tax Disclosures

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

Climate-Related Disclosure Rules

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

Note 3—Revenue Recognition

The Company is principally engaged in the business of renting equipment. Ancillary to the Company's principal equipment rental business, the Company also sells used rental equipment, new equipment and parts and supplies and offers certain services to support its customers. The Company operates in North America with revenue from the United States representing approximately 93.0% and 92.7% of total revenue for the three and nine months ended September 30, 2024, respectively, compared to 92.2% and 91.9% for the same periods in 2023.

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

The following summarizes the applicable accounting guidance for the Company's revenues for the three and nine months ended September 30, 2024 and 2023 (in millions):

	Three Months Ended September 30,					
	2024			2023		
	Topic 842	Topic 606	Total	Topic 842	Topic 606	Total
Revenues:						
Equipment rental	$ 777	$ —	$ 777	$ 684	$ —	$ 684
Other rental revenue:						
Delivery and pick-up	—	58	58	—	52	52
Other	31	—	31	29	—	29
Total other rental revenues	31	58	89	29	52	81
Total equipment rental	**808**	**58**	**866**	**713**	**52**	**765**
Sales of rental equipment	—	81	81	—	124	124
Sales of new equipment, parts and supplies	—	9	9	—	11	11
Service and other revenues	—	9	9	—	8	8
Total revenues	**$ 808**	**$ 157**	**$ 965**	**$ 713**	**$ 195**	**$ 908**

	Nine Months Ended September 30,					
	2024			2023		
	Topic 842	Topic 606	Total	Topic 842	Topic 606	Total
Revenues:						
Equipment rental	$ 2,110	$ —	$ 2,110	$ 1,905	$ —	$ 1,905
Other rental revenue:						
Delivery and pick-up	—	156	156	—	139	139
Other	84	—	84	77	—	77
Total other rental revenues	84	156	240	77	139	216
Total equipment rental	**2,194**	**156**	**2,350**	**1,982**	**139**	**2,121**
Sales of rental equipment	—	215	215	—	278	278
Sales of new equipment, parts and supplies	—	28	28	—	29	29
Service and other revenues	—	24	24	—	22	22
Total revenues	**$ 2,194**	**$ 423**	**$ 2,617**	**$ 1,982**	**$ 468**	**$ 2,450**

Topic 842 revenues

Equipment Rental Revenue

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

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

Other

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

Topic 606 revenues

Delivery and pick-up

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

Sales of Rental Equipment, New Equipment, Parts and Supplies

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Sales of rental equipment	$ 81	$ 124	$ 215	$ 278
Sales of new equipment	2	5	8	10
Sales of parts and supplies	7	6	20	19
Total	**$ 90**	**$ 135**	**$ 243**	**$ 307**

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

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

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

Under Topic 606, the accounts receivable balance, prior to allowances for credit losses, for the sale of rental equipment, new equipment, parts and supplies, was approximately $16 million and $11 million as of September 30, 2024 and December 31, 2023, respectively.

Service and other revenues

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

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

Receivables and contract assets and liabilities

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

The Company does not have material contract assets or contract liabilities associated with customer contracts. The Company's contracts with customers do not generally result in material amounts billed to customers in excess of recognizable revenue. The Company did not recognize material revenue during the three and nine months ended September 30, 2024 and 2023 that was included in the contract liability balance as of the beginning of each period.

Performance obligations

Most of the Company's revenue recognized under Topic 606 is recognized at a point-in-time, rather than over time. Accordingly, in any particular period, the Company does not generally recognize a significant amount of revenue from performance obligations satisfied (or partially satisfied) in previous periods, and the amount of such revenue recognized during the three and nine months ended September 30, 2024 and 2023 was not material. We also do not expect to recognize material revenue in the future related to performance obligations that were unsatisfied (or partially unsatisfied) as of September 30, 2024.

Contract estimates and judgments

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

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

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

Note 4—Rental Equipment

Rental equipment consists of the following (in millions):

	September 30, 2024	December 31, 2023
Rental equipment	$ 6,453	$ 5,785
Less: Accumulated depreciation	(2,170)	(1,954)
Rental equipment, net	**$ 4,283**	**$ 3,831**

Note 5—Business Combinations

On July 16, 2024, the Company completed the acquisition of substantially all of the assets of Otay Mesa Sales ("Otay"). Otay was a full-service general equipment rental company comprised of approximately 135 employees and four locations serving construction and industrial customers throughout the metropolitan areas of San Diego, California and Phoenix and Yuma, Arizona. The aggregate consideration for the acquisition was approximately $273 million. The acquisition and related fees and expenses were funded through available cash and drawings on the senior secured asset-based revolving credit facility.

The following table summarizes the purchase price allocation of the assets acquired and liabilities assumed (in millions):

	Otay
Accounts receivable	$ 15
Rental equipment	129
Property and equipment	9
Intangibles[(a)]	65
Total identifiable assets acquired	**218**
Current liabilities	1
Net identifiable assets acquired	**217**
Goodwill[(b)]	56
Net assets acquired	**$ 273**

(a) The following table reflects the fair values and useful lives of the acquired intangible assets identified (in millions):

	Otay	Life (years)
Customer relationships	$ 61	14
Non-compete agreements	4	5
Total acquired intangible assets	**$ 65**	

(b) The level of goodwill that resulted from the acquisition is primarily reflective of operational synergies that the Company expects to achieve that are not associated with identifiable assets, the value of Otay's assembled workforce and new customer relationships expected to arise from the acquisition. All of the goodwill is expected to be deductible for income tax purposes.

The assets and liabilities for Otay were recorded as of July 16, 2024 and the results of operations have been included in the Company's consolidated results of operations since that date. Total revenue and income before taxes for Otay included in the consolidated statement of operations since the acquisition date are $17 million and $4 million, respectively.

Pro Forma Supplementary Data

The unaudited pro forma supplementary data presented in the table below (in millions) gives effect to the acquisition of Otay as if it had been included in the Company's condensed consolidated results for the entire period reflected. The unaudited pro forma supplementary data is provided for informational purposes only and is not indicative of the Company's results of operations had the acquisitions been included for the period presented, nor is it indicative of the Company's future results.

HERC HOLDINGS INC. AND
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Unaudited

	Three Months Ended September 30, 2024			Nine Months Ended September 30, 2024		
	Herc	Otay	Total	Herc	Otay	Total
Historic/pro forma total revenues	$ 965	$ 3	$ 968	$ 2,617	$ 41	$ 2,658
Historic/combined pretax income	160	1	161	334	4	338
Pro forma adjustments to consolidated pretax income:						
Impact of fair value adjustments/useful life changes on depreciation[a]		—	—		3	3
Intangible asset amortization[b]		—	—		(5)	(5)
Interest expense[c]		(1)	(1)		(10)	(10)
Elimination of historic interest[d]		—	—		3	3
Elimination of merger related costs[e]		1	1		2	2
Pro forma pretax income			**$ 161**			**$ 331**

	Three Months Ended September 30, 2023			Nine Months Ended September 30, 2023		
	Herc	Otay	Total	Herc	Otay	Total
istoric/pro forma total revenues	$ 908	$ 18	$ 926	$ 2,450	$ 55	$ 2,505
istoric/combined pretax income	146	3	149	324	8	332
ro forma adjustments to consolidated pretax income:						
Impact of fair value adjustments/useful life changes on depreciation[a]		1	1		2	2
Intangible asset amortization[b]		(2)	(2)		(6)	(6)
Interest expense[c]		(5)	(5)		(13)	(13)
Elimination of historic interest[d]		1	1		3	3
ro forma pretax income			**$ 144**			**$ 318**

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

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

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

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

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

Note 6—Goodwill and Intangible Assets

Goodwill

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

	September 30, 2024	December 31, 2023
Balance at the beginning of the period:		
Goodwill, gross	$ 1,154	$ 1,088
Accumulated impairment losses	(671)	(669)
Goodwill	**483**	**419**
Goodwill classified as held for sale	—	(65)
Additions	177	128
Currency translation	(1)	1
Balance at the end of the period:		
Goodwill, gross	1,328	1,154
Accumulated impairment losses	(669)	(671)
Goodwill	**$ 659**	**$ 483**

Intangible Assets

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

	September 30, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Finite-lived intangible assets:			
Customer-related and non-compete agreements	$ 373	$ (95)	$ 278
Internally developed software [(a)]	36	(12)	24
Total	**409**	**(107)**	**302**
Indefinite-lived intangible assets:			
Trade name	270	—	270
Total intangible assets, net	**$ 679**	**$ (107)**	**$ 572**

(a) Includes capitalized costs of $15 million yet to be placed into service.

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

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

Amortization of intangible assets was $ 12 million and $32 million for the three and nine months ended September 30, 2024, respectively, and $ 10 million and $30 million for the three and nine months ended September 30, 2023, respectively.

Note 7—Assets Held for Sale

The Company's assets held for sale consists of the Cinelease studio entertainment and lighting and grip equipment rental business ("Cinelease"). The film and studio entertainment industry has shifted to a studio centric model where owning or managing a large footprint of studios is becoming more important to be a competitive equipment rental provider, requiring significant investment in fully managed studios. This business model is a departure from the Company's stated growth strategy.

During the fourth quarter of 2023, it was determined that Cinelease met all criteria to be classified as assets held for sale with the expectation of a transaction to be completed within 12 months. Since the determination was made, market conditions changed due to labor strikes within the industry that had short-term impacts to the business which slowed the process of exploring strategic alternatives. Cinelease continues to be actively marketed for sale and management expects a transaction to be completed within the upcoming year. The Company continues to assess the fair value, less costs to sell, each reporting period it remains classified as held for sale.

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

	September 30, 2024	December 31, 2023
ssets held for sale:		
ash and cash equivalents	$ 1	$ 1
eceivables, net of allowances	8	8
ther current assets	11	12
Total current assets held for sale	**$ 20**	**$ 21**
ental equipment, net	$ 196	$ 183
roperty and equipment, net	35	34
ight-of-use lease assets	77	75
tangible assets, net	4	4
oodwill	65	65
ther long-term assets	38	47
Total long-term assets held for sale	**$ 415**	**$ 408**
iabilities held for sale:		
urrent maturities of operating lease liabilities	$ 8	$ 8
ccounts payable	8	6
ccrued liabilities	5	5
Total current liabilities held for sale	**$ 21**	**$ 19**
perating lease liabilities	$ 61	$ 68
Total long-term liabilities held for sale	**$ 61**	**$ 68**

Note 8—Leases

The Company leases real estate, office equipment and service vehicles. The Company's leases have remaining lease terms of up to 23 years, some of which include options to extend the leases for up to 20 years. The Company determines the lease term used to record each lease by including the initial lease term and, in the case where there are options to extend, will include the option to extend if it has determined that it is reasonably certain that the Company would exercise those options.

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

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

	Classification	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Operating lease cost[(a)]	Direct operating	$ 40	$ 32	$ 117	$ 99
Finance lease cost:					
Amortization of ROU assets	Depreciation and amortization	4	3	12	10
Interest on lease liabilities	Interest expense, net	1	—	2	1
Sublease income	Equipment rental revenue	(19)	(13)	(58)	(45)
Net lease cost		**$ 26**	**$ 22**	**$ 73**	**$ 65**

(a) Includes short-term leases of $15 million and $47 million for the three and nine months ended September 30, 2024, respectively, and $11 million and $39 million for the three and nine months ended September 30, 2023, respectively, and variable lease costs of $2 million and $4 million for the three and nine months ended September 30, 2024, respectively, and $1 million and $3 million for the three and nine months ended September 30, 2023, respectively.

Note 9—Debt

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

	Weighted Average Effective Interest Rate at September 30, 2024	Weighted Average Stated Interest Rate at September 30, 2024	Fixed or Floating Interest Rate	Maturity	September 30, 2024	December 31, 2023
Senior Notes						
2027 Notes	5.61%	5.50%	Fixed	2027	$ 1,200	$ 1,200
2029 Notes	6.91%	6.63%	Fixed	2029	800	—
Other Debt						
ABL Credit Facility	N/A	6.43%	Floating	2027	1,733	2,072
AR Facility	N/A	5.99%	Floating	2025	390	345
Finance lease liabilities	4.12%	N/A	Fixed	2024-2031	68	76
Unamortized debt issuance costs[(a)]					(13)	(5)
Total debt					**4,178**	**3,688**
Less: Current maturities of long-term debt					(15)	(15)
Total long-term debt, net					**$ 4,163**	**$ 3,673**

(a) Unamortized debt issuance costs totaling $7 million and $8 million related to the ABL Credit Facility and AR Facility (as each is defined below) as of September 30, 2024 and December 31, 2023, are included in "Other long-term assets" in the condensed consolidated balance sheets.

The effective interest rates for the fixed rate 2027 Notes and 2029 Notes (as defined below) includes the stated interest on the notes and the amortization of any debt issuance costs.

Senior Notes—2027 Notes

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

Senior Notes—2029 Notes

On June 7, 2024, the Company issued $ 800 million aggregate principal amount of its 6.625% Senior Notes due 2029 (the "2029 Notes" and, together with the 2027 Notes, the "Notes"). The net proceeds were used to repay a portion of the indebtedness outstanding under the ABL Credit Facility and to pay related fees and expenses. Interest on the 2029 Notes accrues at the rate of 6.625% per annum and will be payable semi-annually in arrears on June 15 and December 15 of each year, commencing on December 15, 2024. The 2029 Notes will mature on June 15, 2029.

Ranking; Guarantees

The 2029 Notes are the Company's senior unsecured obligations, ranking equally in right of payment with all of the Company's existing and future senior indebtedness, effectively junior to any of the Company's existing and future indebtedness, including the ABL Credit Facility, to the extent of the value of the assets securing such indebtedness, and senior in right of payment to any of the Company's existing and future subordinated indebtedness. The 2029 Notes are guaranteed on a senior unsecured basis, subject to limited exceptions including special purpose securitization subsidiaries, by the Company's current and future domestic subsidiaries.

Redemption

The Company may, at its option, redeem the 2029 Notes, in whole or in part, at any time prior to June 15, 2026, at a price equal to 100% of the aggregate principal amount of the 2029 Notes, plus the applicable make-whole premium and accrued and unpaid interest, if any, to, but excluding, the redemption date. The Company may, at its option, redeem the 2029 Notes, in whole or in part, at any time (i) on or after June 15, 2026 and prior to June 15, 2027, at a price equal to 103.313% of the principal amount of the 2029 Notes, (ii) on or after June 15, 2027 and prior to June 15, 2028, at a price equal to 101.656% of the principal amount of the 2029 Notes and (iii) on or after June 15, 2028, at a price equal to 100.000% of the principal amount of the 2029 Notes, in each case, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. In addition, at any time on or prior to June 15, 2026, the Company may, at its option, redeem up to 40% of the aggregate principal amount of the 2029 Notes with the net cash proceeds of one or more equity offerings at a redemption price equal to 106.625% of the principal amount of the 2029 Notes, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

Covenants

The indenture governing the 2029 Notes contains certain covenants applicable to the Company and its restricted subsidiaries, including limitations on: indebtedness; restricted payments; liens; dispositions of proceeds from asset sales; transactions with affiliates; dividends and other payment restrictions affecting restricted subsidiaries; designations of unrestricted subsidiaries; and mergers, consolidations and sale of assets. Upon the occurrence of certain events constituting a change of control triggering event, the Company is required to make an offer to repurchase all of the 2029 Notes (unless otherwise redeemed) at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date. If the Company sells assets under certain circumstances, it must use the proceeds to make an offer to purchase the 2029 Notes at a price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date.

Events of Default

The indenture also provides for customary events of default, including the following (subject to any applicable cure period): nonpayment, breach of covenants in the indenture, payment defaults under or acceleration of certain other indebtedness, failure to discharge certain judgments and certain events of bankruptcy, insolvency and reorganization. If an event of default occurs or is continuing, the trustee or the holders of at least 30% in aggregate principal amount of the 2029 Notes then outstanding may declare the principal of, premium, if any, and accrued and unpaid interest, if any, to be due and payable immediately.

ABL Credit Facility

On July 31, 2019, Herc Holdings, Herc and certain other subsidiaries of Herc Holdings entered into a credit agreement with respect to a senior secured asset-based revolving credit facility (the "ABL Credit Facility"), which was amended and extended on July 5, 2022. The ABL Credit Facility provides for aggregate maximum borrowings of up to $3.5 billion (subject to availability under a borrowing base). Up to $ 250 million of the revolving loan facility is available for the issuance of letters of credit, subject to certain conditions including issuing lender participation. Subject to the satisfaction of certain conditions and limitations, the ABL Credit Facility allows for the addition of incremental revolving commitments and/or incremental term loans. The ABL Credit Facility matures on July 5, 2027. Additional information about the ABL Credit Facility is included in Note 11, "Debt" to the Company's financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2023.

Accounts Receivable Securitization Facility

The accounts receivable securitization facility (the "AR Facility") was amended in August 2024 to extend the maturity date to August 31, 2025 and increase the aggregate commitments from $370 million to $400 million. In connection with the AR Facility, Herc sells its accounts receivables on an ongoing basis to Herc Receivables U.S. LLC, a wholly-owned special-purpose entity (the "SPE"). The SPE's sole business consists of the purchase by the SPE of accounts receivable from Herc and borrowing by the SPE against the eligible accounts receivable from the lenders under the facility. The borrowings are secured by liens on the accounts receivable and other assets of the SPE. Collections on the accounts receivable are used to service the borrowings. The SPE is a separate legal entity that is consolidated in the Company's financial statements. The SPE assets are owned by the SPE and are not available to settle the obligations of the Company or any of its other subsidiaries. Herc is the servicer of the accounts receivable under the AR Facility. All of the obligations of the servicer and certain indemnification obligations of the SPE under the agreements governing the AR Facility are guaranteed by Herc pursuant to a performance guarantee. The AR Facility is excluded from current maturities of long-term debt as the Company has the intent and ability to fund the AR Facility's borrowings on a long-term basis either by further extending the maturity date of the AR Facility or by utilizing the capacity available at the balance sheet date under the ABL Credit Facility.

Borrowing Capacity and Availability

After outstanding borrowings, the following was available to the Company under the ABL Credit Facility and AR Facility as of September 30, 2024 (in millions):

	Remaining Capacity	Availability Under Borrowing Base Limitation
ABL Credit Facility	$ 1,733	$ 1,733
AR Facility	10	10
Total	**$ 1,743**	**$ 1,743**

Letters of Credit

As of September 30, 2024, $34 million of standby letters of credit were issued and outstanding, none of which have been drawn upon. The ABL Credit Facility had $216 million available under the letter of credit facility sublimit, subject to borrowing base restrictions.

Note 10—Financing Obligations

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

	Weighted Average Effective Interest Rate at September 30, 2024	Maturities	September 30, 2024	December 31, 2023
Financing obligations	5.38%	2026-2038	$ 107	$ 110
Unamortized financing issuance costs			(1)	(2)
Total financing obligations			**106**	**108**
Less: Current maturities of financing obligations			(5)	(4)
Financing obligations, net			**$ 101**	**$ 104**

Note 11—Income Taxes

Income tax provision was $38 million, with an effective tax rate of 24%, for the three months ended September 30, 2024 compared to $ 33 million and 23% in the same period of 2023. The rate increase was primarily driven by certain non-deductible expenses and return to provision adjustments.

Income tax provision for the nine months ended September 30, 2024, was $ 77 million compared to $68 million in 2023. The effective tax rate during 2024 was 23% compared to 21% in 2023. The increase in the rate was driven by the reduced benefit related to stock-based compensation of $ 3 million for the nine months ended September 30, 2024, compared to $12 million for the same period of 2023, certain non-deductible expenses and return to provision adjustments.

Note 12—Accumulated Other Comprehensive Income (Loss)

The changes in the accumulated other comprehensive income (loss) balance by component (net of tax) for the nine months ended September 30, 2024 are presented in the table below (in millions).

	Pension and Other Post-Employment Benefits	Foreign Currency Items	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2023	**$ (20)**	**$ (98)**	**$ (118)**
Other comprehensive loss before reclassification	—	(6)	(6)
Amounts reclassified from accumulated other comprehensive loss	1	—	1
Net current period other comprehensive loss	1	(6)	(5)
Balance at September 30, 2024	**$ (19)**	**$ (104)**	**$ (123)**

Note 13—Commitments and Contingencies

Legal Proceedings

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

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

Off-Balance Sheet Commitments

Indemnification Obligations

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

The Spin-Off

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

Note 14—Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

Cash Equivalents

Cash equivalents primarily consist of money market accounts which are classified as Level 1 assets which the Company measures at fair value on a recurring basis. The Company measures the fair value of cash equivalents using a market approach based on quoted prices in active markets. The Company had $63 million in cash equivalents at September 30, 2024 and $ 31 million at December 31, 2023.

Debt Obligations

The fair values of the Company's ABL Credit Facility, AR Facility and finance lease liabilities approximated their book values as of September 30, 2024 and December 31, 2023. The fair value of the Company's Notes are estimated based on quoted market rates as well as borrowing rates currently available to the Company for loans with similar terms and average maturities (Level 2 inputs) (in millions).

	September 30, 2024		December 31, 2023	
	Nominal Unpaid Principal Balance	Aggregate Fair Value	Nominal Unpaid Principal Balance	Aggregate Fair Value
2027 Notes	$ 1,200	$ 1,197	$ 1,200	$ 1,180
2029 Notes	800	825	—	—
Notes	**$ 2,000**	**$ 2,022**	**$ 1,200**	**$ 1,180**

Note 15—Earnings Per Share

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Basic and diluted earnings per share:				
Numerator:				
Net income, basic and diluted	$ 122	$ 113	$ 257	$ 256
Denominator:				
Basic weighted average common shares	28.4	28.3	28.4	28.5
Stock options, RSUs and PSUs	0.1	0.2	0.1	0.3
Weighted average shares used to calculate diluted earnings per share	28.5	28.5	28.5	28.8
Earnings per share:				
Basic	$ 4.30	$ 3.99	$ 9.05	$ 8.98
Diluted	$ 4.28	$ 3.96	$ 9.02	$ 8.89
Antidilutive stock options, RSUs and PSUs	—	—	—	0.1

Note 16—Arrangements with New Hertz

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

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

Separation and Distribution Agreement

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

Tax Matters Agreement

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

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

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

OVERVIEW OF OUR BUSINESS AND OPERATING ENVIRONMENT

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

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

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

Our expenses primarily consist of:

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

Economic Conditions

Despite continued economic uncertainty, elevated interest rates, potential labor disruptions, and inflation, the equipment rental industry remains resilient, as demonstrated by the increase in volume on rent in the current quarter. We actively monitor the impact of the dynamic macroeconomic environment and manage our business to adjust to such conditions. Interest rates on our debt instruments remain elevated; most notably, the weighted average interest rate on our floating rate debt is currently at 6.35%, a decline from 6.81% in the third quarter of 2023, reflecting movement from interest rate cuts in the third quarter of 2024. We monitor our exposure to floating rate debt and reevaluate our capital allocation strategy, as necessary. In response to supply chain disruptions easing in certain categories of equipment, we have returned to a more normalized cadence of rental equipment expenditures and disposals, remaining mindful of the possibility we may experience more severe supply chain disruptions in the future. Although inflation appears to have stabilized, we have experienced and expect to continue to experience inflationary pressures, a portion of which, such as for fuel and delivery, is passed on to customers. There are other costs for which the pass through to customers is less direct, such as repairs and maintenance, and labor. We cannot predict the extent to which our financial condition, results of operations or cash flows will ultimately be impacted by these ongoing economic conditions, however, we believe we are well-positioned to operate effectively through the present environment.

Seasonality

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

RESULTS OF OPERATIONS

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	Change	Change	2024	2023	Change	Change
Equipment rental	$ 866	$ 765	$ 101	13 %	$ 2,350	$ 2,121	$ 229	11 %
Sales of rental equipment	81	124	(43)	(35)	215	278	(63)	(23)
Sales of new equipment, parts and supplies	9	11	(2)	(18)	28	29	(1)	(3)
Service and other revenue	9	8	1	13	24	22	2	9
Total revenues	**965**	**908**	**57**	**6**	**2,617**	**2,450**	**167**	**7**
Direct operating	334	288	46	16	967	851	116	14
Depreciation of rental equipment	174	167	7	4	499	480	19	4
Cost of sales of rental equipment	66	99	(33)	(33)	157	201	(44)	(22)
Cost of sales of new equipment, parts and supplies	6	7	(1)	(14)	18	19	(1)	(5)
Selling, general and administrative	123	115	8	7	358	332	26	8
Non-rental depreciation and amortization	33	29	4	14	92	83	9	11
Interest expense, net	69	60	9	15	193	162	31	19
Other expense (income), net	—	(3)	3	(100)	(1)	(2)	1	(50)
Income before income taxes	**160**	**146**	**14**	**10**	**334**	**324**	**10**	**3**
Income tax provision	(38)	(33)	(5)	15	(77)	(68)	(9)	13
Net income	**$ 122**	**$ 113**	**$ 9**	**8 %**	**$ 257**	**$ 256**	**$ 1**	**— %**

Three Months Ended September 30, 2024 Compared with Three Months Ended September 30, 2023

Equipment rental revenue increased $101 million, or 13%, during the third quarter of 2024 due to higher volume of equipment on rent of 10.7% and pricing growth of 2.3% over the same period of the prior year.

Sales of rental equipment decreased $43 million, or 35%, during the third quarter of 2024 when compared to the third quarter of 2023. We continue to sell equipment in line with our fleet rotation planning to improve the equipment mix and manage fleet age. Fleet rotation in the prior year period was accelerated due to easing of supply chain disruptions in certain categories of equipment. The margin on sales of rental equipment was 19% in 2024 compared to 20% in 2023. The slight decrease in margin on sale of rental equipment in 2024 resulted from continued normalization of used equipment pricing in the market off peak pricing in prior years, partially offset by improvement in the mix of equipment sold in the higher margin retail and wholesale channels.

Direct operating expenses in the third quarter of 2024 increased $46 million, or 16%, when compared to the third quarter of 2023. Direct operating expenses were 38.6% of equipment rental revenue in 2024, compared to 37.6% in the prior-year period, reflecting increases in (i) personnel-related expenses of $20 million resulting from increased headcount in support of growth initiatives, including greenfields and acquisitions, (ii) maintenance expense of $6 million related to our increased fleet size in 2024, (iii) self insurance reserve increase of $6 million due to claims development attributable to unsettled cases, (iv) facilities expense of $5 million as we have added more locations through acquisitions and opening greenfield locations, and (v) re-rent expense of $4 million due to corresponding increase in re-rent revenue.

Depreciation of rental equipment increased $7 million, or 4%, during the third quarter of 2024 when compared to the third quarter of 2023 due to an increase in average fleet size. Non-rental depreciation and amortization increased $4 million, or 14%, primarily due to amortization of intangible assets related to acquisitions.

Selling, general and administrative expenses increased $8 million, or 7%, in the third quarter of 2024 when compared to the third quarter of 2023. The increase was primarily due to increases in selling expenses, including commissions and other variable compensation, of $6 million. Selling, general and administrative expenses were 14.2% of equipment rental revenue in 2024 compared to 15.0% in the prior-year period due to continued focus on improving operating leverage while expanding revenues.

Interest expense, net increased $9 million, or 15%, during the third quarter of 2024 when compared with the third quarter of 2023 due to increased borrowings primarily to fund acquisition growth and invest in rental equipment.

Income tax provision was $38 million, with an effective tax rate of 24%, during the third quarter of 2024 compared to $33 million and 23% in the same period of 2023. The rate increase was driven by certain non-deductible expenses and return to provision adjustments.

Nine Months Ended September 30, 2024 Compared with Nine Months Ended September 30, 2023

Equipment rental revenue increased $229 million, or 11%, during the nine months ended of 2024 due to higher volume of equipment on rent of 8.4% and pricing growth of 3.5% over the same period of the prior year.

Sales of rental equipment decreased $63 million, or 23%, during the nine months ended of 2024 when compared to the nine months ended of 2023. We continue to sell equipment in line with our fleet rotation planning to improve the equipment mix and manage fleet age. Fleet rotation in the prior year period was accelerated due to easing of supply chain disruptions in certain categories of equipment. The margin on sales of rental equipment was 27% in 2024 compared to 28% in 2023. The slight decrease in margin on sale of rental equipment in 2024 resulted from continued normalization of used equipment pricing in the market off peak pricing in prior years, partially offset by improvement in the mix of equipment sold in the higher margin retail and wholesale channels.

Direct operating expenses in the nine months ended of 2024 increased $116 million, or 14%, when compared to the nine months ended of 2023. Direct operating expenses were 41.1% of equipment rental revenue in 2024, compared to 40.1% in the prior-year period, reflecting increases in (i) personnel-related expenses of $50 million resulting from increased headcount in support of growth initiatives, including greenfields and acquisitions, (ii) self insurance reserve increase of $18 million due to claims development attributable to unsettled cases, (iii) facilities expense of $14 million as we have added more locations through acquisitions and opening greenfield locations, (iv) maintenance expense of $12 million related to our increased fleet size in 2024, (v) re-rent expense of $9 million due to corresponding increase in re-rent revenue and (vi) delivery expense of $8 million due to increased volume of transactions and transfers of equipment between branches to drive fleet efficiency.

Depreciation of rental equipment increased $19 million, or 4%, during the nine months ended of 2024 when compared to the nine months ended of 2023 due to an increase in average fleet size. Non-rental depreciation and amortization increased $9 million, or 11%, primarily due to amortization of intangible assets related to acquisitions.

Selling, general and administrative expenses increased $26 million, or 8%, in the nine months ended of 2024 when compared to the nine months ended of 2023. The increase was primarily due to increases in selling expenses, including commissions and other variable compensation, of $14 million, general payroll and benefits of $4 million, and credit and collections expense of $3 million. Selling, general and administrative expenses were 15.2% of equipment rental revenue in 2024 compared to 15.7% in the prior-year period due to continued focus on improving operating leverage while expanding revenues.

Interest expense, net increased $31 million, or 19%, during the nine months ended of 2024 when compared with the nine months ended of 2023 due to increased borrowings primarily to fund acquisition growth and invest in rental equipment.

Income tax provision was $77 million, with an effective tax rate of 23%, during the nine months ended of 2024 compared to $68 million and 21% in the same period of 2023. The rate increase was driven by a reduction in the benefit related to stock-based compensation, certain non-deductible expenses and return to provision adjustments.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of liquidity include the payment of operating expenses, purchases of rental equipment to be used in our operations, servicing of debt, funding acquisitions, payment of dividends, and share repurchases. Our primary sources of funding are operating cash flows, cash received from the disposal of equipment and borrowings under our debt arrangements. As of September 30, 2024, we had approximately $4.2 billion of total nominal indebtedness outstanding.

Our liquidity as of September 30, 2024 consisted of cash and cash equivalents of $142 million and unused commitments of approximately $1.7 billion under our ABL Credit Facility and AR Facility. See "Borrowing Capacity and Availability" below for further discussion. Our practice is to maintain sufficient liquidity through cash from operations, our ABL Credit Facility and our AR Facility to mitigate the impacts of any adverse financial market conditions on our operations. We believe that cash generated from operations and cash received from the disposal of equipment, together with amounts available under the ABL Credit Facility and the AR Facility or other financing arrangements will be sufficient to meet working capital requirements and anticipated capital expenditures, and other strategic uses of cash, if any, and debt payments, if any, over the next twelve months.

Cash Flows

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

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

	Nine Months Ended September 30,		
	2024	2023	$ Change
Cash provided by (used in):			
Operating activities	$ 894	$ 796	$ 98
Investing activities	(1,243)	(1,324)	81
Financing activities	420	545	(125)
Effect of exchange rate changes	—	—	—
Net change in cash and cash equivalents	**$ 71**	**$ 17**	**$ 54**

Operating Activities

During the nine months ended September 30, 2024, we generated $98 million more cash from operating activities compared with the same period in 2023. The increase was primarily related to the timing of payments on accounts payable and accrued liabilities.

Investing Activities

Cash used in investing activities decreased $81 million during the nine months ended September 30, 2024 when compared with the prior-year period. Our primary use of cash in investing activities is for the acquisition of rental equipment, non-rental capital expenditures and acquisitions. Generally, we rotate our equipment and manage our fleet of rental equipment in line with customer demand and continue to invest in our information technology, service vehicles and facilities. Changes in our net capital expenditures are described in more detail in the "Capital Expenditures" section below. Additionally, we closed on eight acquisitions during the nine months ended September 30, 2024 for a net cash outflow of $567 million.

Financing Activities

Cash provided by financing activities decreased $125 million during the nine months ended September 30, 2024 when compared with the prior-year period. Financing activities primarily represents our changes in debt, which included borrowings of $1.5 billion on our revolving lines of credit and securitization which were used primarily to fund acquisitions and invest in rental equipment during the period. This was offset by repayments of $1.8 billion through operations and the proceeds from the issuance of our 2029 Notes. Net borrowings in the prior year period were $739 million.

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

Capital Expenditures

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

	Nine Months Ended September 30,	
	2024	2023
Rental equipment expenditures	$ 753	$ 1,100
Disposals of rental equipment	(198)	(231)
Net rental equipment expenditures	**$ 555**	**$ 869**

Net capital expenditures for rental equipment decreased $314 million during the nine months ended September 30, 2024 compared to the same period in 2023. As the supply chain constraints have eased, our rental equipment expenditures have returned to taking deliveries and disposing of equipment in line with our normal seasonal cadence, while we continue to optimize our fleet by investing in high growth markets as part of our long-term capital expenditure plans.

Borrowing Capacity and Availability

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

In connection with the AR Facility, we sell accounts receivable on an ongoing basis to a wholly-owned special-purpose entity (the "SPE"). The accounts receivable and other assets of the SPE are encumbered in favor of the lenders under our AR Facility. The SPE assets are owned by the SPE and are not available to settle the obligations of the Company or any of its other subsidiaries. Substantially all of the remaining assets of Herc and certain of its U.S. and Canadian subsidiaries are encumbered in favor of our lenders under our ABL Credit Facility. None of such assets are available to satisfy the claims of our general creditors. See Note 11, "Debt" to the notes to our consolidated financial statements included in Part II, Item 8 "Financial Statements" included in our Annual Report on Form 10-K for the year ended December 31, 2023, and Note 9, "Debt" included in Part I, Item 1 "Financial Statements" of this Report for more information.

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

As of September 30, 2024, the following was available to us (in millions):

	Remaining Capacity	Availability Under Borrowing Base Limitation
ABL Credit Facility	$ 1,733	$ 1,733
AR Facility	10	10
Total	**$ 1,743**	**$ 1,743**

As of September 30, 2024, $34 million of standby letters of credit were issued and outstanding, none of which have been drawn upon. The ABL Credit Facility had $216 million available under the letter of credit facility sublimit, subject to borrowing base restrictions.

Covenants

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

Under the terms of our ABL Credit Facility, our AR Facility and our Notes, we are not subject to ongoing financial maintenance covenants; however, under the ABL Credit Facility, failure to maintain certain levels of liquidity will subject us to a contractually specified fixed charge coverage ratio of not less than 1:1 for the four quarters most recently ended. As of September 30, 2024, the appropriate levels of liquidity have been maintained, therefore this financial maintenance covenant is not applicable.

At September 30, 2024, Herc Holdings' balance sheet was substantially identical to that of Herc, with the exception of the debt held by Herc Holdings (Notes and ABL Credit Facility) and certain components of shareholders equity. For the three and nine months ended September 30, 2024 and 2023, the statements of operations of Herc Holdings and Herc were identical with the exception of interest expense on the debt held at Herc Holdings that is not reflected in the statement of operations of Herc.

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

Dividends

On August 9, 2024, we declared a quarterly dividend of $0.665 per share to record holders as of August 23, 2024, with payment date of September 6, 2024. The declaration of dividends on our common stock is discretionary and will be determined by our board of directors in its sole discretion and will depend on our business conditions, financial condition, earnings, liquidity and capital requirements, contractual restrictions and other factors. The amounts available to pay cash dividends are restricted by our debt agreements.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of September 30, 2024, there have been no material changes to our indemnification obligations as disclosed in Note 17, “Commitments and Contingencies” in our Annual Report on Form 10-K for the year ended December 31, 2023. For further information, see the discussion on indemnification obligations included in Note 13, "Commitments and Contingencies" in Part I, Item 1 "Financial Statements" of this Report.

For information concerning contingencies, see Note 13, "Commitments and Contingencies" in Part I, Item 1 "Financial Statements" of this Report.

RECENT ACCOUNTING PRONOUNCEMENTS

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

As of September 30, 2024, there has been no material change in the information reported under Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our senior management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined under Exchange Act Rules 13a-15(e) and 15d-15(e), as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2024, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of certain pending legal proceedings see Note 13, "Commitments and Contingencies" to the notes to our condensed consolidated financial statements in Part I, Item 1 "Financial Statements" of this Report.

ITEM 1A. RISK FACTORS

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

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

Share Repurchase Program

In March 2014, we announced a $1 billion share repurchase program (the "Share Repurchase Program"), which replaced an earlier program. The Share Repurchase Program permits us to purchase shares through a variety of methods, including in the open market or through privately negotiated transactions, in accordance with applicable securities laws. We are not obligated to make any repurchases at any specific time or in any specific amount and our repurchases may be subject to certain predetermined price/volume guidelines, set from time-to-time, by our board of directors. The timing and extent to which we repurchase shares will depend upon, among other things, strategic priorities, market conditions, share price, liquidity targets, contractual restrictions, regulatory requirements and other factors. Share repurchases may be commenced or suspended at any time or from time-to-time, subject to legal and contractual requirements, without prior notice. There were no share repurchases during the nine months ended September 30, 2024. As of September 30, 2024, the approximate dollar value that remains available for share purchases under the Share Repurchase Program is $161 million.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1.1	Amended and Restated Certificate of Incorporation of Herc Holdings (Incorporated by reference to Exhibit 3.1 to the Annual Report on Form 10-K of Hertz Global Holdings, Inc. (File No. 001-33139), as filed on March 30, 2007).
3.1.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Herc Holdings, effective as of May 14, 2014 (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Hertz Global Holdings, Inc. (File No. 001-33139), as filed on May 14, 2014).
3.1.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Herc Holdings, dated June 30, 2016 (reflecting the registrant's name change to "Herc Holdings Inc.") (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Herc Holdings (File No. 001-33139), as filed on July 6, 2016).
3.1.4	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Herc Holdings, dated June 30, 2016 (Incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K of Herc Holdings (File No. 001-33139), as filed on July 6, 2016).
3.2	Amended and Restated By-Laws of Herc Holdings Inc., effective May 11, 2023 (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Herc Holdings Inc. (File No. 001-33139), as filed on May 15, 2023).
10.1	Amendment No. 5 to Receivables Financing Agreement (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Herc Holdings (File No. 001-33139), as filed on September 4, 2023).
31.1*	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002 of 2002
31.2*	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002
32.1**	18 U.S.C. Section 1350 Certifications of Principal Executive Officer and the Principal Financial Officer
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

*Filed herewith
**Furnished herewith

SIGNATURE

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

	HERC HOLDINGS INC.
Date: October 22, 2024	(Registrant)
	By: /s/ MARK HUMPHREY
	Mark Humphrey
	Senior Vice President and Chief Financial Officer

EXHIBIT 31.1

CERTIFICATIONS

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Lawrence H. Silber, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2024 (this "report") of Herc Holdings Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 22, 2024

By: /s/ LAWRENCE H. SILBER

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

EXHIBIT 31.2

CERTIFICATIONS

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Mark Humphrey, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2024 (this "report") of Herc Holdings Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 22, 2024

By: /s/ MARK HUMPHREY

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

EXHIBIT 32.1

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

In connection with the filing of this quarterly report on Form 10-Q of Herc Holdings Inc. (the "Company") for the quarterly period ended September 30, 2024 with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 22, 2024

By: /s/ LAWRENCE H. SILBER

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

Date: October 22, 2024

By: /s/ MARK HUMPHREY

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