HERTZ GLOBAL HOLDINGS INC
Form 10-K
July 16, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

OR

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

Commission File Number 001-33139

HERTZ GLOBAL 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)

999 Vanderbilt Beach Road - 3rd Floor
Naples, Florida 34108
(239) 552-5800
(Address, including Zip Code, and telephone number, including area code, of registrant's principal executive offices)

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

Title of each class	Name of each exchange on which registered
Common Stock, Par Value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 o No x

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes o No x

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

Large accelerated filer	x	Accelerated filer	o	Non-accelerated filer (Do not check if a smaller reporting company)	o	Smaller reporting company	o

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing price of the stock on the New York Stock Exchange on such date was $12.8 billion.

As of June 30, 2015, 459,015,115 shares of the registrant's common stock were outstanding.

Documents incorporated by reference: None

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

INTRODUCTORY NOTE

Unless the context otherwise requires in this Annual Report on Form 10-K, or “Annual Report” we use the following defined terms:

(i) “Hertz Holdings” means Hertz Global Holdings, Inc., our top-level holding company;

(ii) “Hertz” means The Hertz Corporation, our primary operating company and a direct wholly-owned subsidiary of Hertz Investors, Inc., which is wholly-owned by Hertz Holdings;

(iii) "the Company," “we,” “us” and “our” mean Hertz Holdings and its consolidated subsidiaries;

(iv) "Dollar Thrifty" means Dollar Thrifty Automotive Group, Inc., a consolidated subsidiary of the Company since being acquired in late 2012;

(v) “HERC” means Hertz Equipment Rental Corporation, Hertz's wholly-owned equipment rental subsidiary, together with our various other wholly-owned international subsidiaries that conduct our industrial, construction, material handling and entertainment equipment rental business;

(vi) "Donlen" means Donlen Corporation, a consolidated subsidiary of the Company. Donlen conducts our fleet leasing and management services.

(vii) “cars” means cars, crossovers and light trucks (including sport utility vehicles and, outside North America, light commercial vehicles);

(viii) “program cars” means cars purchased by car rental companies under repurchase or guaranteed depreciation programs with car manufacturers;

(ix) “non-program cars” means cars not purchased under repurchase or guaranteed depreciation programs for which we are exposed to residual risk;

(x) “company-operated” rental locations are those through which we, or an agent of ours, rent cars that we own or lease;

(xi) “equipment” means industrial, construction and material handling equipment;

(xii) *“Total RPD” means total revenue per transaction day;

(xiii) *"Dollar Utilization" means revenue derived from the rental of equipment divided by the cost of the equipment including additional capitalized refurbishment costs (with the basis of refurbished assets reset at the refurbishment date);

(xiv) *"Time Utilization" means the percentage of time an equipment unit is on-rent during a given period.

* Represents a Non-GAAP financial measure that is defined and reconciled to the most comparable U.S.GAAP financial measure, where applicable, in the "Results of Operations and Selected Operating Data by Segment" section of our Management's Discussion & Analysis ("MD&A").

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained or incorporated by reference in this Annual Report and in reports we subsequently file with the United States Securities and Exchange Commission, or the “SEC,” on Forms 10-K, 10-Q, file or furnish on Form 8-K, and in related comments by our management, include “forward-looking statements.” Forward-looking statements include information concerning our liquidity and our possible or assumed future results of operations, including descriptions of our business strategies. These statements often include words such as “believe,” “expect,” “project,” "potential," “anticipate,” “intend,” “plan,” “estimate,” “seek,” “will,” “may,” “would,” “should,” “could,” “forecasts expressions. These statements are based on certain assumptions that we have made in light of our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate in these circumstances. We believe these judgments are reasonable, but you should understand that these statements are not guarantees of performance or results, and our actual results could differ materially from those expressed in the forward-looking statements due to a variety of important factors, both positive and negative, that may be revised or supplemented in subsequent reports on SEC Forms 10-K, 10-Q and 8 K.

Some important factors that could affect our actual results and cause them to differ materially from those expressed in forward-looking statements include, among others, those that may be disclosed from time to time in subsequent reports filed with the SEC, those described under “Risk Factors” set forth in Item 1A of this Annual Report, and the following, which were derived in part from the risks set forth in Item 1A of this Annual Report:

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- the effect of the restatement of our previously issued financial results for the years ended December 31, 2012 and 2013 as described in Note 2 to the restated financial statements, and any claims, investigations or proceedings arising as a result;
- our ability to remediate the material weaknesses in our internal controls over financial reporting described in Item 9A of this Annual Report;
- the effect of our proposed separation of HERC and ability to obtain the expected benefits of any related transaction;
- levels of travel demand, particularly with respect to airline passenger traffic in the United States and in global markets;
- significant changes in the competitive environment, including as a result of industry consolidation, and the effect of competition in our markets on rental volume and pricing, including on our pricing policies or use of incentives;
- an increase in our fleet costs as a result of an increase in the cost of new vehicles and/or a decrease in the price at which we dispose of used vehicles either in the used vehicle market or under repurchase or guaranteed depreciation programs;
- occurrences that disrupt rental activity during our peak periods;
- our ability to achieve and maintain cost savings and efficiencies and realize opportunities to increase productivity and profitability;
- our ability to accurately estimate future levels of rental activity and adjust the size and mix of our fleet accordingly;
- our ability to maintain sufficient liquidity and the availability to us of additional or continued sources of financing for our revenue earning equipment and to refinance our existing indebtedness;
- our ability to integrate the car rental operations of Dollar Thrifty and realize operational efficiencies from the acquisition;
- our ability to maintain access to third-party distribution channels, including current or favorable prices, commission structures and transaction volumes;
- the operational and profitability impact of the divestitures that we agreed to undertake in order to secure regulatory approval for the acquisition of Dollar Thrifty;
- an increase in our fleet costs or disruption to our rental activity, particularly during our peak periods, due to safety recalls by the manufacturers of our vehicles and equipment;
- changes to our senior management team;
- a major disruption in our communication or centralized information networks;
- financial instability of the manufacturers of our vehicles and equipment, which could impact their ability to perform under agreements with us and/or their willingness or ability to make cars available to us or the car rental industry on commercially reasonable terms;
- any impact on us from the actions of our franchisees, dealers and independent contractors;
- our ability to maintain profitability during adverse economic cycles and unfavorable external events (including war, terrorist acts, natural disasters and epidemic disease);
- shortages of fuel and increases or volatility in fuel costs;
- our ability to successfully integrate acquisitions and complete dispositions;
- our ability to maintain favorable brand recognition;
- costs and risks associated with litigation and investigations;
- risks related to our indebtedness, including our substantial amount of debt, our ability to incur substantially more debt and increases in interest rates or in our borrowing margins;

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- our ability to meet the financial and other covenants contained in our Senior Credit Facilities, our outstanding unsecured Senior Notes and certain asset-backed and asset-based arrangements;
- changes in accounting principles, or their application or interpretation, and our ability to make accurate estimates and the assumptions underlying the estimates, which could have an effect on earnings;
- changes in the existing, or the adoption of new laws, regulations, policies or other activities of governments, agencies and similar organizations where such actions may affect our operations, the cost thereof or applicable tax rates;
- the effect of tangible and intangible asset impairment charges;
- our exposure to uninsured claims in excess of historical levels;
- fluctuations in interest rates and commodity prices;
- our exposure to fluctuations in foreign exchange rates; and
- other risks described from time to time in periodic and current reports that we file with the SEC.

You should not place undue reliance on forward-looking statements. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. All such statements speak only as of the date made, and we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

EXPLANATORY NOTE

This Annual Report on Form 10-K for the year ended December 31, 2014 includes consolidated financial statements for the years ended December 31, 2012, 2013 and 2014. The consolidated financial statements for the years ended December 31, 2012 and 2013 and selected financial data for the years ended December 31, 2011 (unaudited), 2012, and 2013 are restated.

During the preparation of our Form 10-Q for the first quarter of 2014, misstatements were identified in our previous financial statements relating to the capitalization and timing of depreciation for certain non-fleet assets, allowances for doubtful accounts in Brazil, as well as other items. These misstatements, in combination with misstatements previously identified in the revision included in our 2013 Form 10-K/A related to vehicle vendor allowances for marketing and misstatements related to the Brazil operations, which is further described in Note 2, Restatement, to the Notes to our consolidated financial statements under the caption Item 8, Financial Statements and Supplementary Data ("Note 2 - Restatement") resulted in the Audit Committee of our Board of Directors (the “Audit Committee” and the “Board”), in consultation with our management, concluding on June 3, 2014 that our financial statements for 2011 should no longer be relied upon and would require restatement.

In light of the above, in June 2014, the Audit Committee directed that two complementary processes be undertaken. First, the Audit Committee directed management to conduct a thorough review of our financial records for fiscal years 2011, 2012, and 2013 to determine whether further adjustments were necessary. This review, which was conducted with the assistance of outside consultants, identified additional misstatements, including misstatements related to:

- capitalization and timing of depreciation for non-fleet capital and information technology expenditures;
- accruals for uninvoiced non-fleet vendor obligations;
- accrual for salvage vehicles;
- the amortization period associated with vehicle registration and license fees;
- reserve estimates associated with allowances for uncollectible amounts receivable for renter obligations related to damaged vehicles;
- reserve estimates associated with allowances for doubtful accounts, including credit memos;
- reserve estimates associated with probable credit card charge backs;
- accruals for customer rewards programs;
- accrued unbilled revenue;
- reserve estimates associated with allowances for doubtful accounts for the Brazil operations;
- accruals for travel vouchers associated with the Brazil operations;
- Brazil operations litigation reserves;
- other assets and intercompany accounts for the Brazil operations;

- accruals for restoration obligations at the end of facility leases; and
- disclosure of gross equipment and accumulated depreciation balances associated with the capitalization of refurbishment costs.

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EXPLANATORY NOTE (Continued)

On November 10, 2014, the Audit Committee, in consultation with our management, concluded that additional proposed adjustments arising out of the review were material to our 2012 and 2013 financial statements and that, as a result, our 2012 and 2013 financial statements also would require restatement. Those restated financial statements are included in Item 8 of this Annual Report on Form 10-K. Throughout this Annual Report, the misstatements resulting in the restatement of the Company's financial statements are referred to as "restatement matters".
The second process, which we commenced in June 2014, involved an internal investigation of certain matters related to the accounting during prior periods. The investigation was undertaken by outside counsel, along with independent counsel for the Audit Committee. Counsel received assistance from outside consultants and new senior accounting and compliance personnel. The internal investigation is complete, although our outside counsel and the independent counsel to the Audit Committee continue to provide forensic and investigative support in connection with certain proceedings discussed in Item 3, "Legal Proceedings" and in Item 8, Note 14, "Contingencies and Off-Balance Sheet Commitments" to the consolidated financial statements in this Annual Report on Form 10-K involving our restatements and related accounting for prior periods.
Based on the internal investigation, our review of our financial records, and other work completed by our management, the Audit Committee has concluded that there were four categories of material weaknesses in our internal control over financial reporting that contributed to the material misstatements in the 2011, 2012 and 2013 consolidated financial statements. These four categories of material weaknesses as of December 31, 2014 are described below. For further information regarding management's assessment of internal control over financial reporting, please see Item 9A, "Controls and Procedures," in this Annual Report on Form 10-K.

Control Environment
As of December 31, 2014, we did not maintain an effective control environment primarily attributable to the following identified material weaknesses:

- Our investigation found that an inconsistent and sometimes inappropriate tone at the top was present under the then existing senior management that did not in certain instances result in adherence to accounting principles generally accepted in the United States of America ("GAAP") and Company accounting policies and procedures. In particular, our former Chief Executive Officer's management style and temperament created a pressurized operating environment at the Company, where challenging targets were set and achieving those targets was a key performance expectation. There was in certain instances an inappropriate emphasis on meeting internal budgets, business plans, and current estimates. Our former Chief Executive Officer further encouraged employees to focus on potential business risks and opportunities, and on potential financial or operating performance gaps, as well as ways of ameliorating potential risks or gaps, including through accounting reviews. This resulted in an environment which in some instances may have led to inappropriate accounting decisions and the failure to disclose information critical to an effective review of transactions and accounting entries, such as certain changes in accounting methodologies, to the appropriate finance and accounting personnel or our Board, Audit Committee, or independent registered public accounting firm.

- We did not have a sufficient complement of personnel with an appropriate level of knowledge, experience, and training commensurate with our financial reporting requirements to ensure proper selection and application of GAAP in certain circumstances.

- We did not establish clear reporting structures, reporting lines, and decisional authority responsibilities in the organization.

- We did not design effective controls over the non-fleet procurement process, which was exacerbated by the lack of training of field personnel as part of our Oracle enterprise resource planning ("ERP") system implementation during 2013.

These material weaknesses in the control environment resulted in certain instances of inappropriate accounting decisions and inappropriate changes in accounting methodology and contributed to the following additional material weaknesses:

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- We did not design and maintain effective controls over certain accounting estimates. Specifically, we did not design and maintain controls over the effective review of the models, assumptions, and data used in developing estimates or changes made to assumptions and data, related to information technology expenditures; reserve estimates associated with allowances for uncollectible amounts receivable for renter obligations related to damaged vehicles; and accrued unbilled revenue.

- We did not design and maintain effective controls over the review, approval, and documentation related to journal entries.

- We did not design and maintain effective controls over changes to our policies and procedures over GAAP, as well as the review, approval, and documentation related to the application of GAAP.

Risk Assessment

We did not effectively design controls in response to the risks of material misstatement. This material weakness contributed to the following additional material weaknesses:

- We did not design effective controls over certain business processes including our period-end financial reporting process. This includes the identification and execution of controls over the preparation, analysis, and review of significant account reconciliations and closing adjustments required to assess the appropriateness of certain account balances at period end.

Information and Communication

As of December 31, 2014, we did not maintain effective controls over information and communications. Specifically, we did not have an adequate process for internally communicating information between the accounting department and other operating departments necessary to support the proper functioning of internal controls. This material weakness led to misstatements in the capitalization and timing of depreciation of non-fleet capital.

Monitoring

We did not design and maintain effective monitoring controls related to the design and operational effectiveness of our internal controls. Specifically, we did not maintain personnel and systems within the internal audit function that were sufficient to ensure the adequate monitoring of control activities. This control deficiency resulted in some instances of the internal audit function’s failure to identify or sufficiently follow through on the analysis of certain inappropriate accounting decisions and changes in accounting methodology.

Our incorrect accounting was caused by the foregoing control deficiencies, along with a complex mix of structural and environmental factors. One of those factors was the tone set and pressures imposed by our former Chief Executive Officer, which were inappropriate in certain instances, and may have been a factor influencing one or more employees to record an accounting entry now determined to be improper. Other factors affecting the overall historic accounting environment and employees included the distraction caused by the multiple, conflicting business initiatives; challenges related to managing complex, inefficient legacy systems; the lack of a sufficient complement of personnel with an appropriate level of knowledge, experience, and training with GAAP; unclear reporting structures, reporting lines, and decisional authority in the organization; and other matters. Taken together, these factors fostered a control environment and other control deficiencies that in some instances enabled inappropriate accounting.

One or more of the foregoing control deficiencies contributed to the restatement of our financial statements for the years 2012 and 2013 and each of the quarters of 2013, including the misstatements of direct operating expenses, accounts payable, accrued liabilities, allowance for doubtful accounts, prepaid expenses and other assets,and non-fleet property and equipment and the related accumulated depreciation. Additionally, the foregoing control deficiencies could result in material misstatements of the consolidated financial statements that would not be prevented or detected. Accordingly, our management has determined that these control deficiencies constitute material weaknesses.

Management has assessed our internal control over financial reporting at December 31, 2014 and identified the material weaknesses described above and, accordingly, has concluded that our internal control over financial reporting was not effective at December 31, 2014. In addition, our Chief Executive Officer and Chief Financial Officer have evaluated the findings and conclusions of the Audit Committee’s investigation, as well as the review of our financial records, and based on this evaluation have concluded that our disclosure controls and procedures are not effective at December 31, 2014, because of the existence of the four categories of material weaknesses described above.

Our independent auditors, PricewaterhouseCoopers LLP, have audited management’s assessment of internal control over financial reporting at December 31, 2014 and in their opinion concluded that we did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because the above described material weaknesses in our internal control over financial reporting existed at December 31, 2014.

We have taken, and continue to take, action to remediate the identified material weaknesses. For example, in the last two years, the Company searched for and hired a new Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, General Counsel, and over twenty highly qualified vice president- or director-level accounting employees from outside the Company, and changed and enhanced leadership in the business units associated with the restatement matters. Moreover, in response to the restatement matters and other matters identified as restatement adjustments, under the direction of the Audit Committee, commencing with the 2013 year-end close process, our senior management has directed that we dedicate additional resources and take further steps to strengthen control processes and procedures in order to identify and rectify past accounting misstatements and prevent a recurrence of the circumstances that resulted in the need to restate prior period financial statements.

We have, and continue to, identify and implement actions to improve the effectiveness of our internal control over financial reporting and disclosure controls and procedures, including plans to enhance our resources and training with respect to financial reporting and disclosure responsibilities, and to review such actions with the Audit Committee and our independent auditors. For more information on the status of our remediation efforts, please see Item 9A, "Controls and Procedures," in this Annual Report on Form 10-K.

As a result of the foregoing, we have restated our financial statements for the years ended December 31, 2012 and 2013, including the 2013 interim periods. Moreover, because we have failed to file Quarterly Reports on Form 10-Q for the quarters in the year ended December 31, 2014, we include in this Annual Report on Form 10-K the financial data and discussion for the three quarters of 2014 that would typically be disclosed in a Form 10-Q. The restatement also affects periods prior to 2012. The impact of the restatement on such prior periods is reflected as an adjustment to opening retained earnings as of January 1, 2012. In addition, we are including restated unaudited selected financial data for the year ended December 31, 2011.

The restatement of previously issued financial statements reduced our net earnings and diluted earnings per share in the year ended December 31, 2012 by approximately $58 million or $0.13 per share and in the year ended December 31, 2013 by $51 million or $0.11 per share. The cumulative impact of the out of period misstatements for all previously reported periods through December 31, 2013, including amounts associated with the revision previously reported in the 2013 Form 10-K/A, was approximately a $349 million reduction in pre-tax income and $231 million reduction in net income. Excluding the revision included in the 2013 Form 10-K/A of $26 million on a pre-tax basis and $17 million on an after-tax basis, approximately $160 million on a pre-tax basis and $100 million on an after-tax basis is included as a reduction to opening retained earnings as of January 1, 2012.

Note 2, "Restatement," to our consolidated financial statements discloses the nature of the restatement matters and adjustments and shows the impact of the restatement matters on revenues, expenses, income, assets, liabilities, equity, and cash flows from operating activities, investing activities, and financing activities, and the cumulative effects of these adjustments on the consolidated statement of operations, balance sheet, and cash flows for 2012 and 2013. For information on the impact of the restatement on the year 2011, reference is made to Item 6, "Selected Financial Data," in this Annual Report on Form 10-K.

We have not amended, and do not intend to amend, our Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for periods prior to December 31, 2014. We also do not intend to file Quarterly Reports on Form 10-Q for the quarters in the year ended December 31, 2014. The financial statements and related financial information contained in any of our reports filed prior to this Annual Report on Form 10-K for the year ended December 31, 2014 should no longer be relied upon.

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PART I
ITEM 1. BUSINESS

OUR COMPANY

We operate our car rental business through the Hertz, Dollar, Thrifty and Firefly brands, as of December 31, 2014, from approximately 10,880 corporate and franchisee locations in North America, Europe, Latin and South America, Asia, Australia, Africa, the Middle East and New Zealand. We are one of the largest worldwide airport general use car rental companies and our Hertz brand has approximately 9,395 corporate and franchisee locations in 145 countries. Our Dollar and Thrifty brands combined have approximately 1,380 corporate and franchisee locations in 77 countries and our Firefly brand has approximately 105 corporate and franchisee locations in 12 countries. Our Hertz brand name is one of the most recognized in the world, signifying leadership in quality rental services and products. We have an extensive network of rental locations in the United States, or "U.S.," and in all major European markets. We believe that we maintain one of the leading airport car rental brand market shares, by overall reported revenues, in the U.S. and at approximately 130 major airports in Europe where we have company-operated locations and where data regarding car rental concessionaire activity is available. Our equipment rental business is operated through the Hertz Equipment Rental brand from more than 350 branches in the U.S., Canada, France, Spain, the United Kingdom, China and Saudi Arabia, as well as through our international franchisees. In addition to car rental and equipment rental businesses, we provide fleet leasing and management services through our Donlen subsidiary.

CORPORATE HISTORY

Hertz Holdings was incorporated in Delaware in 2005 to serve as the top-level holding company for Hertz Investors, Inc. which wholly owns The Hertz Corporation, or “Hertz,” our primary operating company.

We are a successor to corporations that have been engaged in the car and truck rental and leasing business since 1918 and the equipment rental business since 1965. Hertz was incorporated in Delaware in 1967. Ford Motor Company acquired an ownership interest in Hertz in 1987 and in 2001 owned 100% of Hertz through one or more of its subsidiaries.

In December 2005, certain private investment funds, which we refer to collectively as the “Sponsors,” through Hertz Investors Inc., acquired all of Hertz common stock from Ford Holdings LLC.

In 2006, we conducted an initial public offering of our common stock and as a result our common stock trades on the New York Stock Exchange ("NYSE") under the symbol "HTZ".

The Sponsors sold substantially all of their common stock between 2006 and 2013.

In May 2013, we announced plans to relocate our worldwide headquarters to Estero, Florida from Park Ridge, New Jersey which is expected to be completed by late 2015.

On December 30, 2013, the board of directors of Hertz Holdings declared a dividend of one preferred share purchase right for each outstanding share of Hertz Holdings common stock, to purchase from Hertz Holdings one ten-thousandth of a share of Series A Junior Participating Preferred Stock, par value $0.01 per share, of Hertz Holdings at a price of $115.00 per one ten-thousandth of a share of preferred stock, subject to adjustment as provided in the associated rights agreement. The description and terms of the preferred share purchase rights are set forth in a rights agreement, dated as of December 30, 2013, between Hertz Holdings and Computershare Trust Company, N.A., as rights agent. No preferred shares were issued under the agreement and the preferred share purchase rights expired in accordance with their terms on December 29, 2014.

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In March 2014, we announced that our Board of Directors approved plans to separate Hertz into two independent, publicly traded companies. One of the companies will continue to operate the Hertz, Dollar, Thrifty and Firefly car rental businesses as well as Donlen; and the other will operate the Hertz Equipment Rental Corporation, or "HERC." The separation is planned to be in the form of a tax-free spin-off to Hertz Holdings shareholders, and we expect to separate the businesses in a tax-efficient manner.

OUR BUSINESS SEGMENTS

We have identified four reportable segments, which are organized based on the products and services provided by our operating segments and the geographic areas in which our operating segments conduct business, as follows:

- U.S. Car Rental - Rental of cars, crossovers and light trucks, as well as ancillary products and services, in the U.S. We maintain a substantial network of car rental locations and we believe we have the largest number of company-operated airport car rental locations in the U.S., enabling us to provide consistent quality and service. We also have franchisees and associates that operate rental locations under our brands throughout the U.S.
- International Car Rental - Rental of cars, crossovers and light trucks, as well as ancillary products and services, internationally. We maintain a substantial network of company-operated car rental locations internationally, a majority of which are in Europe. Our franchisees and associates also operate rental locations in approximately 144 countries and jurisdictions, including many of the countries in which we also have company-operated rental locations.
- Worldwide Equipment Rental - Rental of industrial, construction, material handling and other equipment. We believe that HERC is one of the largest equipment rental companies in the U.S. and Canada combined. HERC rents a broad range of earthmoving, material handling, aerial and electrical equipment, air compressors, power generators, pumps, small tools, compaction equipment, construction-related trucks, and other commercial vehicles. HERC also derives revenues from the sale of new equipment and contractor supplies as well as through its Hertz Entertainment Services division, which rents studio and production equipment products used primarily in the U.S. entertainment industry.
- All Other Operations - Comprised of our Donlen business, which provides fleet leasing and management services, and other business activities, such as our Hertz Claims Management subsidiary ("HCM"), which provides our claim management service. Donlen is a leading provider of fleet leasing and management services for corporate fleets. Donlen's fleet management programs provide outsourcing solutions to reduce fleet operating costs and improve driver productivity. These programs include administration of preventive maintenance, advisory services, and fuel and accident management along with other complementary services. Additionally, Donlen provides a specialized consulting and technology expertise that allows us to model, measure and manage fleet performance more effectively and efficiently.

Set forth below are charts showing revenues by reportable segment and revenues by geographic area for the year ended December 31, 2014, and revenue earning equipment at net book value as of December 31, 2014:

For further financial information on our segments for the years ended December 31, 2014, 2013 and 2012, see (i) Note 12, "Segment Information," to the Notes to our consolidated financial statements under the caption Item 8, "Financial Statements and Supplementary Data" and (ii) Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations and Selected Operating Data by Segment" included in this Annual Report.

U.S. and International Car Rental Segments

Our U.S. and international car rental segments generated $6,471 million and $2,436 million, respectively, in revenues during the year ended December 31, 2014.

Markets

We believe that the global car rental industry exceeds $51 billion in annual revenues. According to Auto Rental News, car rental industry revenues in the U.S. were estimated to be approximately $26 billion for 2014 and grew in 2014 by 7%. Rentals by airline travelers at or near airports, or ''airport rentals,'' are influenced by developments in the travel industry and particularly in airline passenger traffic, or ‘‘enplanements,’’ as well as the Gross Domestic Product, or ‘‘GDP.’’ The off airport portion of the industry has rental volume primarily driven by local business use, leisure travel and insurance replacements.

We believe car rental industry revenues in Europe account for over $13 billion in annual revenues, with the airport portion of the industry comprising approximately 38% of the total. Because Europe has generally demonstrated a lower historical reliance on air travel, the European off airport car rental market is significantly more developed than it is in the U.S. Within Europe, the largest markets are Germany, France, Spain, Italy and the United Kingdom. We believe total rental revenues for the car rental industry in Europe in 2014 were approximately $11 billion in ten countries—Germany, the United Kingdom, France, Italy, Spain, the Netherlands, Belgium, the Czech Republic, Luxembourg and Slovakia—where we have company-operated rental locations and approximately $2 billion in 11 other countries—Ireland, Sweden, Portugal, Greece, Denmark, Austria, Poland, Finland, Malta, Hungary and Romania—where our Hertz brand is present through our franchisees.

We believe car rental industry revenues in Asia Pacific account for over $12 billion in annual revenues, with the airport portion of the industry comprising approximately 20% of the total. Within Asia Pacific, the largest markets are China, Australia, Japan and South Korea. In each of these markets we have company-operated rental locations or where our Hertz brand is present through our partners, franchisees or companies in which we own an equity interest and to whom we have licensed the Hertz brand.

Brands

Our U.S. and international car rental businesses are primarily operated through four brands - Hertz, Dollar, Thrifty and Firefly. We offer multiple brands in order to provide customers a full range of rental services at different price points. Each of our brands generally maintains separate airport counters, reservations and reservation systems, marketing and all other customer contact activities, however a single management team manages all four brands.

The Hertz brand is one of the most recognized brands in the world. Our customer surveys in the U.S. indicate that Hertz is the car rental brand most associated with the highest quality service. This is consistent with numerous published best-in-class car rental awards that we have won, both in the U.S. and internationally, over many years. We have sought to support our reputation for quality and customer service in car rental through a variety of innovative service offerings, such as our customer loyalty program and our global expedited rental program (Gold Plus Rewards), our one-way rental program (Rent-it-Here/Leave-it-There), our national-scale luxury rental program (Prestige Collection), our sports car rental program (Adrenaline Collection), our environmentally friendly rental program (Green Traveler Collection), our elite sports and luxury car rental program (Dream Cars), our car sharing service (Hertz 24/7™) and our in-car navigational services (Hertz NeverLost). We intend to maintain our position as a premier provider of rental services through an intense focus on service, quality and product innovation.

Dollar and Thrifty are positioned as value car rental brands in the travel industry. The Dollar brand's main focus is serving the airport vehicle rental market, which is comprised of business and leisure travelers. The majority of its locations are on or near airport facilities. Dollar operates primarily through company-owned locations in the U.S. and Canada, and also licenses to independent franchisees which operate as a part of the Dollar brand system. Thrifty serves both the airport and off airport markets through company-owned locations in the U.S. and Canada and licenses to independent franchisees which operate as part of the Thrifty brand system.

In March 2013, we launched our Firefly brand in Europe, which is a deep value brand for price conscious leisure travelers. In August 2013, we announced the expansion of our Firefly brand into the U.S. We have Firefly locations servicing local area airports in select U.S. and international leisure markets where other deep value brands have a significant presence. Firefly enables us to access the highly value-conscious, leisure car rental market in the U.S. which we temporarily exited in 2012 after divesting our Simply Wheelz subsidiary, which operated our Advantage brand.

Operations

Locations

We operate both airport and off airport locations which utilize common car fleets, are supervised by common country, regional and local area management, use many common systems and rely on common maintenance and administrative centers. Additionally, our airport and off airport locations utilize common marketing activities and have many of the same customers. We regard both types of locations as aspects of a single, unitary, car rental business.

Airport

As of December 31, 2014, we had approximately 1,715 airport rental locations in the U.S. and 1,395 airport rental locations internationally. Our international car rental operations have company-operated locations in Australia, Belgium, Brazil, Canada, the Czech Republic, France, Germany, Italy, Luxembourg, the Netherlands, New Zealand, Puerto Rico, Slovakia, Spain, the United Kingdom and the U.S. Virgin Islands. We believe that our extensive U.S. and international network of company-operated locations contributes to the consistency of our service, cost control, fleet utilization, yield management, competitive pricing and our ability to offer one-way rentals.

For our airport company-operated rental locations, we have obtained concessions or similar leasing, licensing or permitting agreements or arrangements, collectively “concessions,” granting us the right to conduct a car rental business at the respective airport. Our concessions were obtained from the airports' operators, which are typically governmental bodies or authorities, following either negotiation or bidding for the right to operate a car rental business. The terms of an airport concession typically require us to pay the airport's operator concession fees based upon a specified percentage of the revenues we generate at the airport, subject to a minimum annual guarantee. Under most concessions, we must also pay fixed rent for terminal counters or other leased properties and facilities. Most concessions are for a fixed length of time, while others create operating rights and payment obligations that are terminable at any time.

The terms of our concessions typically do not forbid us from seeking, and in a few instances actually require us to seek, reimbursement from customers of concession fees we pay; however, in certain jurisdictions the law limits or forbids our doing so. Where we are required or permitted to seek such reimbursement, it is our general practice to do so. Certain of our concession agreements require the consent of the airport's operator in connection with material changes in our ownership. A growing number of larger airports are building consolidated airport car rental facilities to alleviate congestion at the airport. These consolidated rental facilities may eliminate certain competitive advantages among the brands as competitors operate out of one centralized facility for both customer rental and return operations, share consolidated busing operations and maintain image standards mandated by the airports. See Item 1A, "Risk Factors” in this Annual Report.

Off Airport

As of December 31, 2014, we had approximately 3,695 off airport locations in the U.S. and 4,075 off airport rental locations internationally. Our off airport rental customers include people who prefer to rent cars closer to their home or place of work for business or leisure purposes, as well as those needing to travel to or from airports. Our off airport customers also include people who have been referred by, or whose rental costs are being wholly or partially reimbursed by, insurance companies following accidents in which their cars were damaged, those expecting to lease cars that are not yet available from their leasing companies and those needing cars while their vehicle is being repaired or is temporarily unavailable for other reasons; we call these customers "replacement renters."

When compared to our airport rental locations, an off airport rental location typically uses smaller rental facilities with fewer employees, conducts pick-up and delivery services and serves replacement renters using specialized systems and processes. On average, off airport locations generate fewer transactions per period than airport locations.

Although we believe our market share for off airport rentals is generally smaller than our market share for airport rentals, our off airport locations offer us the following benefits:

- Provides customers a more convenient and geographically extensive network of rental locations, thereby creating revenue opportunities from replacement renters, non-airline travel renters and airline travelers with local rental needs;

- Provides a more balanced revenue mix by reducing our reliance on air travel and therefore limiting our exposure to external events that may disrupt airline travel trends;

- Contributes to higher fleet utilization as a result of the longer average rental periods associated with off airport business, compared to those of airport rentals;

- Insurance replacement rental volume is less seasonal than that of other business and leisure rentals, which permits efficiencies in both fleet and labor planning; and

- Cross-selling opportunities exist for us to promote off airport rentals among frequent airport Hertz Gold Plus Rewards program renters and, conversely, to promote airport rentals to off airport renters. In view of those benefits, we intend to seek profitable growth in the off airport rental market, both in the U.S. and internationally.

Rates

We rent a wide variety of makes and models of cars. We rent cars on an hourly (in select markets), daily, weekend, weekly, monthly or multi-month basis, with rental charges computed on a limited or unlimited mileage rate, or on a time rate plus a mileage charge. Our rates vary by brand and at different locations depending on local market conditions and other competitive and cost factors. While cars are usually returned to the locations from which they are rented, we also allow one-way rentals from and to certain locations. In addition to car rentals and franchisee fees, we generate revenues from reimbursements by customers of airport concession fees and vehicle licensing costs, fueling charges, and charges for ancillary customer products and services such as supplemental equipment (child seats and ski racks), loss or collision damage waiver, theft protection, liability and personal accident/effects insurance coverage, premium emergency roadside service, Hertz NeverLost navigation systems and satellite radio services.

Reservations

We accept reservations for our cars on a brand-by-brand basis, with each of our brands maintaining, and accepting reservations through, an independent internet site. Our brands generally accept reservations only for a class of vehicles, although Hertz accepts reservations for specific makes and models of vehicles in our Prestige Collection, our Adrenaline Collection, our Green Traveler Collection, our Dream Cars collection with a limited number of models in high-volume, leisure-oriented destinations.

When customers reserve cars for rental from us and our franchisees, they may seek to do so through travel agents or third-party travel websites. In many of those cases, the travel agent or website will utilize a third-party operated computerized reservation system, also known as a Global Distribution System, or “GDS,” to contact us and make the reservation.

In major countries, including the U.S. and all other countries with company-operated locations, customers may also reserve cars for rental from us and our franchisees worldwide through local, national or toll-free telephone calls to our reservations center, directly through our rental locations or, in the case of replacement rentals, through proprietary automated systems serving the insurance industry. Additionally, we accept reservations for rentals worldwide through our websites, for us and our franchisees. We also offer the ability to reserve cars through our smartphone apps for the Hertz, Dollar and Thrifty brands.

Customer Service Offerings

At our major airport rental locations, as well as at some smaller airport and off airport locations, customers participating in our Hertz Gold Plus Rewards program are able to rent vehicles in an expedited manner. Participants in our Hertz Gold Plus Rewards program in the U.S. often bypass the rental counter entirely and proceed directly to their vehicles upon arrival at our facility. Participants in our Hertz Gold Plus Rewards program are also eligible to earn Gold Plus Rewards points that may be redeemed for free rental days or converted to awards of other companies' loyalty programs. For the year ended December 31, 2014, rentals by Hertz Gold Plus Rewards members accounted for approximately

41% of our worldwide rental transactions. We believe the Hertz Gold Plus Rewards program provides a significant competitive advantage to us, particularly among frequent travelers, and we have targeted such travelers for participation in the program.

Hertz has introduced a number of customer service offerings in recent years in order to further differentiate itself from the competition. The most significant new offering was Gold Choice. Hertz Gold Choice now offers Gold Plus Rewards members an option to choose the car they drive. Members' cars are still preassigned but Gold Choice allows the member the option to choose a different model and color from those cars available at the new Gold Choice area. This service is free of charge to Hertz Gold Plus Rewards members who book a midsize class or above. The Gold Choice program is offered at 56 U.S. airport locations and 8 locations in Europe.

Hertz also offers a Mobile Gold Alerts service, also known as "Carfirmations™," through which an SMS text message and/or email is sent with the vehicle information and location, with the option to choose another vehicle from their smart phone prior to arrival. It is available to participating Gold Plus Rewards customers approximately 30 minutes prior to their arrival. We also offer Hertz e-Return, which allows customers to drop off their car and go at the time of rental return. Additionally, in select locations customers can bypass the rental line through our ExpressRent Kiosks.

Global Car-Sharing

We offer a global car-sharing membership service, referred to as Hertz 24/7™, which rents cars by the hour and/or by the day, at various locations in the U.S., Canada, Europe and Australia. Members reserve vehicles online, then pick up the vehicles at various locations throughout a city, at a university or a corporate campus without the need to visit a Hertz rental office. Members are charged an hourly or daily car-rental fee which includes fuel, insurance, 24/7 roadside assistance, in-car customer service and an allowance to drive 180 miles per 24-hour period.

Customers and Business Mix

We conduct active sales and marketing programs to attract and retain customers. Our commercial and travel industry sales force calls on companies and other organizations whose employees and associates need to rent cars for business purposes. In addition, our sales force works with membership associations, tour operators, travel companies and other groups whose members, participants and customers rent cars for either business or leisure purposes. Our specialized sales force calls on companies with replacement rental needs, including insurance and leasing companies, automobile repair companies, and car dealers. We also advertise our car rental offerings through a variety of traditional media channels, such as television and newspapers, direct mail and the internet. In addition to advertising, we conduct a variety of other forms of marketing and promotion, including travel industry business partnerships and press and public relations activities.

We categorize our car rental business based on (i) the purpose for which customers rent from us (business or leisure) and (ii) the type of location from which they rent (airport or off airport). The table below sets forth the percentages of rental revenues and rental transactions in our U.S. and international operations based on these categories.

	Year Ended December 31, 2014			
	U.S.		International	
	Revenues	Transactions	Revenues	Transactions
Type of Car Rentals				
By Customer:				
Business	35 %	41 %	59 %	65 %

Leisure	65		59		41		35	
	100	%	100	%	100	%	100	%
By Location:								
Airport	72	%	65	%	55	%	57	%
Off airport	28		35		45		43	
	100	%	100	%	100	%	100	%

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Customers who rent from us for “business” purposes include those who require cars in connection with commercial activities, the activities of governments and other organizations or for temporary vehicle replacement purposes. Most business customers rent cars from us on terms that we have negotiated with their employers or other entities with which they are associated, and those terms can differ substantially from the terms on which we rent cars to the general public. We have negotiated arrangements relating to car rental with many large businesses, governments and other organizations, including most Fortune 500 companies.

Customers who rent from us for “leisure” purposes include not only individual travelers booking vacation travel rentals with us but also people renting to meet other personal needs. Leisure rentals, generally, are longer in duration and generate more revenue per transaction than do business rentals. Leisure rentals also include rentals by customers of U.S. and international tour operators, which are usually a part of tour packages that can include air travel and hotel accommodations.

Our business and leisure customers rent from both our airport and off airport locations. Demand for airport rentals is correlated with airline travel patterns, and transaction volumes generally follow enplanement and GDP trends on a global basis. Customers often make reservations for airport rentals when they book their flight plans, which make our strong relationships with travel agents, associations and other partners (e.g., airlines) a key competitive advantage in generating consistent and recurring revenue streams.

Off airport rentals include insurance replacements, therefore, we must establish agreements with the referring insurers establishing the relevant rental terms, including the arrangements made for billing and payment. While we estimate our share of the insurance replacement rental market was approximately 16% of the estimated insurance rental revenue volume in the U.S. for the year ended December 31, 2014, we have identified approximately 193 insurance companies, ranging from local or regional carriers to large, national companies, as our target insurance replacement market. As of December 31, 2014, we were a preferred or recognized supplier of 180 of these approximately 193 insurance companies and a co-primary at 39 of these approximately 193 insurance companies.

Fleet

We believe we are one of the largest private sector purchasers of new cars in the world. During the year ended December 31, 2014, we operated a peak rental fleet in the U.S. of approximately 517,500 cars and a combined peak rental fleet in our international operations of approximately 189,000 cars, and in each case exclusive of our franchisees' fleet and Donlen's leasing fleet. During the year ended December 31, 2014, our approximate average holding period for a rental car was 20 months in the U.S. and 14 months in our international operations.

The cars we purchase are either program cars or non-program cars. For program cars, under our repurchase programs, the manufacturers agree to repurchase cars at a specified price or guarantee the depreciation rate on the cars during established repurchase or auction periods, subject to, among other things, certain car condition, mileage and holding period requirements. Repurchase prices under repurchase programs are based on either a predetermined percentage of original car cost and the month in which the car is returned or the original capitalized cost less a set daily depreciation amount. Guaranteed depreciation programs guarantee on an aggregate basis the residual value of the cars covered by the programs upon sale according to certain parameters which include the holding period, mileage and condition of the cars. These repurchase and guaranteed depreciation programs limit our residual risk with respect to cars purchased under the programs and allow us to determine depreciation expense in advance.

Program cars as a percentage of all cars purchased within each of our U.S. and International car rental segments were as follows:

	Years Ended December 31,				
	2014	2013	2012	2011	2010
U.S.	49%	18%	19%	45%	54%
International	59%	57%	53%	55%	56%

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A significant percentage of our car rental fleet is purchased from the following vehicle manufacturers:

	As of December 31, 2014		
	U.S.	International	Worldwide Total
General Motors Company	27%	13%	24%
Fiat Chrysler Motor Company	17%	3%	14%
Nissan Motor Company	17%	5%	14%
Toyota Motor Corporation	15%	9%	13%
Ford Motor Company	8%	18%	10%

Purchases of cars are financed through cash from operations and by active and ongoing global borrowing programs. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources," in this Annual Report.

We maintain automobile maintenance centers at or near certain airports and in certain urban and off airport areas, which provide maintenance facilities for our car rental fleet. Many of these facilities include sophisticated car diagnostic and repair equipment and are accepted by automobile manufacturers as eligible to perform and receive reimbursement for warranty work. Collision damage and major repairs are generally performed by independent contractors.

Non-program cars are not purchased under repurchase or guaranteed depreciation programs. Rather, we dispose of non-program cars, as well as program cars that become ineligible for manufacturer repurchase or guaranteed depreciation programs, through a variety of disposition channels, including auctions, brokered sales, sales to wholesalers and dealers and, to a lesser extent and primarily in the U.S., sales at retail through a network of approximately 77 company-operated car sales locations, as of December 31, 2014, dedicated to the sale of used cars from our rental fleet.

We also offer Rent2Buy in 35 states and several European countries, an innovative program designed to sell used rental cars. Customers have an opportunity for a three-day test rental of a competitively priced car from our rental fleet. If the customer purchases the car, he or she is credited with up to three days of rental charges, and the purchase transaction is completed through the internet and by mail in those states where permitted.

During the year ended December 31, 2014, of the cars sold in our U.S. car rental operations that were not repurchased by manufacturers, we sold approximately 37% at auction, 37% through dealer direct and 26% through our Rent2Buy program or at retail locations. During the year ended December 31, 2014, of the cars sold in our international car rental operations that were not repurchased by manufacturers, we sold approximately 3% at auction, 5% through our Rent2Buy program or at retail locations and 92% through dealer direct.

Franchisees

In certain U.S. and international markets, we have found it efficient to utilize independent franchisees, which rent cars that they own, under our Hertz, Dollar, Thrifty or Firefly brands. In certain markets and under certain circumstances, franchisees are given the opportunity to acquire franchises for multiple brands.

We believe that our franchisee arrangements are important to our business because they enable us to offer expanded national and international service and a broader one-way rental program. Licenses are issued principally by our wholly-owned subsidiaries, under franchise arrangements to independent franchisees and affiliates who are engaged in the car rental business in the U.S. and in many other countries.

Franchisees generally pay fees based on a percentage of their revenues or the number of cars they operate. The operations of all franchisees, including the purchase and ownership of vehicles, are financed independently by the franchisees, and we do not have any investment interest in the franchisees or their fleets. Fees from franchisees are used to, among other things, generally support the cost of our brand awareness programs, reservations system, sales and marketing efforts and certain other services. In return, franchisees are provided the use of the applicable brand name, certain operational support and training, reservations through our reservations channels, and other services. In addition to car rental, certain franchisees outside the U.S. engage in car leasing, chauffeur-driven rentals and renting camper vans.

U.S. franchisees ordinarily are limited as to transferability without our consent and are terminable by us only for cause or after a fixed term. Franchisees in the U.S. may generally terminate for any reason on 90 days' notice. In Europe and certain other international jurisdictions, franchisees typically do not have early termination rights. Initial license fees or the price for the sale to a franchisee of a company-owned location may be payable over a term of several years. We continue to issue new licenses and, from time to time, purchase franchisee businesses.

Competition

In the U.S., in addition to local and regional vehicle rental companies, our principal car rental industry competitors are Avis Budget Group, Inc., or “ABG,” which currently operates the Avis, Budget, ZipCar and Payless brands and Enterprise Holdings, which operates the Enterprise Rent-A-Car Company, or "Enterprise," National Car Rental and Alamo Rent A Car brands.

In Europe, in addition to us, the principal pan-European participants in the car rental industry are ABG, operating the Avis, Budget and Zipcar brands, and Europcar. In certain European countries, there are also other companies and brands with substantial market shares, including Sixt AG (operating the Sixt brand) in Belgium, France, Germany, Luxembourg, the Netherlands, Spain, Switzerland and the United Kingdom; and Enterprise (operating the Enterprise brand) in France, Germany, Ireland and the United Kingdom.

Competition among car rental industry participants is intense and is primarily based on price, vehicle availability and quality, service, reliability, rental locations, product innovation, competition from on-line travel agents and car rental brokers. We believe that the prominence and service reputation of the Hertz brand, our extensive worldwide ownership of car rental operations and our commitment to innovation and service provide us with a competitive advantage. Additionally, our Dollar, Thrifty and Firefly brands enable us to compete across multiple market segments.

Seasonality

Our car rental operations are a seasonal business, with decreased levels of business in the winter months and heightened activity during spring and summer for the majority of countries where we generate our revenues. To accommodate increased demand, we increase our available fleet and staff during the second and third quarters of the year. As business demand declines, fleet and staff are decreased accordingly. Certain operating expenses, including real estate taxes, rent, insurance, utilities, maintenance and other facility-related expenses, the costs of operating our information technology systems and minimum staffing costs, remain fixed and cannot be adjusted for seasonal demand.

The following chart sets forth this seasonal effect of our car rental operations by presenting quarterly revenues for each of the years ended December 31, 2014, 2013 and 2012. Amounts are computed independently each quarter, therefore, the sum of the quarterly amounts may not equal the total amount for the respective year due to rounding.
*Amounts for the period from January 1, 2012 through November 18, 2012 exclude revenues for Dollar Thrifty, which was acquired on November 19, 2012.

Worldwide Equipment Rental

Our worldwide equipment rental segment generated $1,571 million in revenues during the year ended December 31, 2014.

Markets

Through HERC, we operate the Hertz Equipment Rental brand business in the U.S., Canada, France, Spain, China and Saudi Arabia and have a branch of our entertainment services business in the United Kingdom. We estimate the size of the North American portion of the rental industry dealing with equipment of the type HERC rents, which is highly fragmented with few national competitors and many regional and local operators, increased to approximately $38 billion in annual revenues for 2014 from $36 billion in annual revenues for 2013. On the basis of total revenues, we believe HERC is one of the largest equipment rental companies in the U.S. and Canada combined. Other market data indicates that the equipment rental industries in China, France and Spain generate approximately $5 billion, $2.5 billion and $1 billion in annual revenues, respectively, although the portions of those markets in which HERC competes are smaller.

Operations

Product Offerings

HERC offers a broad range of equipment for rental including earthmoving, material handling, aerial and electrical equipment, air compressors, pumps, power generators, small tools, compaction equipment, studio and production equipment, construction-related trucks and other commercial vehicles.

HERC's comprehensive fleet enables it to supply equipment to a wide variety of customers from local contractors to large industrial plants. The fact that many larger companies, particularly those with industrial plant operations, now require single source vendors to manage their total equipment needs fits well with HERC's core competencies. Arrangements with these large national companies include maintenance of the tools and equipment they own, supplies and rental tools for their labor force and custom management reports. HERC supports this through its dedicated in-plant operations, tool trailers and plant management systems.

Ancillary to its rental business, HERC is a retailer of certain brands of new equipment in North America, and sells contractor supplies such as construction consumables, tools, small equipment and safety supplies at many of its rental locations globally. The type of new equipment that HERC sells varies by location.

Hertz Entertainment Services, or "HESC" is a division of HERC that provides single-source car and equipment rental solutions to the entertainment and special events industries by offering customized vehicle and equipment rental solutions for motion picture and television productions, as well as turn-key solutions for live sports, corporate events and festivals. Specialized equipment available to this industry includes grip and lighting equipment, quiet power generation, boomlifts, forklifts and platform lifts, all of which can be delivered to production locations. HESC's services are tailored to fit the needs of large and small productions alike with competitive pricing and customized, monthly billing.

Locations

As of December 31, 2014, HERC had more than 350 branches throughout the U.S., Canada, France, Spain, China and Saudi Arabia. HERC's rental locations generally are situated in industrial or commercial zones. Additionally, HESC has operations in the United Kingdom.

Acquisitions and Joint Venture

Over the last five years, HERC has completed 11 acquisitions to strengthen its position in a variety of specialty rental markets, including the broader industrial market, the oil and gas submarket of the industrial market and the motion picture and television production industries.

In February 2010, HERC entered into a joint venture with Saudi Arabia based Dayim Holdings Company, Ltd. to establish equipment rental operations in the Kingdom of Saudi Arabia. The joint venture was extended into Qatar in 2014;

however, the location is not currently operational. The joint venture entity rents and sells equipment and tools to construction and industrial markets throughout the Kingdom of Saudi Arabia.

Customers

HERC operates in a wide range of customer segments across construction, infrastructure, industrial and specialty verticals. Key areas that HERC serves under these verticals include commercial, engineering, oil and gas, petrochemical, railroads and entertainment. Serving a wide range of industries enables HERC to reduce dependency on a single or limited number of customers and assists in reducing the seasonality of HERC's revenues and its impact from any one segment's cycle. HERC operates in both small and large metropolitan markets which enables it to reduce risk by having no single customer make up more than 3% of HERC's worldwide rental revenues for the year ended December 31, 2014. Of HERC's North American rental revenues for the year ended December 31, 2014, approximately 38% of revenues were derived from construction activity, 26% from industrial activity, while the remaining revenues were generated by rentals to government, railroad, entertainment and other types of customers.

HERC enters into rental agreements with companies, governmental bodies or other organizations seeking to rent HERC's assets. HERC delivers much of its equipment to customer job sites and retrieves the equipment from the job sites upon conclusion of the rental. HERC extends credit terms to many of its customers to pay for rentals.

Fleet

HERC acquires its equipment from a variety of manufacturers. The equipment is typically new at the time of acquisition and is not subject to any repurchase program. The per-unit acquisition cost of units of rental equipment in HERC's fleet varies from under $100 to over $200,000. As of December 31, 2014, the average per-unit acquisition cost (excluding small equipment purchased for less than $5,000 per unit) for HERC's fleet in the U.S. was approximately $41,000 and the average age of HERC's worldwide rental fleet was 43 months.

HERC disposes of its used equipment through a variety of channels, including private sales to customers and other third parties, sales to wholesalers, brokered sales and auctions.

Franchisees

HERC licenses the Hertz name to equipment rental businesses in four countries in Europe, one country in the Middle East, one country in Central Asia, one country in Central America and one country in South America. The terms of those licenses are broadly similar to those we grant to our international car rental franchisees.

Competition

HERC's competitors in the equipment rental industry range from other large national companies to regional and local businesses. In each of the countries where HERC operates, the equipment rental industry is highly fragmented, with large numbers of companies operating on a regional or local scale and the number of industry participants operating on a national scale being much smaller. HERC is one of the principal national-scale industry participants in the U.S., Canada and France. HERC's operations in North America represented approximately 93% of our worldwide equipment rental revenues during the year ended December 31, 2014. In the U.S. and Canada, the other top national-scale industry participants are United Rentals, Inc., H&E Equipment Services, Inc. and Sunbelt Rentals. In France, the other principal national-scale industry participants are Loxam and Kiloutou. Aggreko is a global competitor in the power generation rental markets in the same markets which HERC participates. In China, the other principal national-scale industry participants are Zicheng Corporation, Jin He Yuan, Lei Shing Hong and Far East Rental. In Saudi Arabia, the other principal national-scale industry participants are Bin Quraya, Al Zahid Tractors (CAT), Saudi Diesel, Rapid Access, Eastern Arabia and Rental Solutions & Services (RSS) Saudi Ltd.

Competition in the equipment rental industry is intense, and it often takes the form of price competition. We believe that HERC's competitive success has been primarily the product of its approximately 50 years of experience in the equipment rental industry, its systems and procedures for monitoring, controlling and developing its branch network, its capacity to maintain a comprehensive rental fleet, the reliability and safety of its equipment, the quality of its sales force and its established national accounts program.

Seasonality

Our worldwide equipment rental operation is a seasonal business, with demand for our rental equipment tending to be lower in the winter months. We have the ability to manage fleet capacity, the most significant portion of our cost structure, to meet market demand. 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 are directly related to revenues or transaction volumes, however, certain operating expenses, including rent, insurance, and administrative overhead, remain fixed and cannot be adjusted for seasonal demand.

The following chart sets forth this seasonal effect of our equipment rental operations by providing quarterly revenues for each of the years ended December 31, 2014, 2013 and 2012. Amounts are computed independently each quarter, therefore, the sum of the quarterly amounts may not equal the total amount for the respective year due to rounding.

All Other Operations

Through our Donlen subsidiary, we provide fleet leasing and management services for corporate fleets and through HCM, we provide claim management services. Our All Other Operations segment generated $568 million in revenues during the year ended December 31, 2014.

Donlen

Donlen provides a comprehensive array of fleet leasing, financing, telematics, and management services to commercial fleets in the U.S. and Canada. Products offered by Donlen include:

- Vehicle financing, acquisition and remarketing;
- License, title and registration;
- Maintenance consultation;
- Fuel management;
- Accident management;
- Toll management;
- Telematics-based location, driver performance and scorecard reporting; and
- Equipment financing,

Donlen’s leased fleet consists primarily of passenger cars, cargo vans and light-duty trucks. Vehicles are acquired directly from domestic and foreign manufacturers, as well as dealers. As of December 31, 2014, more than half of Donlen’s leased fleet is 2013 model year or newer.

Donlen’s primary product for car and light to medium truck fleets is an open-ended terminal rental adjustment clause, or "TRAC," lease. For most customers, the vehicle must be leased for a minimum of 12 months, after which the lease converts to a month-to-month lease allowing the vehicle to be surrendered any time thereafter. Our sale of the vehicle following the termination of the lease may result in a TRAC adjustment, through which the customer is credited or charged with the surplus or loss on the vehicle. Approximately 81% of Donlen’s lease portfolio consists of floating-rate leases which allow lease charges to be adjusted based on benchmark indices.

Donlen also offers financing solutions for heavier-duty trucks and equipment. Lease financing is provided through syndication arrangements with lending institutions. Donlen originates the leases, acquires the assets, and services the lease throughout the term.

Donlen provides services to leased and non-leased fleets consisting of fuel purchasing and management, preventive maintenance, repair consultation, toll management and accident management. Additionally, Donlen manages license and title, vehicle registration, and regulatory compliance. Donlen’s telematics products provide enhanced visibility and reporting over driver and vehicle performance.

The commercial fleet market is one of the largest segments of the U.S. automotive industry, primarily consisting of vehicles utilized in a sales, service, or delivery application. The fleet management industry has experienced significant consolidation over the years and today our principal fleet management competitors in the U.S. and Canada are GE Capital, Automotive Resources International, Element Financial Corporation, Wheels, Inc. and LeasePlan Corporation N.V.

HCM

HCM provides claim management services to us. These services include investigating, evaluating, negotiating and disposing of a wide variety of claims, including third-party, first-party, bodily injury, property damage, general liability and product liability, but not the underwriting of risks. HCM conducts business at four regional offices in the U.S. Separate subsidiaries of ours conduct similar operations in seven countries in Europe.

EMPLOYEES

As of December 31, 2014, we employed approximately 33,000 persons, consisting of approximately 25,000 persons in our U.S. operations and approximately 8,000 persons in our international operations. International employees are covered by a wide variety of union contracts and governmental regulations affecting, among other things, compensation, job retention rights and pensions. Labor contracts covering the terms of employment of approximately 6,000 employees in the U.S. (including those in the U.S. territories) are presently in effect under approximately 125 active contracts with local unions, affiliated primarily with the International Brotherhood of Teamsters and the International Association of Machinists. Labor contracts covering approximately 2,800 of these employees will expire during 2015. We have had no material work stoppage as a result of labor problems during the last ten years, and we believe our labor relations to be good. Nevertheless, we may be unable to negotiate new labor contracts on terms advantageous to us, or without labor interruption.

In addition to the employees referred to above, we employ a substantial number of temporary workers, and engage outside services, as is customary in the industry, principally for the non-revenue movement of rental cars and equipment between rental locations and the movement of rental equipment to and from customers' job sites.

INSURANCE AND RISK MANAGEMENT

There are three types of generally insurable risks that arise in our operations:

- legal liability arising from the operation of our cars and on-road equipment (vehicle liability);

- legal liability to members of the public and employees from other causes (general liability/workers' compensation); and
- risk of property damage and/or business interruption and/or increased cost of operating as a consequence of property damage.

In addition, we offer optional liability insurance and other products providing insurance coverage, which create additional risk exposures for us. Our risk of property damage is also increased when we waive the provisions in our rental contracts that hold a renter responsible for damage or loss under an optional loss or damage waiver that we offer. We bear these and other risks, except to the extent the risks are transferred through insurance or contractual arrangements.

In many cases we self-insure our risks or insure risks through wholly-owned insurance subsidiaries. We mitigate our exposure to large liability losses by maintaining excess insurance coverage, subject to deductibles and caps, through unaffiliated carriers. For our international operations outside of Europe, and for our long-term fleet leasing operations, we maintain some liability insurance coverage with unaffiliated carriers.

Third-Party Liability

In our U.S. operations, we are required by applicable financial responsibility laws to maintain insurance against legal liability for bodily injury (including death) or property damage to third parties arising from the operation of our cars and on-road equipment, sometimes called “vehicle liability,” in stipulated amounts. In most places, we satisfy those requirements by qualifying as a self-insurer, a process that typically involves governmental filings and demonstration of financial responsibility, which sometimes requires the posting of a bond or other security. In the remaining places, we obtain an insurance policy from an unaffiliated insurance carrier and indemnify the carrier for any amounts paid under the policy. As a result of such arrangements, we bear economic responsibility for U.S. vehicle liability, except to the extent we successfully transfer such liability to others through insurance or contractual arrangements.

For our car and equipment rental operations in Europe, we have established a wholly-owned insurance subsidiary, Probus Insurance Company Europe Limited, or “Probus,” a direct writer of insurance domiciled in Ireland. In European countries with company-operated locations, we have purchased from Probus the vehicle liability insurance required by law, and Probus reinsured the risks under such insurance with Hertz International RE, a reinsurer organized in Ireland, or “HIRE,” and / or HIRE Bermuda Limited, a wholly-owned reinsurance company domiciled in Bermuda. This coverage is purchased from unaffiliated carriers for Spain. We also insure a portion of our European property risk through Probus. Thus, as with our U.S. operations, we bear economic responsibility for vehicle liability in our European car and equipment rental operations, except to the extent that we transfer such liability to others through insurance or contractual arrangements. For our international operations outside of Europe, we maintain some form of vehicle liability insurance coverage with unaffiliated carriers. The nature of such coverage, and our economic responsibility for covered losses, varies considerably. In all cases, though, we believe the amounts and nature of the coverage we obtain is adequate in light of the respective potential hazards.

In our U.S. and international operations, from time to time in the course of our business we become legally responsible to members of the public for bodily injury (including death) or property damage arising from causes other than the operation of our cars and on-road equipment, sometimes known as “general liability.” As with vehicle liability, we bear economic responsibility for general liability losses, except to the extent we transfer such losses to others through insurance or contractual arrangements.

To mitigate these exposures, we maintain excess liability insurance coverage with unaffiliated insurance carriers.

In our U.S. car rental operations, we offer an optional liability insurance product, Liability Insurance Supplement, or "LIS," that provides vehicle liability insurance coverage substantially higher than state minimum levels to the renter and other authorized operators of a rented vehicle. LIS coverage is primarily provided under excess liability insurance policies issued by an unaffiliated insurance carrier, the risks under which are reinsured with a subsidiary of ours, HIRE Bermuda Limited.

In our U.S. car rental operations and our company-operated international car rental operations in many countries, we offer optional products providing insurance coverage, or "PAI/PEC" coverage, to the renter and the renter's immediate family members traveling with the renter for accidental death or accidental medical expenses arising during the rental period or for damage or loss of their property during the rental period. PAI/PEC coverage is provided under insurance policies issued by unaffiliated carriers or, in Europe, by Probus, and the risks under such policies either are reinsured with HIRE or another subsidiary of ours or are the subject of indemnification arrangements between us and the carriers.

Our offering of LIS and PAI/PEC coverage in our U.S. car rental operations is conducted pursuant to limited licenses or exemptions under state laws governing the licensing of insurance producers. In our international car rental operations, our offering of PAI/PEC coverage historically has not been regulated.

Provisions on our books for self-insured vehicle liability losses are made by charges to expense based upon evaluations of estimated ultimate liabilities on reported and unreported claims. As of December 31, 2014, this liability was estimated at $385 million for our combined U.S. and international operations.

Damage to Our Property

We bear the risk of damage to our property, unless such risk is transferred through insurance or contractual arrangements.

To mitigate our risk of large, single-site property damage losses globally, we maintain property insurance with unaffiliated insurance carriers in such amounts as we deem adequate in light of the respective hazards, where such insurance is available on commercially reasonable terms.

Our rental contracts typically provide that the renter is responsible for damage to or loss (including loss through theft) of rented vehicles or equipment. We generally offer an optional rental product, known in various countries as “loss damage waiver,” “collision damage waiver,” “theft protection” or “accident excess reduction,” under which we waive or limit our right to make a claim for such damage or loss. This product is not regulated as insurance, but it is subject to specific laws in roughly half of the U.S. jurisdictions where we operate.

Collision damage costs and the costs of stolen or unaccounted-for vehicles and equipment, along with other damage to our property, are charged to expense as incurred.

Other Risks

To manage other risks associated with our businesses, or to comply with applicable law, we purchase other types of insurance carried by business organizations, such as worker's compensation and employer's liability, commercial crime and fidelity, performance bonds, directors' and officers' liability insurance and cyber security coverage from unaffiliated insurance companies in amounts deemed by us to be adequate in light of the respective hazards, where such coverage is obtainable on commercially reasonable terms.

GOVERNMENT REGULATION AND ENVIRONMENTAL MATTERS

Throughout the world, we are subject to numerous types of governmental controls, including those relating to prices and advertising, privacy and data protection, currency controls, labor matters, credit and charge card operations, insurance, environmental protection, used car sales and licensing.

Environmental

We are subject to extensive federal, state, local, and foreign environmental and safety laws, regulations, directives, rules and ordinances concerning, among other things, the operation and maintenance of cars, trucks and other vehicles, such as heavy equipment, buses and vans; the ownership and operation of tanks for the storage of petroleum products, including gasoline, diesel fuel and oil; and the generation, storage, transportation and disposal of waste materials, including oil, vehicle wash sludge and waste water.

As of December 31, 2014, we have accrued an amount we deem appropriate for environmental remediation. The accrual generally represents the estimated cost to study potential environmental issues at sites deemed to require investigation or clean-up activities, and the estimated cost to implement remediation actions, including ongoing maintenance, as required. Based on information currently available, we believe that the ultimate resolution of existing environmental remediation actions and our compliance in general with environmental laws and regulations will not have a material effect on our earnings or financial condition. However, it is difficult to predict with certainty the potential impact of future compliance efforts and environmental remedial actions and thus future costs associated with such matters may exceed the amount of the current accrual.

Dealings with Renters

In the U.S., car and equipment rental transactions are generally subject to Article 2A of the Uniform Commercial Code, which governs “leases” of tangible personal property. Car rental is also specifically regulated in more than half of the states of the U.S. and many other international jurisdictions. The subjects of these regulations include the methods by which we advertise, quote and charge prices, the consequences of failing to honor reservations, the terms on which we deal with vehicle loss or damage (including the protections we provide to renters purchasing loss or damage waivers) and the terms and method of sale of the optional insurance coverage that we offer. Some states (including California, New York, Nevada and Illinois) regulate the price at which we may sell loss or damage waivers, and many state insurance regulators have authority over the prices and terms of the optional insurance coverage we offer. See “Risk Management-Damage to Our Property” above for further discussion regarding the loss or damage waivers and optional insurance coverages that we offer renters. In addition, various consumer protection laws and regulations may generally apply to our business operations. Internationally, regulatory regimes vary greatly by jurisdiction, but they do not generally prevent us from dealing with customers in a manner similar to that employed in the U.S.

Both in the U.S. and internationally, we are subject to increasing regulation relating to customer privacy and data protection. In general, we are limited in the uses to which we may put data that we collect about renters, including the circumstances in which we may communicate with them. In addition, we are generally obligated to take reasonable steps to protect customer data while it is in our possession. Our failure to do so could subject us to substantial legal liability or seriously damage our reputation.

Changes in Regulation

Changes in government regulation of our businesses have the potential to materially alter our business practices, or our profitability. Depending on the jurisdiction, those changes may come about through new legislation, the issuance of new laws and regulations or changes in the interpretation of existing laws and regulations by a court, regulatory body or governmental official. Sometimes those changes may have not just prospective but also retroactive effect; this is particularly true when a change is made through reinterpretation of laws or regulations that have been in effect for some time. Moreover, changes in regulation that may seem neutral on their face may have either more or less impact on us than on our competitors, depending on the circumstances. Several U.S. State Attorneys General have taken the position that car rental companies either may not pass through to customers, by means of separate charges, expenses such as vehicle licensing and concession fees or may do so only in certain limited circumstances. Recent or potential changes in law or regulation that affect us relate to insurance intermediaries, customer privacy and data security and rate regulation.

In addition, our operations, as well as those of our competitors, also could be affected by any limitation in the fuel supply or by any imposition of mandatory allocation or rationing regulations. We are not aware of any current proposal to impose such a regime in the U.S. or internationally. Such a regime could, however, be quickly imposed if there was a serious disruption in supply for any reason, including an act of war, terrorist incident or other problem affecting petroleum supply, refining, distribution or pricing.

AVAILABLE INFORMATION

We file annual, quarterly and current reports and other information with the SEC, though, due to the restatement matters discussed herein, we did not file any quarterly reports for the year ended December 31, 2014. You may read and copy any documents that we file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 to obtain further information about the public reference room. In addition, the SEC maintains an internet website (www.sec.gov) that contains reports, proxy and information statements and other information about issuers that file electronically with the SEC, including Hertz Holdings. You may also access, free of charge, our reports filed with the SEC (for example, our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K and any amendments to those forms) indirectly through our internet website (www.hertz.com). Reports filed with or furnished to the SEC will be available as soon as reasonably practicable after they are filed with or furnished to the SEC. The information found on our website is not part of this or any other report filed with or furnished to the SEC.

ITEM 1A. RISK FACTORS

Our business is subject to a number of important risks and uncertainties, some of which are described below. The risks and uncertainties described below, however, are not the only risks and uncertainties that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also significantly impact us. Any of these risks and uncertainties may materially and adversely affect our business, financial condition or results of operations, liquidity and cash flows. In such a case, you may lose all or part of your investment in our common stock. You should carefully consider each of the following risks and uncertainties. Any of the following risks and uncertainties could materially and adversely affect our business, financial condition, operating results or cash flow and we believe that the following information identifies the material risks and uncertainties affecting our company; however, the following risks and uncertainties are not the only risks and uncertainties facing us and it is possible that other risks and uncertainties might significantly impact us.

RISKS RELATED TO OUR BUSINESS

Our car rental business, which provides the majority of our revenues, is particularly sensitive to reductions in the levels of airline passenger travel, and reductions in air travel could materially adversely impact our financial condition, results of operations, liquidity and cash flows.

Our results of operations are affected by many economic factors, including the level of economic activity in the markets in which we operate. At times in the past, the United States and international markets have experienced declines in economic activity that have affected the car rental market, including a tightening of the credit markets, reduced business and leisure travel, reduced government and consumer spending and volatile fuel prices. The car rental industry is particularly affected by reductions in business and leisure travel, especially with respect to levels of airline passenger traffic. Reductions in levels of air travel, whether caused by general economic conditions, airfare increases (such as due to capacity reductions or increases in fuel costs borne by commercial airlines) or other events (such as work stoppages, military conflicts, terrorist incidents, natural disasters, epidemic diseases, or the response of governments to any of these events) could materially adversely affect us. In particular, we derive a substantial proportion of our revenues from key leisure destinations, including Florida, Hawaii, California and Texas and the level of travel to these destinations is dependent upon the ability and willingness of consumers to travel on vacation and the effect of economic cycles on consumers' discretionary travel. To the extent travel to these destinations is adversely affected, our results of operations could be materially adversely affected.

We face intense competition that may lead to downward pricing or an inability to increase prices.

The markets in which we operate are highly competitive. We believe that price is one of the primary competitive factors in the car and equipment rental markets and that the internet has enabled cost-conscious customers, including business travelers, to more easily compare rates available from rental companies. If we try to increase our pricing, our competitors, some of whom may have greater resources and better access to capital than us, may seek to compete aggressively on the basis of pricing. In addition, our competitors may reduce prices in order to attempt to gain a competitive advantage, capture market share, or to compensate for declines in rental activity. To the extent we do not match or remain within a reasonable competitive margin of our competitors' pricing, our revenues and results of operations could be materially adversely affected. If competitive pressures lead us to match any of our competitors' downward pricing and we are not able to reduce our operating costs, then our margins, results of operations and cash flows could be materially adversely impacted. Additionally, our business may be affected by changes in technology that impact the competitive environment and we could be further affected if we are not able to adjust the size of our car rental fleet in response to changes in demand, whether such changes are due to competition or otherwise. See Item 1, ‘‘Business—U.S. and International Car Rental Operations—Competition’’ and ‘‘Business—Worldwide Equipment Rental—Competition’’ in this Annual Report.

Our business is highly seasonal and any occurrence that disrupts rental activity during our peak periods could materially adversely affect our liquidity, cash flows and results of operations.

Certain significant components of our expenses are fixed in the short-term, including minimum concession fees, real estate taxes, rent, insurance, utilities, maintenance and other facility-related expenses, the costs of operating our information technology systems and minimum staffing costs. Seasonal changes in our revenues do not alter those fixed expenses, typically resulting in higher profitability in periods when our revenues are higher. The second and third quarters of the year have historically been the strongest quarters for our car rental business due to increased levels of leisure travel and 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 quarter until December. Any occurrence that disrupts rental activity during these periods could have a disproportionately material adverse effect on our liquidity, cash flows and results of operations.

A material downsizing of our rental car fleet could require us to make additional cash payments for tax liabilities, which could be material.

We have maintained like-kind exchange programs for our U.S. car rental business, HERC and Donlen for a number of years and Dollar Thrifty maintained a similar program prior to our acquisition of Dollar Thrifty. Our like-kind exchange programs allow tax gains on the disposition of vehicles in our car rental fleet to be deferred and have resulted in deferrals of federal and state income taxes for prior years. If a qualified replacement vehicle is not purchased within a specific time period after vehicle disposal, then taxable gain is recognized. A material reduction in the net book value of our car rental fleet, a material and extended reduction in vehicle purchases and/or a material downsizing of our car rental fleet, for any reason, could result in reduced tax deferrals in the future, which in turn could require us to make material cash payments for U.S. federal and state income tax liabilities.

If we are unable to purchase adequate supplies of competitively priced cars or equipment and the cost of the cars or equipment we purchase increases, our financial condition, results of operations, liquidity and cash flows may be materially adversely affected.

The price and other terms at which we can acquire cars vary based on market and other conditions. For example, certain car manufacturers have in the past, and may in the future, utilize strategies to de-emphasize sales to the car rental industry, which can negatively impact our ability to obtain cars on competitive terms and conditions. Consequently, there is no guarantee that we can purchase a sufficient number of vehicles at competitive prices and on competitive terms and conditions. Reduced or limited supplies of equipment together with increased prices are risks that we also face in our equipment rental business. If we are unable to obtain an adequate supply of cars or equipment, or if we obtain less favorable pricing and other terms when we acquire cars or equipment and are unable to pass on any increased costs to our customers, then our financial condition, results of operations, liquidity and cash flows may be materially adversely affected.

Increased fleet cost due to declines in the value of the non-program cars in our fleet could materially adversely impact our financial condition, results of operations, liquidity and cash flows.

For the years ended December 31, 2014 and 2013, 53% and 30% of the vehicles purchased for our combined U.S. and international car rental fleets were program cars.

Manufacturers agree to repurchase program cars at a specified price or guarantee the depreciation rate on the cars during a specified time period. To the extent the vehicles in our fleet are non-program cars, we have an increased risk that the market value of a car at the time of its disposition will be less than its estimated residual value at such time. Any decrease in residual values with respect to our non-program cars and equipment could also materially adversely affect our financial condition, results of operations, liquidity and cash flows.

The use of program cars enables us to determine our depreciation expense in advance and this is useful to us because depreciation is a significant cost factor in our operations. Using program cars is also useful in managing our seasonal peak demand for fleet, because in certain cases we can sell certain program cars shortly after having acquired them at a higher value than what we could for a similar non-program car at that time. If there were fewer program cars in our fleet, these benefits would diminish and we would bear increased risk related to residual value. In addition, the related depreciation on our car rental fleet and our flexibility to reduce the size of our fleet by returning cars sooner than originally expected without the risk of loss in the event of an economic downturn or to respond to changes in rental demand would be reduced.

The failure of a manufacturer of our program cars to fulfill its obligations under a repurchase or guaranteed depreciation program could expose us to loss on those program cars and materially adversely affect certain of our financing arrangements, which could in turn materially adversely affect our liquidity, cash flows, financial condition and results of operations.

If any manufacturer of our program cars does not fulfill its obligations under its repurchase or guaranteed depreciation agreement with us, whether due to default, reorganization, bankruptcy or otherwise, then we would have to dispose of those program cars without receiving the benefits of the associated programs (we could be left with a substantial unpaid claim against the manufacturer with respect to program cars that were sold and returned to the manufacturer but not paid for, or that were sold for less than their agreed repurchase price or guaranteed value) and we would also be exposed to residual risk with respect to these cars.

The failure by a manufacturer to pay such amounts could cause a credit enhancement deficiency with respect to our asset-backed and asset-based financing arrangements, requiring us to either reduce the outstanding principal amount of debt or provide more collateral (in the form of cash, vehicles and/or certain other contractual rights) to the creditors under any such affected arrangement.

If one or more manufacturers were to adversely modify or eliminate repurchase or guaranteed depreciation programs in the future, our access to and the terms of asset-backed and asset-based debt financing could be adversely affected, which could in turn have a material adverse effect on our liquidity, cash flows, financial condition and results of operations.

We rely on third-party distribution channels for a significant amount of our revenues.

Third-party distribution channels accounted for approximately 50% of our car rental reservations for the year ended December 31, 2014. These third-party distribution channels include traditional and online travel agencies, third-party internet sites, airlines and hotel companies, marketing partners such as credit card companies and membership organizations and global distribution systems that allow travel agents, travel service providers and customers to connect directly to our reservations systems, with the largest source of reservations being global distribution systems. Loss of access to any of these channels, changes in pricing or commission structures or a reduction in transaction volume could have an adverse impact on our financial condition or results of operations, particularly if our customers are unable to access our reservation systems through alternate channels.

Our equipment rental fleet is subject to residual value risk upon disposition, and may not sell at the prices we expect.
The market value of our equipment at the time of its disposition could be less than its estimated residual value or its depreciated value at such time. A number of factors could affect the value received upon disposition of our equipment, including:

- the market price for similar new equipment;
- wear and tear on the equipment relative to its age and the performance of preventive maintenance;
- the time of year that it is sold;
- the supply of used equipment relative to the demand for used equipment, including as a result of changes in economic conditions or conditions in the markets that we serve; and
- the existence and capacities of different sales outlets and our ability to develop and maintain different types of sales outlets.

Since we include in income from operations the difference between the sales price and the depreciated value of an item of equipment sold, a sale of equipment below its depreciated value could adversely affect our income from operations. Accordingly, our ability to reduce the size of our equipment rental fleet in the event of an economic downturn or to respond to changes in rental demand is subject to the risk of loss based on the residual value of rental equipment.

We incur maintenance and repair costs associated with our equipment rental fleet that could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows in the event these costs are greater than anticipated.

As our fleet of rental equipment ages, the cost of maintaining such equipment, if not replaced within a certain period of time, generally increases. Determining the optimal age at disposition for our rental equipment is subjective and requires considerable estimates by management. We have made estimates regarding the relationship between the age of our rental equipment, the maintenance and repair costs and the market value of used equipment. Our future financial condition, results of operations, liquidity and cash flows could be adversely affected because our maintenance and repair costs may be higher than estimated and market values of used equipment may fluctuate.

Our HERC business is cyclical in nature and the recent worldwide economic downturn, and the resulting decreases in construction and industrial activities, especially in North America, adversely affected our revenues and operating results by decreasing the demand for our rental equipment and the prices that we could charge. A slowdown in the economic recovery or changes in the economic factors specific to the industries in which we operate could have further adverse effects on our liquidity, cash flows and results of operations.

A substantial portion of our revenues are derived from the rental of equipment in the non-residential construction and industrial end markets, which are cyclical in nature. Our industry experienced a decline in construction and industrial activity as a result of the economic downturn that commenced in the latter part of 2008 and continued through 2010. The weakness in our end markets led to a decrease in the demand for our rental equipment and intensifying price competition from other equipment rental industry participants. In addition, other industries in which we operate, such as the oil and gas industry and the entertainment industry, may be subject to different factors and economic cycles that could have an effect on demand for our products and services within those industries. Recently, declines in oil prices have led to a significant slowdown in activity in the oil and gas industry, which has negatively affected our rentals to participants in this industry. Decreases in general or industry-specific economic activity adversely affect our operating results by causing our revenues to decline and, because certain of our costs are fixed, our operating margins to be reduced. While many areas of the global economy are improving, a slowdown in the economic recovery or worsening of economic conditions, in particular with respect to North American construction and general industrial activities, could cause weakness in our end markets and adversely affect our revenues and operating results.

The following factors, among others, may cause weakness in our end markets, either temporarily or long-term:

- a decrease in expected levels of infrastructure spending;
- a decrease in the expected levels of rental versus ownership of equipment;
- a lack of availability of credit;
- an increase in the cost of construction materials;
- an increase in interest rates;
- adverse weather conditions, which may temporarily affect a particular region; or
- terrorism or hostilities involving the United States or Canada.

We may not be successful in implementing our strategy of further reducing operating costs and our cost reduction initiatives may have adverse consequences.

We are continuing to implement initiatives to reduce our operating expenses. These initiatives may include headcount reductions, business process outsourcing, business process re-engineering, internal reorganization and other expense controls. We cannot assure you that our cost reduction initiatives will achieve any further success. Whether or not successful, our cost reduction initiatives involve significant expenses and we expect to incur further expenses associated with these initiatives, some of which may be material in the period in which they are incurred.

Even if we achieve further success with our cost reduction initiatives, we face risks associated with our initiatives, including declines in employee morale or the level of customer service we provide, the efficiency of our operations or the effectiveness of our internal controls. Any of these risks could have a material adverse impact on our results of operations, financial condition, liquidity and cash flows.

If our new initiatives to reduce costs, increase efficiencies and increase customer loyalty are not successful, our margins may suffer.

Our 2014 operating results suffered due to areas of inefficiency within the organization, excess fleet capacity and an aging fleet, which we believe negatively impacted our market share. We have moved aggressively to pursue opportunities to deliver cost savings, increase our efficiency and regain customer loyalty. If we are unsuccessful in taking advantage of these opportunities and continue to lose market share, we may be unable to align our cost structure to lower levels of demand, which could depress our margins. In addition, some internet travel intermediaries use generic indicators of the type of vehicle (such as “standard” or “compact”) at the expense of brand identification and some intermediaries have launched their own loyalty programs to develop loyalties to their reservation system rather than to our brands. If the volume of sales made through internet travel intermediaries increases significantly and consumers develop stronger loyalties to these intermediaries rather than to our brands, our business and revenues could be harmed. If our market share suffers due to lower levels of customer loyalty, our financial results could continue to suffer.

An impairment of our goodwill or our indefinite lived intangible assets could have a material non-cash adverse impact on our results of operations.

We review our goodwill and indefinite lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable and at least annually. If economic deterioration occurs, then we may be required to record charges for goodwill or indefinite lived intangible asset impairments in the future, which could have a material adverse non-cash impact on our results of operations.

Our foreign operations expose us to risks that may materially adversely affect our results of operations, liquidity and cash flows.

A significant portion of our annual revenues are generated outside the U.S., and we intend to pursue additional international growth opportunities. Operating in many different countries exposes us to varying risks, which include: (i) multiple, and sometimes conflicting, foreign regulatory requirements and laws that are subject to change and are often much different than the domestic laws in the U.S., including laws relating to taxes, automobile-related liability, insurance rates, insurance products, consumer privacy, data security, employment matters, cost and fee recovery, and the protection of our trademarks and other intellectual property; (ii) the effect of foreign currency translation risk, as well as limitations on our ability to repatriate income; (iii) varying tax regimes, including consequences from changes in applicable tax laws; (iv) local ownership or investment requirements, as well as difficulties in obtaining financing in foreign countries for local operations; and (v) political and economic instability, natural calamities, war, and terrorism. The effects of these risks may, individually or in the aggregate, materially adversely affect our results of operations, liquidity, cash flows and ability to diversify internationally.

Manufacturer safety recalls could create risks to our business.

Our cars may be subject to safety recalls by their manufacturers. A recall may cause us to retrieve cars from renters and decline to rent recalled cars until we can arrange for the steps described in the recall to be taken. If a large number of cars are the subject of a recall or if needed replacement parts are not in adequate supply, we may not be able to rent recalled cars for a significant period of time. Those types of disruptions could jeopardize our ability to fulfill existing contractual commitments or satisfy demand for our vehicles, and could also result in the loss of business to our competitors. Depending on the severity of any recall, it could materially adversely affect our revenues, create customer service problems, reduce the residual value of the recalled cars and harm our general reputation.

We may fail to respond adequately to changes in technology and customer demands.

In recent years our industry has been characterized by rapid changes in technology and customer demands. For example, in recent years, industry participants have taken advantage of new technologies to improve fleet efficiency, decrease customer wait times and improve customer satisfaction. Many industries have also seen the entry of new competitors whose businesses are based on emerging mobile platforms. Our ability to continually improve our current processes and products in response to changes in technology is essential in maintaining our competitive position and maintaining current levels of customer satisfaction. We may experience technical or other difficulties that could delay or prevent the development, introduction or marketing of new products or enhanced product offerings.

Our business is heavily reliant upon communications networks and centralized information technology systems and the concentration of our systems creates risks for us.

We rely heavily on communication networks and information technology systems to accept reservations, process rental and sales transactions, manage our pricing, manage our fleets of cars and equipment, manage our financing arrangements, account for our activities and otherwise conduct our business. Our reliance on these networks and systems exposes us to various risks that could cause a loss of reservations, interfere with our ability to manage our fleet, slow rental and sales processes, adversely affect our ability to comply with our financing arrangements and otherwise materially adversely affect our ability to manage our business effectively. Our major information technology systems, reservations and accounting functions are centralized in a few locations worldwide. Any disruption, termination or substandard provision of these services, whether as the result of localized conditions (such as a fire, explosion or hacking), failure of our systems to function as designed, or as the result of events or circumstances of broader geographic impact (such as an earthquake, storm, flood, epidemic, strike, act of war, civil unrest or terrorist act), could materially adversely affect our business by disrupting normal reservations, customer service, accounting and information technology functions or by eliminating access to financing arrangements. Any disruption or poor performance of our systems could lead to lower revenues, increased costs or other material adverse effects on our results of operations.

Failure to maintain, upgrade and consolidate our information technology networks could adversely affect us.

We are continuously upgrading and consolidating our systems, including making changes to legacy systems, replacing legacy systems with successor systems with new functionality and acquiring new systems with new functionality. In particular, we currently have a material weakness in our internal control due, in part, to the weakness in our accounting system. We are also continuing to integrate Dollar Thrifty’s legacy systems, which has taken us longer, and cost us more, than initially expected. These types of activities subject us to additional costs and inherent risks associated with replacing and changing these systems, including impairment of our ability to manage our business, potential disruption of our internal control structure, substantial capital expenditures, additional administration and operating expenses, retention of sufficiently skilled personnel to implement and operate the new systems, demands on management time, and other risks and costs of delays or difficulties in transitioning to new systems or of integrating new systems into our current systems. Our system implementations may not result in productivity improvements at a level that outweighs the costs of implementation, or at all. In addition, the implementation of new technology systems may cause disruptions in our business operations and have an adverse effect on our business and operations, if not anticipated and appropriately mitigated and our competitive position may be adversely affected if we are unable to maintain systems that allow us to manage our business in a competitive manner.

The misuse or theft of information we possess, including as a result of cyber security breaches, could harm our brand, reputation or competitive position and give rise to material liabilities.

We regularly possess, store and handle non-public information about millions of individuals and businesses, including both credit and debit card information and other sensitive and confidential personal information. In addition, our customers regularly transmit confidential information to us via the internet and through other electronic means. Despite the security measures we currently have in place, our facilities and systems and those of our third-party service providers may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our systems or facilities, or those of third parties with whom we do business, through fraud, trickery, or other forms of deception of our employees or contractors. Many of the techniques used to obtain unauthorized access, including viruses, worms and other malicious software programs, are difficult to anticipate until launched against a target and we may be unable to implement adequate preventative measures. Our failure to maintain the security of that data, whether as the result of our own error or the malfeasance or errors of others, could harm our reputation, interrupt our operations, result in governmental investigations and give rise to a host of civil or criminal liabilities. Any such failure could lead to lower revenues, increased remediation, prevention and other costs and other material adverse effects on our results of operations.

Our leases and vehicle rental concessions expose us to risks.

We maintain a substantial network of car rental locations, including what we believe is the largest number of company-operated airport car rental locations in the U.S. and at a number of airports internationally. Many of these locations are leased and, in the case of airport car rental locations, the subject of vehicle rental concessions where vehicle rental companies are frequently required to bid periodically for the available locations. If we are unable to continue operating these facilities at their current locations due to the termination of leases or vehicle rental concessions, particularly at airports, which comprise a majority of our revenues, our operating results could be adversely affected.

Maintaining favorable brand recognition is essential to our success, and failure to do so could materially adversely affect our results of operations.

Our business is heavily dependent upon the favorable brand recognition of our "Hertz", "Dollar", "Thrifty", and "Firefly" brand names have in the markets in which they participate. Factors affecting brand recognition are often outside our control, and our efforts to maintain or enhance favorable brand recognition, such as marketing and advertising campaigns, may not have their desired effects. In addition, although our licensing partners are subject to contractual requirements to protect our brands, it may be difficult to monitor or enforce such requirements, particularly in foreign jurisdictions. Any decline in perceived favorable recognition of our brands could materially adversely affect our results of operations.

Our business operations are dependent upon our new senior management team and the ability of our other new employees to learn their new roles.

Within the past two years, we have substantially changed our senior management team and have replaced many of the other employees performing key functions at our corporate headquarters. We have a new Chief Executive Officer who started on November 20, 2014, a new Chief Financial Officer who started on December 9, 2013 and many other new members of our senior management team. In addition, in connection with the transition of our corporate headquarters from Park Ridge, New Jersey to Estero, Florida, we have replaced many other employees in other key functions. As new employees gain experience in their roles, we could experience inefficiencies or a lack of business continuity due to loss of historical knowledge and a lack of familiarity of new employees with business processes, operating requirements, policies and procedures, some of which are new, and key information technologies and related infrastructure used in our day-to-day operations and financial reporting and we may experience additional costs as new employees learn their roles and gain necessary experience. It is important to our success that these key employees quickly adapt to and excel in their new roles. If they are unable to do so, our business and financial results could be materially adversely affected. In addition, if we were to lose the services of any one or more key employees, whether due to death, disability or termination of employment, our ability to successfully implement our business strategy, financial plans, marketing and other objectives, could be significantly impaired.

We may face issues with our union employees.

Labor contracts covering the terms of employment of approximately 6,000 employees in the U.S. (including those in the U.S. territories) are presently in effect under approximately 125 active contracts with local unions, affiliated primarily with the International Brotherhood of Teamsters and the International Association of Machinists. These contracts are renegotiated periodically. Failure to negotiate a new labor agreement when required could result in a work stoppage. Although we believe that our labor relations have generally been good, it is possible that we could become subject to additional work rules imposed by agreements with labor unions, or that work stoppages or other labor disturbances could occur in the future. In addition, our non-union workforce has been subject to unionization efforts in the past, and we could be subject to future unionization, which could lead to increases in our operating costs and/or constraints on our operating flexibility.

The restatement of our previously issued financial statements has been time-consuming and expensive and could expose us to additional risks that could materially adversely affect our financial position, results of operations and cash flows.

As discussed in the Explanatory Note to this Annual Report and in Note 2, "Restatement" to the Notes to our consolidated financial statements included in this Annual Report under the caption Item 8, "Financial Statements and Supplementary Data", we are restating our previously issued financial statements for the years ended December 31, 2013 and 2012 and the interim periods within 2013. We have also restated our financial results for the year ended December 31, 2011, as reflected in Item 6, "Selected Financial Data." These restatements, and the misstatements that necessitated our review of our financial statements, have been time-consuming and expensive and could expose us to a number of additional risks that could materially adversely affect our financial position, results of operations and cash flows.

In particular, we have incurred significant expenses, including audit, legal, consulting and other professional fees and lender and noteholder consent fees, in connection with the restatement of our previously issued financial statements and the ongoing remediation of weaknesses in our internal control over financial reporting. We have taken a number of steps, including adding significant internal resources and implemented a number of additional procedures, in order to strengthen our accounting function and attempt to reduce the risk of additional misstatements in our financial statements. To the extent these steps are not successful, we could be forced to incur additional time and expense. Our management’s attention has also been diverted from the operation of our business in connection with the restatements and ongoing remediation of material weaknesses in our internal controls.

We are also subject to a number of claims, investigations and proceedings arising out of the misstatements in our financial statements, including investigations by the New York Regional Office of the SEC and a state securities regulator. See “The restatement of our previously issued financial results has resulted in government investigations and could result in government enforcement actions and private litigation.”

We have identified material weaknesses in our internal control over financial reporting which could, if not remediated, adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. In Item 9A, "Controls and Procedures” of this Annual Report, management identified material weaknesses in our internal control over financial reporting.

As a result of the material weaknesses, our management concluded that our internal control over financial reporting was not effective as of December 31, 2014. The assessment was based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. We are actively engaged in developing a remediation plan designed to address the material weaknesses, but our remediation efforts are not complete and are ongoing. If our remedial measures are insufficient to address the material weaknesses, or if additional material weaknesses or significant deficiencies in our internal control are discovered or occur in the future, it may materially adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner. If we are unable to report our results in a timely and accurate manner, we may not be able to comply with the applicable covenants in our financing arrangements, and may be required to seek additional waivers or repay amounts under these financing arrangements earlier than anticipated, which could adversely impact our liquidity and financial condition. Although we continually review and evaluate internal control systems to allow management to report on the sufficiency of our internal controls, we cannot assure you that we will not discover additional weaknesses in our internal control over financial reporting. The next time we evaluate our internal control over financial reporting, if we identify one or more new material weaknesses or are unable to timely remediate our existing weaknesses, we may be unable to assert that our internal controls are effective. If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which would have a material adverse effect on the price of our common stock and possibly impact our ability to obtain future financing on acceptable terms. We may also lose assets if we do not maintain adequate internal controls.

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The restatement of our previously issued financial results has resulted in government investigations and could result in government enforcement actions and private litigation that could have a material adverse impact on our results of operations, financial condition, liquidity and cash flows.

We are subject to securities class action litigation relating to our previous public disclosures. In addition, the New York Regional Office of the SEC and a state securities regulator are currently investigating the events disclosed in certain of our filings with the SEC. For additional discussion of these matters, see Note 14, "Contingencies and Off-Balance Sheet Commitments," to the Notes to our consolidated financial statements included in this Annual Report under the caption “Item 8-Financial Statements and Supplementary Data.” We could also become subject to private litigation or investigations, or one or more government enforcement actions, arising out of the misstatements in our previously issued financial statements. Our management may be required to devote significant time and attention to these matters, and these and any additional matters that arise could have a material adverse impact on our results of operations, financial condition, liquidity and cash flows. While we cannot estimate our potential exposure in these matters at this time, we have already expended significant amounts investigating the claims underlying and defending this litigation and expect to continue to need to expend significant amounts to defend this litigation.

We may pursue strategic transactions which could be difficult to implement, disrupt our business or change our business profile significantly.

Any future strategic acquisition or disposition of assets or a business could involve numerous risks, including: (i) potential disruption of our ongoing business and distraction of management; (ii) difficulty integrating the acquired business or segregating assets and operations to be disposed of; (iii) exposure to unknown, contingent or other liabilities, including litigation arising in connection with the acquisition or disposition or against any business we may acquire; (iv) changing our business profile in ways that could have unintended negative consequences; and (v) the failure to achieve anticipated synergies.

If we enter into significant strategic transactions, the related accounting charges may affect our financial condition and results of operations, particularly in the case of an acquisition. The financing of any significant acquisition may result in changes in our capital structure, including the incurrence of additional indebtedness. A material disposition could require the amendment or refinancing of our outstanding indebtedness or a portion thereof.

The separation of our car and equipment rental businesses into two independent, publicly traded companies will require significant time, resources and attention from management and may not be completed.

In March 2014, we announced our intention to separate our car and equipment rental businesses into two independent, publicly traded companies. This separation has been delayed by our thorough review of our historical financial statements and other unanticipated developments could result in further delays. Completing the separation will require significant time, resources and attention from management, which could distract management from the operation of our business and the execution of our other initiatives and we cannot assure you that we will be able to complete the separation. If we are unable to complete the separation, we will have incurred costs without realizing the benefits of such transaction and if we complete the separation, such transaction may not achieve the intended results. Our employees may also be distracted due to uncertainty about their future roles pending the completion of the separation. Any such difficulties could have a material adverse effect on our financial condition, results of operations or cash flows.

Our continuing efforts to combine and integrate the businesses of Hertz and Dollar Thrifty may be difficult, costly or time-consuming, which may adversely affect our results.

We are continuing our efforts to combine and integrate our Hertz and Dollar Thrifty businesses in an efficient and effective manner. Integration efforts between the two companies have taken longer than expected and we are continuing to integrate the computer systems and fleets of the two companies. These ongoing efforts may continue to divert management attention and resources. It is possible that the overall integration process could result in the loss of key employees, the disruption of business or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with customers, employees, suppliers, lenders and franchisees or to achieve the anticipated benefits of the acquisition. Any further delays encountered in the integration process could have an adverse effect upon our revenues, level of expenses and operating results. In addition, the integration may result in additional and unforeseen expenses, and the anticipated benefits of the overall integration plan may not be realized. Actual synergies, if achieved at all, may be lower than what we expect and may take longer to achieve than anticipated.

Some or all of our deferred tax assets could expire if we experience an "ownership change" as defined in Section 382 of the Internal Revenue Code of 1986, as amended (the "Code").
An "ownership change" could limit our ability to utilize tax attributes, including net operating losses, capital loss carryovers, excess foreign tax carry forwards, and credit carryforwards, to offset future taxable income. As of December 31, 2014, we had a U.S. federal net operating loss carryforward of approximately $4 billion (expiring 2028). Our ability to use such tax attributes to offset future taxable income and tax liability may be significantly limited if we experience an "ownership change" as defined in Section 382(g) of the Code. In general, an ownership change will occur when the percentage of Hertz Global Holdings, Inc.'s ownership (by value) of one or more "5-percent shareholders" (as defined in the Code) has increased by more than 50 percentage points over the lowest percentage of stock owned by such shareholders at any time during the prior three years (calculated on a rolling basis). An entity that experiences an ownership change generally should be subject to an annual limitation on its pre-ownership change tax loss carryforward equal to the equity value of the corporation immediately before the ownership change, multiplied by the long-term, tax-exempt rate posted monthly by the IRS (subject to certain adjustments). The annual limitation accumulates each year to the extent that there is any unused limitation from a prior year. The limitation on our ability to utilize tax losses and credit carryforwards arising from an ownership change under Section 382 depends on the value of our equity at the time of any ownership change. If we were to experience an "ownership change", it is possible that a significant portion of our tax loss carryforwards could expire before we would be able to use them to offset future taxable income. Many states adopt the federal section 382 rules and therefore have similar limitations with respect to state tax attributes.
We face risks related to liabilities and insurance.

Our businesses expose us to claims for personal injury, death and property damage resulting from the use of the cars and equipment rented or sold by us, and for employment-related injury claims by our employees. Currently, we generally self-insure up to $10 million per occurrence in the U.S. and Europe for vehicle and general liability exposures, $5 million for employment-related injury claims, and we also maintain insurance with unaffiliated carriers in excess of such levels up to $200 million per occurrence for the current policy year, or in the case of international operations outside of Europe, in such lower amounts as we deem adequate given the risks. We cannot assure you that we will not be exposed to uninsured liability at levels in excess of our historical levels resulting from multiple payouts or otherwise, that liabilities in respect of existing or future claims will not exceed the level of our insurance, that we will have sufficient capital available to pay any uninsured claims or that insurance with unaffiliated carriers will continue to be available to us on economically reasonable terms or at all. See Item 1, ‘‘Business—Insurance and Risk Management’’ and Note 14, "Contingencies and Off-Balance Sheet Arrangements" to the Notes to our consolidated financial statements included in this Annual Report under the caption "Item 8-Financial Statements and Supplementary Data."

We could face a significant withdrawal liability if we withdraw from participation in multiemployer pension plans or in the event other employers in such plans become insolvent and at least one multiemployer plan in which we participate is reported to have underfunded liabilities, any of which could have a material adverse effect on our financial position, results of operations or cash flows.

We could face a significant withdrawal liability if we withdraw from participation in one or more multiemployer pension plans in which we participate or in the event other employers in such plans become insolvent, any of which could have a material adverse effect on our financial position, results of operations or cash flows.

We participate in various "multiemployer" pension plans. In the event that we withdraw from participation in one of these plans, then applicable law could require us to make an additional lump-sum contribution to the plan, and we would have to reflect that as an expense in our consolidated statement of operations and as a liability on our consolidated balance sheet. Our withdrawal liability for any multiemployer plan would depend on the extent of the plan's funding of vested benefits. Our multiemployer plans could have significant underfunded liabilities. Such underfunding may increase in the event other employers become insolvent or withdraw from the applicable plan or upon the inability or failure of withdrawing employers to pay their withdrawal liability. In addition, such underfunding may increase as a result of lower than expected returns on pension fund assets or other funding deficiencies. The occurrence of any of these events could have a material adverse effect on our consolidated financial position, results of operations or cash flows. See Note 7, "Employee Retirement Benefits," to the Notes to our consolidated financial statements included in this Annual Report under the caption "Item 8-Financial Statements and Supplementary Data."

Environmental laws and regulations and the costs of complying with them, or any liability or obligation imposed under them, could materially adversely affect our financial position, results of operations or cash flows.

We are subject to federal, state, local and foreign environmental laws and regulations in connection with our operations, including with respect to the ownership and operation of tanks for the storage of petroleum products, such as gasoline, diesel fuel and motor and waste oils. We cannot assure you that our tanks will at all times remain free from leaks or that the use of these tanks will not result in significant spills or leakage. If leakage or a spill occurs, it is possible that the resulting costs of cleanup, investigation and remediation, as well as any resulting fines, could be significant. We cannot assure you that compliance with existing or future environmental laws and regulations will not require material expenditures by us or otherwise have a material adverse effect on our consolidated financial position, results of operations or cash flows. See Item 1, ‘‘Business—Governmental Regulation and Environmental Matters’’ in this Annual Report.

The U.S. Congress and other legislative and regulatory authorities in the U.S. and internationally have considered, and will likely continue to consider, numerous measures related to climate change and greenhouse gas emissions. Should rules establishing limitations on greenhouse gas emissions or rules imposing fees on entities deemed to be responsible for greenhouse gas emissions become effective, demand for our services could be affected, our fleet and/or other costs could increase, and our business could be adversely affected.

Changes in the U.S. legal and regulatory environment that affect our operations, including laws and regulations relating to taxes, automobile-related liability, insurance rates, insurance products, consumer privacy, data security, employment matters, licensing and franchising, automotive retail sales, cost and fee recovery and the banking and financing industry could disrupt our business, increase our expenses or otherwise have a material adverse effect on our results of operations.

We are subject to a wide variety of U.S. laws and regulations and changes in the level of government regulation of our business have the potential to materially alter our business practices and materially adversely affect our financial position and results of operations, including our profitability. Those changes may come about through new laws and regulations or changes in the interpretation of existing laws and regulations.

Any new, or change in existing, U.S. law and regulation with respect to optional insurance products or policies could increase our costs of compliance or make it uneconomical to offer such products, which would lead to a reduction in revenue and profitability. For further discussion regarding how changes in the regulation of insurance intermediaries may affect us, see Item 1, ‘‘Business—Risk Management’’ in this Annual Report. If customers decline to purchase supplemental liability insurance products from us as a result of any changes in these laws or otherwise, our results of operations could be materially adversely affected.

Changes in the U.S. legal and regulatory environment in the areas of customer privacy, data security and cross-border data flow could have a material adverse effect on our business, primarily through the impairment of our marketing and transaction processing activities, and the resulting costs of complying with such legal and regulatory requirements. It is also possible that we could face significant liability for failing to comply with any such requirements.

We derive revenue through rental activities of the Hertz, Dollar, Thrifty and Firefly brands under franchise and license arrangements. These arrangements are subject to a number of federal and state laws and regulations that impose limitations on our interactions with counter-parties. In addition, the automotive retail industry, including our network of company-operated car sales locations, is subject to a wide range of federal, state and local laws and regulations, such as those relating to motor vehicle sales, retail installment sales and related finance and insurance matters, advertising, licensing, consumer protection and consumer privacy. Changes in these laws and regulations that impact our franchising and licensing arrangements or our automotive retail sales could adversely impact our results.

In most places where we operate, we pass through various expenses, including the recovery of vehicle licensing costs and airport concession fees, to our rental customers as separate charges. We believe that our expense pass throughs, where imposed, are properly disclosed and are lawful. However, we may in the future be subject to potential legislative, regulatory or administrative changes or actions which could limit, restrict or prohibit our ability to separately state, charge and recover vehicle licensing costs and airport concession fees, which could result in a material adverse effect on our results of operations.

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES
ITEM 1A. RISK FACTORS (Continued)

Certain new or proposed laws and regulations with respect to the banking and finance industries, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and amendments to Regulation AB, could restrict our access to certain financing arrangements and increase our financing costs, which could have a material adverse effect on our financial position, results of operations, liquidity and cash flows.

RISKS RELATED TO OUR SUBSTANTIAL INDEBTEDNESS

Our substantial level of indebtedness could materially adversely affect our results of operations, cash flows, liquidity and ability to compete in our industry.

As of December 31, 2014, we had debt outstanding of $15,993 million. Our substantial indebtedness could materially adversely affect us. For example, it could: (i) make it more difficult for us to satisfy our obligations to the holders of our outstanding debt securities and to the lenders under our various credit facilities, resulting in possible defaults on, and acceleration or early amortization of, such indebtedness; (ii) be difficult to refinance or borrow additional funds in the future; (iii) require us to dedicate a substantial portion of our cash flows from operations and investing activities to make payments on our debt, which would reduce our ability to fund working capital, capital expenditures or other general corporate purposes; (iv) increase our vulnerability to general adverse economic and industry conditions (such as credit-related disruptions), including interest rate fluctuations, because a portion of our borrowings are at floating rates of interest and are not hedged against rising interest rates, and the risk that one or more of the financial institutions providing commitments under our revolving credit facilities fails to fund an extension of credit under any such facility, due to insolvency or otherwise, leaving us with less liquidity than expected; (v) place us at a competitive disadvantage to our competitors that have proportionately less debt or comparable debt at more favorable interest rates or on better terms; and (vi) limit our ability to react to competitive pressures, or make it difficult for us to carry out capital spending that is necessary or important to our growth strategy and our efforts to improve operating margins. While the terms of the agreements and instruments governing our outstanding indebtedness contain certain restrictions upon our ability to incur additional indebtedness, they do not fully prohibit us from incurring substantial additional indebtedness and do not prevent us from incurring obligations that do not constitute indebtedness. If new debt or other obligations are added to our current liability levels without a corresponding refinancing or redemption of our existing indebtedness and obligations, these risks would increase. For a description of the amounts we have available under certain of our debt facilities, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources—Borrowing Capacity and Availability" included in this Annual Report and Note 6, "Debt," to the Notes to our consolidated financial statements included in this Annual Report under the caption Item 8, "Financial Statements and Supplementary Data.

Our ability to manage these risks depends on financial market conditions as well as our financial and operating performance, which, in turn, is subject to a wide range of risks, including those described under "Risks Related to Our Business" included in this Annual Report.

If our capital resources (including borrowings under our revolving credit facilities and access to other refinancing indebtedness) and operating cash flows are not sufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to do, among other things, one or more of the following: (i) sell certain of our assets; (ii) reduce the size of our rental fleet; (iii) reduce or delay capital expenditures; (iv) obtain additional equity capital; (v) forgo business opportunities, including acquisitions and joint ventures; or (vi) restructure or refinance all or a portion of our debt on or before maturity.

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. Furthermore, we cannot assure you that we will maintain financing activities and cash flows sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If we cannot refinance or otherwise pay our obligations as they mature and fund our liquidity needs, our business, financial condition, results of operations, cash flows, liquidity, ability to obtain financing and ability to compete in our industry could be materially adversely affected.

Our reliance on asset-backed and asset-based financing arrangements to purchase cars subjects us to a number of risks, many of which are beyond our control.

We rely significantly on asset-backed and asset-based financing to purchase cars. If we are unable to refinance or replace our existing asset-backed and asset-based financing or continue to finance new car acquisitions through asset-backed or asset-based financing on favorable terms, on a timely basis, or at all, then our costs of financing could increase significantly and have a material adverse effect on our liquidity, interest costs, financial condition, cash flows and results of operations.

Our asset-backed and asset-based financing capacity could be decreased, our financing costs and interest rates could be increased, or our future access to the financial markets could be limited, as a result of risks and contingencies, many of which are beyond our control, including: (i) the acceptance by credit markets of the structures and structural risks associated with our asset-backed and asset-based financing arrangements; (ii) the credit ratings provided by credit rating agencies for our asset-backed indebtedness; (iii) third parties requiring changes in the terms and structure of our asset-backed or asset-based financing arrangements, including increased credit enhancement or required cash collateral and/or other liquid reserves; (iv) the insolvency or deterioration of the financial condition of one or more of our principal car manufacturers; or (v) changes in laws or regulations, including judicial review of issues of first impression, that negatively impact any of our asset-backed or asset-based financing arrangements.

Any reduction in the value of certain cars in our fleet could effectively increase our car fleet costs, adversely impact our profitability and potentially lead to decreased borrowing base availability in our asset-backed and certain asset-based vehicle financing facilities due to the credit enhancement requirements for such facilities, which could increase if market values for vehicles decrease below net book values for those vehicles. In addition, if disposal of vehicles in the used vehicle marketplace were to become severely limited at a time when required collateral levels were rising and as a result we failed to meet the minimum required collateral levels, the principal under our asset-backed and certain asset-based financing arrangements may be required to be repaid sooner than anticipated with vehicle disposition proceeds and lease payments we make to our special purpose financing subsidiaries. If that were to occur, the holders of our asset-backed and certain asset-based debt may have the ability to exercise their right to direct the trustee or other secured party to foreclose on and sell vehicles to generate proceeds sufficient to repay such debt.

The occurrence of certain events, including those described in the paragraph above, could result in the occurrence of an amortization event pursuant to which the proceeds of sales of cars that collateralize the affected asset-backed financing arrangement would be required to be applied to the payment of principal and interest on the affected facility or series, rather than being reinvested in our car rental fleet. In the case of our asset-backed financing arrangements, certain other events, including defaults by us and our affiliates in the performance of covenants set forth in the agreements governing certain fleet debt, could result in the occurrence of a liquidation event with the passing of time or immediately pursuant to which the trustee or holders of the affected asset-backed financing arrangement would be permitted to require the sale of the assets collateralizing that series. Any of these consequences could affect our liquidity and our ability to maintain sufficient fleet levels to meet customer demands and could trigger cross-defaults under certain of our other financing arrangements.

Any reduction in the value of the equipment rental fleet of HERC (which could occur due to a reduction in the size of the fleet or the value of the assets within the fleet) could not only effectively increase our equipment rental fleet costs and adversely impact our profitability, but would result in decreased borrowing base availability under certain of our asset-based financing arrangements, which could have a material adverse effect on our financial position, liquidity, cash flows and results of operations.

Substantially all of our consolidated assets secure certain of our outstanding indebtedness, which could materially adversely affect our debt and equity holders and our business.

Substantially all of our consolidated assets, including our car and equipment rental fleets and Donlen's lease portfolio, are subject to security interests or are otherwise encumbered for the lenders under our asset-backed and asset-based financing arrangements. As a result, the lenders under those facilities would have a prior claim on such assets in the event of our bankruptcy, insolvency, liquidation or reorganization, and we may not have sufficient funds to pay in full, or at all, all of our creditors or make any amount available to holders of our equity. The same is true with respect to structurally senior obligations: in general, all liabilities and other obligations of a subsidiary must be satisfied before the assets of such subsidiary can be made available to the creditors (or equity holders) of the parent entity.

Because substantially all of our assets are encumbered under financing arrangements, our ability to incur additional secured indebtedness or to sell or dispose of assets to raise capital may be impaired, which could have a material adverse effect on our financial flexibility and force us to attempt to incur additional unsecured indebtedness, which may not be available to us.

Restrictive covenants in certain of the agreements and instruments governing our indebtedness may materially adversely affect our financial flexibility or may have other material adverse effects on our business, financial condition, cash flows and results of operations.

Certain of our credit facilities and other asset-based and asset-backed financing arrangements contain covenants that, among other things, restrict Hertz and its subsidiaries' ability to: (i) dispose of assets; (ii) incur additional indebtedness; (iii) incur guarantee obligations; (iv) prepay other indebtedness or amend other financing arrangements; (v) pay dividends; (vi) create liens on assets; (vii) sell assets; (viii) make investments, loans, advances or capital expenditures; (ix) make acquisitions; (x) engage in mergers or consolidations; (xi) change the business conducted by us; and (xii) engage in certain transactions with affiliates.

Our Senior ABL Facility (as defined in Note 6, "Debt," to the Notes to our consolidated financial statements included in this Annual Report under the caption Item 8, "Financial Statements and Supplementary Data”) contains a financial covenant that obligates us to maintain a specified fixed charge coverage ratio if we fail to maintain a specified minimum level of liquidity. Our ability to comply with this covenant will depend on our ongoing financial and operating performance, which in turn are subject to, among other things, the risks identified in “Risks Related to Our Business.”

Additionally, the documentation of various of our (and/or our special purpose subsidiaries') financing facilities require us to file certain quarterly and annual reports and certain of our subsidiaries to file statutory financial statements within certain time periods.

The agreements governing our financing arrangements contain numerous covenants. The breach of any of these covenants or restrictions could result in a default under the relevant agreement, which could, in turn, cause cross-defaults under our other financing arrangements. In such event, we may be unable to borrow under the Senior ABL Facility and certain of our other financing arrangements and may not be able to repay the amounts due under such arrangements, which could have a material adverse effect on our business, financial condition, cash flows and results of operations.

An increase in interest rates or in our borrowing margin would increase the cost of servicing our debt and could reduce our profitability.

A significant portion of our outstanding debt bears interest at floating rates. As a result, to the extent we have not hedged against rising interest rates, an increase in the applicable benchmark interest rates would increase our cost of servicing our debt and could materially adversely affect our liquidity and results of operations.

In addition, we regularly refinance our indebtedness. If interest rates or our borrowing margins increase between the time an existing financing arrangement was consummated and the time such financing arrangement is refinanced, the cost of servicing our debt would increase and our liquidity and results of operations could be materially adversely affected.

RISKS RELATING TO OUR COMMON STOCK

Hertz Holdings is a holding company with no operations of its own and depends on its subsidiaries for cash.

The operations of Hertz Holdings are conducted nearly entirely through its subsidiaries and its ability to generate cash to meet its debt service obligations or to pay dividends on its common stock is dependent on the earnings and the receipt of funds from its subsidiaries via dividends or intercompany loans. However, none of the subsidiaries of Hertz Holdings are obligated to make funds available to Hertz Holdings for the payment of dividends or the service of its debt. In addition, certain states' laws and the terms of certain of our debt agreements significantly restrict, or prohibit, the ability of Hertz and its subsidiaries to pay dividends, make loans or otherwise transfer assets to Hertz Holdings, including state laws that require dividends to be paid only from surplus. If Hertz Holdings' does not receive cash from its subsidiaries, then Hertz Holdings financial condition could be materially adversely affected.

Our share price may decline if a large number of our shares are sold or if we issue a large number of new shares.

We have a significant number of authorized but unissued shares, including shares available for issuance pursuant to our various equity plans. A sale of a substantial number of our shares or other equity-related securities in the public market pursuant to new issuances or by significant stockholders could depress the market price of our stock and impair our ability to raise capital through the sale of additional equity securities. Any such sale or issuance would dilute the ownership interests of the then-existing stockholders, and could have material adverse effect on the market price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We operate car rental locations at or near airports and in central business districts and suburban areas of major cities in the U.S., including Puerto Rico and the U.S. Virgin Islands, Canada, France, Germany, Italy, the United Kingdom, Spain, the Netherlands, Belgium, Luxembourg, the Czech Republic, Slovakia, Australia, New Zealand and Brazil, as well as retail used car sales locations in the U.S., France and Australia. We operate equipment rental locations in the U.S., Canada, France, Spain, China and Saudi Arabia and have a branch of our entertainment services business in the United Kingdom. We also operate headquarters, sales offices and service facilities in the foregoing countries in support of our car rental and equipment rental operations, as well as small car rental sales offices and service facilities in a select number of other countries in Europe and Asia.

We own approximately 5% of the locations from which we operate our car and equipment rental businesses and in some cases own real property that we lease to franchisees or other third parties. The remaining locations from which we operate our car and equipment rental businesses are leased or operated under concessions from governmental authorities and private entities. Those leases and concession agreements typically require the payment of minimum rents or minimum concession fees and often also require us to pay or reimburse operating expenses; to pay additional rent, or concession fees above guaranteed minimums, based on a percentage of revenues or sales arising at the relevant premises; or to do both. See Note 11, "Lease and Concession Agreements," to the Notes to our consolidated financial statements included in this Annual Report under the caption Item 8, "Financial Statements and Supplementary Data."

In addition to the above operational locations, we own three major facilities in the vicinity of Oklahoma City, Oklahoma at which reservations for our car rental operations are processed, global information technology systems are serviced and finance and accounting functions are performed. We also have a long-term lease for a reservation and financial center near Dublin, Ireland, at which we have centralized our European car rental reservation, customer relations, accounting and human resource functions. We lease a European headquarters office in Uxbridge, England.

In May 2013, we announced the relocation of our worldwide headquarters from Park Ridge, New Jersey to Estero, Florida. Construction on the new facility is ongoing and we are leasing temporary office space in Naples and Bonita Springs, Florida until the new headquarters building is complete. Key headquarters functions have already transitioned to Florida and we are actively marketing the building in Park Ridge, New Jersey. Additionally, we are also in the process of consolidating the prior Dollar Thrifty operations into our Oklahoma City, Oklahoma and Estero, Florida locations and as a result are currently marketing the former Dollar Thrifty facilities in Tulsa, Oklahoma.

Due to the anticipated HERC spin-off transaction, we have entered into a lease for office space in Bonita Springs, Florida. This leased office space is used to house the HERC headquarters.

Donlen's headquarters is in Northbrook, Illinois. Donlen also leases office space in Darien, Illinois and Buffalo Grove, Illinois for its fleet management services, consultation call center staff and certain financial systems functions. Donlen has other sales offices located throughout the U.S.

ITEM 3. LEGAL PROCEEDINGS

For information regarding legal proceedings, see Note 14, "Contingencies and Off-Balance Sheet Commitments," and Note 20, "Subsequent Events," to the Notes to our consolidated financial statements included in this Annual Report under the caption Item 8, "Financial Statements and Supplementary Data."

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET PRICE OF COMMON STOCK

Our common stock trades on the New York Stock Exchange ("NYSE") under the symbol "HTZ". On June 30, 2015, there were 2,075 registered holders of our common stock. The following table sets forth, for the periods indicated, the high and low sales price per share of our common stock as reported by the NYSE:

2013	High	Low
1st Quarter	$22.68	$16.69
2nd Quarter	26.45	21.05
3rd Quarter	27.75	21.20
4th Quarter	28.90	19.73
2014		
1st Quarter	$29.81	$24.82
2nd Quarter	30.52	25.32
3rd Quarter	31.61	24.66
4th Quarter	25.72	18.50

Hertz Holdings has $1 billion of remaining capacity under its previously announced share repurchase program. Hertz Holdings may repurchase shares from time to time in the open market or in other privately negotiated transactions, subject to market conditions.

DIVIDENDS

On December 30, 2013, the board of directors of Hertz Holdings declared a dividend of one preferred share purchase right for each outstanding share of Hertz Holdings common stock, to purchase from Hertz Holdings one ten-thousandth of a share of Series A Junior Participating Preferred Stock, par value $0.01 per share, of Hertz Holdings at a price of $115.00 per one ten-thousandth of a share of preferred stock, subject to adjustment as provided in the associated rights agreement. The description and terms of the preferred share purchase rights are set forth in a rights agreement, dated as of December 30, 2013, between Hertz Holdings and Computershare Trust Company, N.A., as rights agent. No preferred shares were issued under the agreement and the preferred share purchase rights expired in accordance with their terms on December 29, 2014.

We paid no cash dividends on our common stock in 2013 or 2014, and we do not expect to pay dividends on our common stock for the foreseeable future. The agreements governing our indebtedness restrict our ability to pay dividends. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financing," in this Annual Report.

RECENT PERFORMANCE

The following graph compares the cumulative total stockholder return on Hertz Holdings common stock with the Russell 1000 Index and the Morningstar Rental & Leasing Services Industry Group. The Russell 1000 Index is included because it is comprised of the 1,000 largest publicly traded issuers. The Morningstar Rental & Leasing Services Industry Group is a published, market capitalization-weighted index representing stocks of companies that rent or lease various durable goods to the commercial and consumer market including cars and trucks, medical and industrial equipment, appliances, tools and other miscellaneous goods, including Hertz Holdings. The results are based on an assumed $100 invested on December 31, 2009, at the market close, through December 31, 2014.

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COMPARISON OF CUMULATIVE TOTAL RETURN AMONG HERTZ GLOBAL HOLDINGS, INC.,
RUSSELL 1000 INDEX AND MORNINGSTAR RENTAL & LEASING SERVICES
INDUSTRY GROUP
ASSUMES DIVIDEND REINVESTMENT

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes the securities authorized for issuance pursuant to our equity compensation plans as of December 31, 2014:

Equity compensation plans approved by security holders	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options and RSU's / PSU's (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (c)
Stock Options	8,895,521	$ 12.03	15,884,957
Performance Stock Units	2,056,509	N/A	—
Restricted Stock Units	324,304	N/A	—
Total	11,276,334	$ 12.03	15,884,957

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

ITEM 6. SELECTED FINANCIAL DATA

The consolidated balance sheets as of December 31, 2013 and 2012 and the consolidated statements of operations for the years ended December 31, 2013 and 2012 have been restated as set forth in this Annual Report on Form 10-K for the year ended December 31, 2014. The consolidated balance sheet as of December 31, 2011 and the consolidated statement of operations for the year ended December 31, 2011 have been restated to reflect the impact of the adjustments resulting from the restatement, but such restated data has not been audited. The information set forth below is not necessarily indicative of results of future operations, and should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes thereto included in this Annual Report under the caption Item 8, "Financial Statements and Supplementary Data," to fully understand factors that may affect the comparability of the information presented below. As indicated, the information presented in the following tables for the years ended December 31, 2011, 2012, and 2013 has been adjusted to reflect the restatement of our financial results, which is more fully described in the "Explanatory Note" immediately preceding Part I, Item 1 and in Note 2, "Restatement," in the Notes to consolidated financial statements of this Annual Report on Form 10-K (and, with respect to 2011, in this Item 6). The selected consolidated financial data in this section is not intended to replace the consolidated financial statements.

(In millions, except per share data)	Years Ended December 31,			
Statement of Operations Data	2014 (b)(c)	2013 (b)(c)(d)(e) (As Restated)	2012 (b)(c)(e) (As Restated)	2011 (c)(f) (As Restated) (Unaudited)
Revenues:				
Worldwide car rental (a)	$8,907	$8,709	$7,153	$6,938
Worldwide equipment rental	1,571	1,539	1,382	1,208
All other operations	568	527	478	149
Total revenues	11,046	10,775	9,013	8,295
Expenses:				
Direct operating	6,314	5,777	4,861	4,599
Depreciation of revenue earning equipment and lease charges, net	3,034	2,533	2,128	1,896
Selling, general and administrative	1,088	1,053	978	787
Interest expense, net	648	707	647	699
Other (income) expense, net	(15)	102	34	59
Total expenses	11,069	10,172	8,648	8,040
Income (loss) before income taxes	(23)	603	365	255
Provision for taxes on income (loss)	(59)	(301)	(181)	(88)
Net income (loss)	(82)	302	184	167
Noncontrolling interest	—	—	—	(20)
Net income (loss) attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders	$(82)	$302	$184	$147
Weighted average shares outstanding				
Basic	454	422	420	416
Diluted	454	464	448	445
Earnings (loss) per share				
Basic	$(0.18)	$0.72	$0.44	$0.35
Diluted	$(0.18)	$0.67	$0.41	$0.33

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

ITEM 6. SELECTED FINANCIAL DATA (Continued)

(In millions)	As of December 31,			
Balance Sheet Data	2014	2013 (e) (As Restated)	2012 (e) (As Restated)	2011 (f) (As Restated) (Unaudited)
Cash and cash equivalents	$490	$411	$541	$919
Total assets	23,985	24,423	23,128	17,562
Total debt	15,993	16,309	15,449	11,317
Total equity	2,464	2,567	2,331	2,118

(a) Includes U.S. Car Rental and International Car Rental segments.

(b) Our results from November 19, 2012 include the results of Dollar Thrifty which we acquired in 2012. See Note 5, "Acquisitions and Divestitures" to the Notes to our consolidated financial statements included in this Annual Report under the caption Item 8, "Financial Statements and Supplementary Data."

(c) Our results from September 1, 2011 include the results of Donlen, our fleet leasing and management services subsidiary which we acquired in 2011.

(d) See Note 19, "Earnings Per Share" for reconciliation of net income used in diluted earnings per share calculation.

(e) For further details regarding the restatement see Note 2, "Restatement" to the Notes to our consolidated financial statements included in this Annual Report under the caption Item 8, "Financial Statements and Supplementary Data."

(f) Financial data presented for 2011 has been restated as follows:

During the fourth quarter of 2013, we identified certain out of period misstatements related to our previously issued consolidated financial statements for the years ended December 31, 2012 and prior years. While these misstatements did not, individually or in the aggregate, result in a material misstatement of our previously issued consolidated financial statements, correcting these misstatements in the fourth quarter of 2013 would have been material to that quarter. Accordingly, we revised our previously reported consolidated balance sheets and statements of operations in the Form 10-K/A for the year ended December 31, 2013 filed with the SEC on March 20, 2014 ("2013 Form 10-K/A"). The column in the table below labeled "As Previously Reported" reflect the revised numbers that include the effects of these out of period misstatements.

In 2014, we restated our financial results for the year ended December 31, 2011. Restatement adjustments related to fiscal 2011 reduced pre-tax income by $54 million and are reflected in the "Adjustments" column in the table below. The adjustments identified include:

a. Allowance for doubtful accounts misstatements associated with estimation methodologies utilized to estimate recoveries for the worldwide equipment rental business which reduced pre-tax income by $3 million.

b. Hertz #1 Gold loyalty program accrual misstatement reduced pre-tax income by $3 million.

c. Subrogation (damage) receivables and the related allowance for doubtful accounts misstatements associated with estimation methodologies utilized to estimate recoveries from third parties responsible for damages to vehicles reduced pre-tax income by $9 million.

d. Adjustments to accounts payable and accrued expenses for previously unrecorded liabilities, including incurred but not reported charges, which reduced pre-tax income by $1 million.

e. Capitalization and timing of depreciation for certain non-fleet assets and IT assets which reduced pre-tax income by $16 million.

f. Adjustments associated with the Brazilian operations, including allowances for doubtful accounts, certain assets and reserves for legal expenses and litigation which reduced pre-tax income by $11 million.

g. Accruals for open rental agreements which reduced pre-tax income by $5 million.

h. Asset restoration costs associated with contractual obligations included in lease agreements which reduced pre-tax income by $1 million.

i. Certain other restatement matters not described above which decreased 2011 pre-tax income by $5 million, net.

j. Reclassification between cash and cash equivalents and accounts payable due to right of offset which reduced cash by $12 million.

Additionally in 2014, we changed our method of calculating the market-related value of pension assets for purposes of determining the expected return on plan assets and accounting for asset gains and losses which is deemed a change in accounting principle. The impact of the change in accounting principle for 2011 increased pre-tax income by $3 million.

The combined impact of the restatement and change in accounting principle was a $51 million reduction to pre-tax income in 2011.

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES
ITEM 6. SELECTED FINANCIAL DATA (Continued)

(In millions except per share data)	Year Ended December 31, 2011			
	Unaudited			
Statement of Operations Data	As Previously Reported	Adjustments	Ref	As Restated
Revenues:				
Worldwide car rental	$6,941	$(3)	g, i	$6,938
Worldwide equipment rental	1,209	(1)	i	1,208
All other operations	149	—		149
Total revenues	8,299	(4)		8,295
Expenses:				
Direct operating	4,573	26	c, d, f, g, h, i	4,599
Depreciation of revenue earning equipment and lease charges, net	1,896	—	i	1,896
Selling, general and administrative	768	19	a, b, c, d, e, f, i	787
Interest expense, net	694	5	i	699
Other (income) expense, net	62	(3)	i	59
Total expenses	7,993	47		8,040
Income (loss) before income taxes	306	(51)		255
Provision for taxes on income	(122)	34		(88)
Net income (loss)	184	(17)		167
Noncontrolling interest	(20)	—		(20)
Net income (loss) attributable to Hertz Global Holdings, Inc. and Subsidiaries' common stockholders	$164	$(17)		$147
Weighted average shares outstanding				
Basic	416	—		416
Diluted	445	—		445
Earnings (loss) per share				
Basic	$0.39	$(0.04)		$0.35
Diluted	$0.37	$(0.04)		$0.33
(In millions)				
Balance Sheet Data				
Cash and cash equivalents	$932	$(13)	j	$919
Total assets	17,647	(85)	a - i	17,562
Total debt	11,317	—		11,317
Total equity	2,218	(100)	a - i	2,118

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HERTZ GLOBAL HOLDINGS, INC. AND SUBSIDIARIES

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The statements in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") regarding industry outlook, our expectations regarding the performance of our business and the other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in Item 1A, "Risk Factors." The following MD&A provides information that we believe to be relevant to an understanding of our consolidated financial condition and results of operations. Our actual results may differ materially from those contained in or implied by any forward-looking statements. You should read the following MD&A together with the sections entitled "Cautionary Note Regarding Forward-Looking Statements," Item 1A, "Risk Factors," Item 6, "Selected Financial Data" and our consolidated financial statements and related notes included in this Annual Report under the caption Item 8, "Financial Statements and Supplementary Data."

In this MD&A we refer to certain Non-GAAP measures, including the following:

- Adjusted Pre-Tax Income - important to management because it allows management to assess the operational performance of our business, exclusive of certain items and allows management to assess the performance of the entire business on the same basis as the segment measure of profitability. Management believes that it is important to investors for the same reasons it is important to management and because it allows them to assess our operational performance on the same basis that management uses internally.
- Total Revenue Per Day ("Total RPD") - important to management and investors as it represents the best measurement of the changes in underlying pricing in the car rental business and encompasses the elements in car rental pricing that management has the ability to control.
- Transaction Days - important to management and investors as it represents the number of revenue generating days per rental agreement. It is used as a component to measure Total RPD and fleet efficiency.
- Fleet Efficiency - important to management and investors because it is the measurement of the proportion of our car rental fleet that is being used to generate revenues relative to the total amount of available fleet capacity. Higher fleet efficiency means more of the fleet is being utilized to generate revenue.
- Net Depreciation Per Unit Per Month - important to management and investors as depreciation of revenue earning equipment and lease charges, is one of our largest expenses for the car rental business and is driven by the number of vehicles, expected residual values at the time of disposal and expected hold period of the vehicles. Net depreciation per unit per month is reflective of how we are managing the costs of our fleet and facilitates comparison with other participants in the car rental industry.
- Dollar Utilization - important to management and investors because it is the measurement of the proportion of our equipment rental revenue earning equipment, including additional capitalized refurbishment costs (with the basis for refurbished assets reset at the refurbishment date), that is being used to generate revenues relative to the total amount of available equipment fleet capacity.
- Time Utilization - important to management and investors as it measures the extent to which the equipment rental fleet is on rent compared to total operated fleet and is an efficiency measurement utilized by participants in the equipment rental industry.

Non-GAAP measures should not be considered in isolation and should not be considered superior to, or a substitute for, financial measures calculated in accordance with U.S.GAAP. The above Non-GAAP measures are defined and reconciled to their most comparable U.S.GAAP measure in the "Results of Operations and Selected Operating Data by Segment" section of this MD&A.

OVERVIEW OF OUR BUSINESS AND OPERATING ENVIRONMENT

We are engaged principally in the business of renting and leasing of cars through our Hertz, Dollar, Thrifty and Firefly brands and equipment through our Hertz Equipment Rental brand. In addition to car rental and equipment rental businesses, we provide fleet leasing and management services through our Donlen subsidiary. Our profitability is primarily a function of the volume, mix and pricing of rental transactions and the utilization of cars and equipment, the related ownership cost of equipment and other operating costs. Significant changes in the purchase price or residual values of cars and equipment or interest rates can have a significant effect on our profitability depending on our ability to adjust pricing for these changes. We continue to balance our mix of non-program and program vehicles based on market conditions. Our business requires significant expenditures for cars and equipment, and consequently we require substantial liquidity to finance such expenditures. See "Liquidity and Capital Resources" below.

Our strategy includes optimization of our on airport operations, selected openings of new off airport locations, the disciplined evaluation of existing locations and the pursuit of same-store sales growth.

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

- Car rental revenues - revenues from all company-operated car rental operations, including charges to customers for the reimbursement of costs incurred relating to airport concession fees and vehicle license fees, the fueling of vehicles and revenues associated with ancillary products associated with car rentals, including the sale of loss or collision damage waivers, liability insurance coverage, parking and other products and fees, ancillary products associated with the retail car sales channel and certain royalty fees from our franchisees;

- Equipment rental revenues - revenues from all company-operated equipment rental operations, including amounts charged to customers for the fueling and delivery of equipment and sale of loss damage waivers, as well as revenues from the sale of new equipment and consumables; and

- All other operations revenues - revenues from fleet leasing and management services (Donlen) and other business activities.

Our expenses primarily consist of:

- Direct operating expenses (primarily wages and related benefits; commissions and concession fees paid to airport authorities, travel agents and others; facility, self-insurance and reservation costs; the cost of new equipment and consumables purchased for resale; and other costs relating to the operation and rental of revenue earning equipment, such as damage, maintenance and fuel costs);

- Depreciation expense and lease charges, net relating to revenue earning equipment (including net gains or losses on the disposal of such equipment). Revenue earning equipment includes cars and rental equipment;

- Selling, general and administrative expenses; and

- Interest expense, net.

Our Business Segments

We have identified four reportable segments, which are organized based on the products and services provided by our operating segments and the geographic areas in which our operating segments conduct business, as follows:

- U.S. Car Rental - Rental of cars, crossovers and light trucks, as well as sales of ancillary products and services, in the U.S.;
- International Car Rental - Rental of cars, crossovers and light trucks, as well as sales of ancillary products and services, internationally;
- Worldwide Equipment Rental - Rental of industrial, construction, material handling and other equipment; and
- All Other Operations - Comprised of our Donlen business, which provides fleet leasing and management services, and other business activities, such as our claim management services (HCM).

In addition to the above reportable segments, the Company has corporate operations ("Corporate") which includes general corporate assets and expenses and certain interest expense (including net interest on corporate debt). We assess performance and allocate resources based upon the financial information for our operating segments.

Seasonality

Our car rental and equipment rental operations are seasonal businesses, with decreased levels of business in the winter months and heightened activity during the spring and summer. We have the ability to dynamically manage fleet capacity, the most significant portion of our cost structure, to meet market demand. For instance, to accommodate increased demand, we increase our available fleet and staff during the second and third quarters of the year. As business demand declines, fleet and staff are decreased accordingly. A number of our other major operating costs, including airport concession fees, commissions and vehicle liability expenses, are directly related to revenues or transaction volumes. In addition, our management expects to utilize enhanced process improvements, including efficiency initiatives and the use of our information technology systems, to help manage our variable costs. More than half of our typical annual operating costs represent variable costs, while the remaining costs are fixed or semi-fixed. We also maintain a flexible workforce, with a significant number of part time and seasonal workers. However, certain operating expenses, including rent, insurance, and administrative overhead, remain fixed and cannot be adjusted for seasonal demand. Revenues related to our fleet leasing and management services are generally not seasonal.

2014 Operating Highlights

Highlights of our business and financial performance in 2014 and key factors influencing our results include:

- In November 2014, we announced a new fleet strategy for the U.S. Car Rental segment, which includes a significant increase in new 2015 vehicles and reductions in risk vehicles and holding periods, to strengthen our competitive position, improve the customer experience, provide greater flexibility for demand fluctuations and better protect against a fluctuating used-car sales cycle;
- An unprecedented level of vehicle manufacturer recalls affecting our U.S. Car Rental segment, which negatively impacted fleet available for rent and tempered transaction days during the peak rental period;
- Weaker on airport U.S. Car Rental segment performance and loss of market share due to reduced fleet available to rent in peak periods as a result of fleet recall activity, utilization of fleet available for rent to support off airport growth and the impact of less desirable higher mileage product;
- A decrease in Total RPD for the U.S. Car Rental segment due to a higher mix of off airport rentals as a result of an increase in the number of replacement renters during the period;
- Increased operating costs in the U.S. Car Rental segment due to damage expenditures and maintenance expenditures associated with higher mileage cars in the fleet and increased personnel costs to support the higher mileage fleet;
- Higher maintenance costs in the Worldwide Equipment Rental segment due to the investment made to improve the fleet available to rent and sales costs due to an increase in sales force personnel to focus on winning new accounts and diversifying the customer base;
- As a result of our corporate relocation from Park Ridge, NJ to Estero, FL in 2013 and the migration of activities in the second half of 2013 and into 2014, we experienced significant turnover in corporate personnel. The turnover resulted in approximately 30% of experienced personnel relocating;
- Refinanced and amended various credit and fleet financing facilities to facilitate execution of our new fleet strategy and to extend maturities of certain financing arrangements, including:

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- CORPORATE DEBT

Senior ABL Facility

In October 2014, we entered into an amendment to certain terms of the Senior ABL Facility. The amendment, among other things (i) extends the commitment period of $1,668 million of aggregate borrowing capacity under the Senior ABL Facility from March 2016 to March 2017, with the remaining $198 million of aggregate borrowing capacity under the Senior ABL Facility, expiring, as previously scheduled, in March 2016 and (ii) provides for an increase in aggregate borrowing capacity under the Senior ABL Facility of $235 million, such that (a) prior to March 2016, aggregate borrowing capacity will be $2,100 million and (b) after March 2016, aggregate borrowing capacity will be $1,903 million.

- FLEET DEBT

HVF II U.S. Fleet Variable Funding Notes

- In October 2014, Hertz Vehicle Financing II LP ("HVF II"), entered into various amendment agreements pursuant to which certain terms of HVF II's Series 2013-A Variable Funding Rental Car Asset Backed Notes (the "HVF II Series 2013-A Notes") and HVF II's Series 2013-B Variable Funding Rental Car Asset Backed Notes (the "HVF II Series 2013-B Notes") were amended. The amendments, among other things, amend the maturity of each facility from November 2015 to October 2016.

- In October 2014, HVF II also amended the terms of its Series 2014-A Variable Funding Rental Car Asset Backed Notes (the "HVF II Series 2014-A Notes"), originally issued in July 2014, to provide for, among other things, (i) an extension of the maturity of the HVF II Series 2014-A Notes from December 2014 to October 2016 and (ii) an increase in aggregate borrowing capacity under the HVF II Series 2014-A Notes from $1,000 million to $3,250 million. Additionally, the HVF II Series 2014-A Notes contain provisions requiring the commitments to be terminated based on the volume of specified debt issued by Hertz or certain of its subsidiaries. These mandatory commitment termination provisions do not apply until at least $1,500 million of such specified debt has been issued.

European Revolving Credit Facility

In October 2014, Hertz Holdings Netherlands B.V., entered into an amendment agreement pursuant to which certain terms of the European Revolving Credit Facility were amended. The amendment provides for, among other things, (i) an extension of the maturity of the European Revolving Credit Facility from June 2015 to October 2017 and (ii) an increase in aggregate maximum borrowings available under the European Revolving Credit Facility from €220 million to €250 million.

European Securitization

In October 2014, certain of Hertz's foreign subsidiaries entered into an amendment agreement pursuant to which certain terms of the European Securitization were amended. The amendment provides for, among other things, an extension of the maturity of the European Securitization from July 2015 to October 2016.

- Incurred approximately $39 million in costs associated with the anticipated separation of the equipment rental business;
- Incurred approximately $30 million in consulting, audit and legal costs associated with the restatement and investigation activities;
- Incurred approximately $11 million in fees paid directly to our lenders, noteholders and agents (including increased interest spread on the Senior Term Facility) to obtain waivers under various financing facilities relating to, among

other things, the failure to file certain quarterly and annual reports and matters relating to the restatement; and

• Incurred approximately $9 million in costs associated with the Dollar Thrifty integration.

RESTATEMENT

The accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations gives effect to the restatement adjustments made to the previously reported Consolidated Financial Statements for the years ended December 31, 2013 and December 31, 2012. For additional information and a detailed discussion of the restatement, see Note 2, "Restatement" to the Notes to our consolidated financial statements included in this Annual Report under the caption Item 8, "Financial Statements and Supplementary Data."

It also gives effect to the restatement adjustments made to the previously reported Consolidated Financial Statements for the quarterly and year to date periods ended March 31, June 30 and September 30, 2013 and the quarterly period ended December 31, 2013. For additional information and a detailed discussion of the quarterly restatement, see Note 21, "Quarterly Financial Information (Unaudited)" to the Notes to our consolidated financial statements included in this Annual Report under the caption Item 8, "Financial Statements and Supplementary Data."

CONSOLIDATED RESULTS OF OPERATIONS

	Years Ended December 31,			Percent Increase/(Decrease)	
($ in millions)	2014	2013 (As Restated)[a]	2012 (As Restated)[a]	2014 vs. 2013	2013 vs. 2012
Total revenues	$11,046	$10,775	$9,013	3 %	20 %
Direct operating expenses	6,314	5,777	4,861	9	19
Depreciation of revenue earning equipment and lease charges, net	3,034	2,533	2,128	20	19
Selling, general and administrative	1,088	1,053	978	3	8
Interest expense, net	648	707	647	(8)	9
Other (income) expense, net	(15)	102	34	NM	200
Income (loss) before income taxes	(23)	603	365	NM	65
Provision for taxes on income (loss)	(59)	(301)	(181)	(80)	66
Net income (loss)	$(82)	$302	$184	NM	64
Adjusted pre-tax income (loss) [b]	$403	$1,096	$816	(63)	34

Amounts for the period from January 1, 2012 through November 18, 2012 exclude revenues for Dollar Thrifty, which was acquired on November 19, 2012.
Footnotes to the table above are shown at the end of the Results of Operations and Selected Operating Data by Segment section of this MD&A.
NM - Not meaningful

Results from operations are discussed below and include comparisons to prior year periods. We acquired Dollar Thrifty on November 19, 2012. Our results from operations included Dollar Thrifty for the post-acquisition period ended December 31, 2012, which is 43 days in 2012. The results of operations for Dollar Thrifty are included within our U.S. Car Rental segment. In order to obtain regulatory approval and clearance for the Dollar Thrifty acquisition, we agreed to dispose of Advantage. On December 12, 2012, we completed the sale of Simply Wheelz LLC, or the “Advantage divestiture.” See Note 5, "Acquisitions and Divestitures," to the Notes to our consolidated financial statements included in this Annual Report under the caption “Item 8 - Financial Statement and Supplementary Data.”

Year Ended December 31, 2014 Compared with Year Ended December 31, 2013

Total revenues increased $271 million, or 3%, from the prior year due to revenue increases in all four business segments. Higher revenues in our U.S. Car Rental and International Car Rental segments year over year were driven by an increase in the number of transaction days during the period. Increases in our Worldwide Equipment Rental segment were driven by higher volume and pricing during the period. Higher revenues in our Donlen operations year over year were primarily the result of higher volume during the period.

Direct operating expenses increased $537 million, or 9%, from the prior year primarily due to increases in our U.S. and International car rental segments of $390 million and $84 million, respectively, and an increase of $37 million in our Worldwide Equipment Rental segment. The increases were the result of higher fleet related costs and other direct operating expenses during the period.

Depreciation of revenue earning equipment and lease charges, net increased $501 million, or 20%, from the prior year primarily due to an increase of $477 million in our U.S. Car Rental segment. The increase was largely driven by higher per-vehicle depreciation rates due to declining residual values and a reduction in the planned holding period for the fleet as we implemented our new fleet strategy. Additionally, 2013 U.S. Car Rental segment depreciation was favorably impacted by $79 million of Dollar Thrifty acquisition accounting adjustments and due to implementation of a longer planned hold period for the fleet.

SG&A expenses during the year ended December 31, 2014 increased $35 million, or 3%, as compared with 2013. The change was primarily due to $39 million of separation costs associated with the anticipated HERC spin-off transaction, approximately $30 million in costs associated with the previously disclosed accounting review and investigation, $13 million related to the impairment of our former corporate headquarters and $9 million in costs associated with the Dollar Thrifty integration. The above was partially offset by decreases in marketing, co-branding and promotional activity in our U.S. Car Rental operations.

Interest expense, net decreased $59 million, or 8%, during the year ended December 31, 2014 as compared with 2013. The change was primarily due to a lower average interest rate on fleet debt in our U.S. Car Rental segment resulting from an increase to the component of floating rate debt relative to fixed rate debt, as well as a lower average interest rate on fleet debt in our International Car Rental segment resulting from the European fleet financings completed during the period.

We had other income of $15 million in the year ended December 31, 2014 compared with other expense of $102 million in the prior year period. Other income in the 2014 period is primarily comprised of a $19 million litigation settlement received in relation to a class action lawsuit filed against an original equipment manufacturer stemming from recalls of their vehicles in previous years. Other income in 2014 also included our share of earnings from our equity method and joint venture investments. Other income in 2014 was partially offset by a $14 million charge for service equipment that was deemed to not have a future use. Other expense of $102 million in 2013 is primarily comprised of $40 million of impairment charges and asset write-downs, $35 million of debt extinguishment loss and inducement costs related to the early conversion of a portion of our Convertible Senior Notes and $29 million of premiums paid and write-offs relating to our European debt. The impairment charges and asset write-downs were related to vehicles subleased to FSNA, the parent of Simply Wheelz, LLC, the owner and operator of our divested Advantage brand, as further described in Note 5, "Acquisitions and Divestitures," to the Notes to our consolidated financial statements included in this Annual Report under the caption Item 8, "Financial Statements and Supplementary Data."

We had a loss before income taxes of $23 million in 2014 compared with income before income taxes of $603 million in 2013. This decrease in income before income taxes was primarily due to increased operating costs in the U.S. car rental segment due to damage, maintenance expenditures associated with higher mileage cars in the fleet and increased personnel costs to support the higher mileage fleet, and higher depreciation rates due to declining residual values and a reduction in the planned hold period as we implemented our new fleet strategy. Additionally, 2013 included $79 million of Dollar Thrifty acquisition adjustments that reduced depreciation expense. In addition, we experienced higher maintenance costs in the worldwide equipment rental segment in 2014 due to the investment made to improve the fleet available to rent and sales costs due to an increase in sales force personnel to focus on winning new accounts and diversifying the customer base. These decreases were partially offset by a decrease in other expenses year over year, as discussed above.

The effective tax rate for the year ended December 31, 2014 was (257)% as compared to 50% for the year ended December 31, 2013. The provision for taxes on income decreased $242 million, primarily due to lower income before income taxes, changes in geographic earnings mix, non-deductible transaction costs, decreased state and local tax rates and a decrease in the valuation allowance relating to losses in certain non-US jurisdictions for which tax benefits are not realized, offset by an increase in unrecognized tax benefits accrued during the year.

Adjusted pre-tax income decreased $693 million, or 63%, from the prior year. See footnote (b) to the table under "Results of Operations and Selected Operating Data by Segment" for a summary and description of our adjustments to pre-tax income on a consolidated basis.

Year Ended December 31, 2013 Compared with Year Ended December 31, 2012
Total revenues increased $1,762 million, or 20%, from the prior year due to revenue increases in all four business segments. Higher revenues in our U.S. Car Rental segment were driven primarily by a 26% increase in transaction days due to the Dollar Thrifty acquisition. Higher revenues in our International Car Rental segment were driven by increases in Total RPD and transaction days during the period and refueling fees of $12 million. Increases in our Worldwide Equipment Rental segment were driven by higher volume and pricing during the period. Increases in our Donlen operations were primarily the result of higher volume during the period.

Direct operating expenses increased $916 million, or 19%, from the prior year primarily due to increases in our U.S. and International Car Rental segments of $805 million and $60 million, respectively, and an increase of $49 million in our Worldwide Equipment Rental segment. The increase in our U.S. Car Rental segment were driven by increased transaction days due to the Dollar Thrifty acquisition.

Depreciation of revenue earning equipment and lease charges, net increased $405 million, or 19%, from the prior year primarily due to an increase of $336 million in our U.S. Car Rental segment. The increase was largely driven by a larger U.S. Car Rental fleet size resulting from the Dollar Thrifty acquisition and a deterioration in used vehicle residual values, offset in part by the implementation of a longer planned hold period for the fleet.

SG&A expenses during the year ended December 31, 2013 increased $75 million, or 8%, from 2012, primarily due to higher marketing, co-branding and promotional activity in our U.S. Car Rental segment largely due to the Dollar Thrifty acquisition as well as higher administrative costs within our International Car Rental segment, partially offset by decreased Hertz-brand advertising.

Interest expense, net increased $60 million, or 9%, in the year ended December 31, 2013 as compared with 2012 primarily due to higher outstanding levels of debt largely driven by financings related to our November 2012 acquisition of Dollar Thrifty.

Other expense of $102 million in 2013 is primarily comprised of $40 million of impairment charges and asset write-downs, $35 million of debt extinguishment loss and inducement costs related to the early conversion of a portion of our Convertible Senior Notes and $29 million of premiums paid and write-offs relating to our European debt. The impairment charges and asset write-downs were related to vehicles subleased to FSNA, the parent of Simply Wheelz, LLC, the owner and operator of our divested Advantage brand, as further described in Note 5, "Acquisitions and Divestitures," to the Notes to our consolidated financial statements included in this Annual Report under the caption Item 8, "Financial Statements and Supplementary Data." Other expense of $34 million in 2012 is primarily comprised of a $31 million loss on the Advantage divestiture and $24 million of additional expenses resulting from divestitures associated with the Dollar Thrifty acquisition. These expenses were partially offset by a $10 million gain from the sale of our Switzerland operations and a $9 million gain on the investment in Dollar Thrifty stock.

Income before income taxes increased $238 million, or 65%, from the prior year due primarily to stronger volumes and pricing in the U.S. and International car rental segments, lower depreciation per unit per month in our International car rental segment and stronger volumes and pricing in our Worldwide Equipment Rental segment. Additionally, 2013 included $79 million of Dollar Thrifty acquisition adjustments and an assumed longer fleet holding period, which reduced depreciation expense in 2013. This was partially offset by a $75 million increase in SG&A expenses, a $60 million increase in interest expense, net and a $68 million increase in other expenses, net which are more fully described above.

The effective tax rate for the year ended December 31, 2013 was 50% as compared to 50% for the year ended December 31, 2012. The provision for taxes on income increased $120 million, primarily due to higher income before income taxes, changes in geographic earnings mix, increased state and local tax rates and an increase in thin cap limitation on deductibility of interest expense in various non-U.S. countries and other permanent differences, offset by a decrease in the valuation allowance relating to losses in certain non-U.S. jurisdictions for which tax benefits are not realized.

Adjusted pre-tax income increased $280 million, or 34%, from the prior year. See footnote (b) in the "Footnotes to the Results of Operations and Selected Operating Data by Segment Tables" for a summary and description of these adjustments on a consolidated basis.

RESULTS OF OPERATIONS AND SELECTED OPERATING DATA BY SEGMENT

U.S. Car Rental

As of December 31, 2014, our U.S. Car Rental operations had a total of approximately 5,410 corporate and franchisee locations, comprised of 1,715 airport and 3,695 off airport locations.

	Years Ended December 31,			Percent Increase/(Decrease)	
($ in millions, except for Total RPD and net depreciation per unit per month)	2014	2013 (As Restated)[a]	2012 (As Restated)[a]	2014 vs. 2013	2013 vs. 2012
Total revenues	$6,471	$6,331	$4,888	2 %	30 %
Direct operating expenses	$3,921	$3,531	$2,726	11	30
Depreciation of revenue earning equipment and lease charges, net	$1,758	$1,281	$945	37	36
Income before income taxes	$258	$872	$647	(70)	35
Adjusted pre-tax income [b]	$387	$1,033	$813	(63)	27
Transaction days (in thousands)[c]	139,752	133,181	105,539	5	26
Total RPD[d]	$46.07	$46.94	$46.22	(2)	2
Average fleet [e]	499,100	490,000	359,100	2	36
Fleet efficiency[e]	77 %	78 %	81 %	N/A	N/A
Net depreciation per unit per month [f]	$294	$218	$219	35	—
Program cars as a percentage of average fleet at period end	21 %	9 %	5 %	N/A	N/A

Amounts for the period from January 1, 2012 through November 18, 2012 exclude revenues for Dollar Thrifty, which was acquired on November 19, 2012.
Footnotes to the table above are shown at the end of the Results of Operations and Selected Operating Data by Segment section of this MD&A.
N/A - Not applicable

During 2014, we have increased the percentage of program cars in our car rental fleet. Our strategy remains flexible as we continue to periodically review the efficiencies of an optimal mix between program and non-program cars in our fleet. Non-program cars, sold through the retail sales channel, allow us the opportunity for ancillary revenue, such as warranty and financing, during disposition. Program cars generally provide us with flexibility to reduce the size of our fleet by returning cars sooner than originally expected without risk of loss in the event of an economic downturn or to respond to changes in rental demand. This flexibility is reduced as the percentage of non-program cars in our car rental fleet increases. The average age of our fleet increases as our percentage of non-program cars increases since the average holding period for non-program vehicles is longer than program vehicles.

Depreciation rates are reviewed on a quarterly basis based on management's routine review of present and estimated future market conditions and their effect on residual values at the time of disposal. During 2014, 2013 and 2012, depreciation rates being used to compute the provision for depreciation of revenue earning equipment were adjusted on certain vehicles in our car rental operations to reflect changes in the estimated residual values to be realized when revenue earning equipment is sold. These depreciation rate changes in our U.S. car rental operations from previous quarters resulted in a net increase in depreciation expense of $167 million for the year ended December 31, 2014 and a net decrease of $44 million and $139 million in depreciation expense for the years ended December 31, 2013 and 2012, respectively. The unfavorable adjustment in 2014 reflects declining residual values and a reduction in the planned hold period. The favorable adjustments in 2013 and 2012 reflect changes from the impact of car sales channel diversification, acceleration of our retail sales expansion and the optimization of fleet holding periods related to the integration of Dollar Thrifty. The cumulative effect of the reduction in rates was also indicative of the residual values experienced in the U.S. for the years ended December 31, 2013 and 2012.

For the years ended December 31, 2014, 2013 and 2012, our U.S. car rental operations sold approximately 187,000, 206,000 and 153,000 non-program cars. The 35% increase in 2013 versus 2012 was primarily related to our acquisition of Dollar Thrifty.

Year Ended December 31, 2014 Compared with Year Ended December 31, 2013

Total revenues for our U.S. Car Rental segment increased $140 million, or 2%, from the prior year. Transaction days increased 5% while Total RPD was down 2%. The increase in transaction days was primarily related to 15% growth in the off airport market. Total RPD was negatively impacted by the higher mix of off airport rentals driven by an increase in the number of replacement renters during the period. Off airport revenues comprised 25% of the total segment in 2014 compared to 24% in 2013. Off airport transaction days comprised 33% of the total segment in 2014 compared with 31% in 2013.

Direct operating expenses for our U.S. Car Rental segment increased $390 million, or 11%, from the prior year due to the following:

- Fleet related expenses increased $182 million, or 25%, from 2013 primarily comprised of:

- Increased vehicle maintenance expenses of $73 million which reflects an 89% increase in maintenance expense per vehicle due to the age and mileage of our fleet and the level of recall activity in the second, third and fourth quarters of 2014;
- Increased vehicle damage expenses of $59 million which reflects a 35% increase in expense per transaction day due to age and mileage of the fleet, as well as growth in our off airport business;
- Increased damage related liability and third party property damage of $35 million resulting from the shift in transaction day mix to more off airport rentals and older fleet compared with the prior year; and
- Increased other vehicle operating costs of $24 million resulting from additional vehicle registration, taxes and stolen vehicles expenses due to our business mix.

- Personnel related expenses increased $30 million, or 3%, from 2013, primarily driven by increases in field payroll wages and benefits. The increases were driven by the off airport transaction growth in the insurance replacement business and the increased transportation of vehicles in an effort to maximize fleet sharing initiatives between our brands as well as maintenance on a higher mileage fleet and increased recalls.

- Other direct operating expenses increased $177 million, or 11%, from 2013 primarily comprised of:
- Increased facilities expense of $34 million primarily resulting from additional depreciation expense when compared with the prior year due to an increase in the amount of capital expenditures on new and existing facilities;
- Increased restructuring costs of $46 million driven by our business transformation and integration initiatives;
- Increased field administration expenses of $33 million reflective of higher shared services operating expenses driven by our off airport market expansion and employee relocation expenses related to the new headquarters in Florida;
- Increased customer service expenses of $29 million which was attributable to a change in contract terms with a certain service provider during the year;
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Increased commissions of $33 million resulting from commission program rate changes and a shift of revenue mix to higher cost commission reservation sources; and

- Increased computers and field systems expenses of $22 million driven by growth in the number of off airport transactions and integration of our on airport field back-office and maintenance operations.

Depreciation of revenue earning equipment and lease charges, net increased $477 million, or 37%, from the prior year. Net depreciation per unit per month for our U.S. Car Rental segment increased 35% to $294 from $218 year over year. This increase was primarily due to declining residual values, a change in estimate of channel shift benefit and a reduction in the planned hold period as we implemented our new fleet strategy. Additionally, 2013 included $79 million of Dollar Thrifty acquisition accounting adjustments that reduced this expense.

Income before income taxes decreased $614 million, or 70%, from the prior year. This decrease in income before income taxes was primarily due to increased operating costs in the U.S. Car Rental segment due to damage, maintenance expenditures associated with higher mileage cars in the fleet and increased personnel costs to support the higher mileage fleet, and increased net depreciation per unit per month of 35% to $294 from $218 year over year. This increase was primarily due to declining residual values, a change in estimate of channel shift benefit and a reduction in the planned hold period as we implemented our new fleet strategy. Additionally, 2013 depreciation expense was favorably impacted by $79 million of Dollar Thrifty acquisition adjustments and an assumed longer fleet holding period. The change was partially offset by a $49 million decrease in SG&A expenses resulting from reduced marketing, co-branding and promotional activity. Additionally, there was other income of $18 million in 2014 compared to other expense of $31 million in the prior year, resulting in a $49 million favorable impact. Other income in 2014 was primarily comprised of a $19 million litigation settlement received in relation to a class action lawsuit filed against an original equipment manufacturer stemming from recalls of their vehicles in previous years. Other expense in 2013 is primarily comprised of $40 million of impairment charges and asset write-downs related to vehicles subleased to FSNA, the parent of Simply Wheelz, LLC, the owner and operator of our divested Advantage brand, as further described in Note 5, "Acquisitions and Divestitures," to the Notes to our consolidated financial statements included in this Annual Report under the caption Item 8, "Financial Statements and Supplementary Data."

Adjusted pre-tax income decreased $646 million, or 63%, from the prior year. See footnote (b) in the "Footnotes to the Results of Operations and Selected Operating Data by Segment Tables" for a summary and description of these adjustments on a consolidated basis.

Year Ended December 31, 2013 Compared with Year Ended December 31, 2012

Total revenues for our U.S. Car Rental segment increased $1,443 million, or 30%, from the prior year. The increase in the size of our fleet resulting from the late 2012 acquisition of Dollar Thrifty drove a 26% increase in transaction days, however, Total RPD increased only slightly as a result of the expanded price mix of our business post acquisition. Off airport revenues comprised 24% of total revenues for the segment in 2013 compared to 24% in 2012.

Direct operating expenses for our U.S. Car Rental segment increased $805 million, or 30%, from the prior year due to the full year impact of our acquisition of Dollar Thrifty in late 2012, the expansion of our off-airport and leisure businesses and the impact of recalls. The following are the components of the increases:

- Fleet related expenses increased $153 million, or 27%, from 2012 primarily comprised of increases in vehicle damage expenses of $38 million, self-insurance expenses of $40 million, gasoline costs of $38 million, and vehicle maintenance costs of $27 million.

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Personnel related expenses increased $210 million, or 23%, from 2012 primarily driven by increases in salaries and wages of $170 million and taxes and benefits of $39 million as a result of additional headcount post acquisition.

- Other direct operating expenses increased $441 million, or 36%, from 2012 and is primarily comprised of increases in concession fees of $120 million, facilities expenses of $75 million, commissions of $37 million, field administration of $40 million, amortization of intangibles of $35 million, guaranteed charge card expenses of $35 million, supplemental liability and personal accident insurance products of $16 million, field systems of $15 million, service vehicles of $11 million and customer service expenses of $8 million.

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Depreciation of revenue earning equipment and lease charges, net increased $336 million, or 36%, from the prior year. This change was primarily due to an increase in the size of our fleet resulting from the Dollar Thrifty acquisition and a deterioration in used vehicle residual values. U.S. Car Rental segment net depreciation per unit per month decreased to $218 from $219 primarily due to a longer average hold period for the fleet combined with the impact of $79 million of Dollar Thrifty acquisition accounting adjustments that reduced this expense compared with $12 million of adjustments in 2012.

Income before income taxes increased $225 million, or 35%, from the prior year. This change was primarily due to the factors described above, partially offset by an $88 million increase in SG&A expenses driven by higher marketing and co-branding expenses. SG&A is further described on a consolidated basis in the Consolidated Results of Operations section of this MD&A.

Adjusted pre-tax income increased $220 million, or 27%, from the prior year. See footnote (b) in the "Footnotes to the Results of Operations and Selected Operating Data by Segment Tables" for a summary and description of these adjustments on a consolidated basis.

International Car Rental

As of December 31, 2014, our international car rental operations had a total of approximately 5,470 corporate and franchisee locations in approximately 144 countries including Canada, Australia, New Zealand and in the regions of Europe, Latin and South America, Caribbean, Asia, Africa and the Middle East.

	Years Ended December 31,			Percent Increase/(Decrease)	
($ in millions, except for Total RPD and net depreciation per unit per month)	2014	2013 (As Restated)[(a)]	2012 (As Restated)[(a)]	2014 vs. 2013	2013 vs. 2012
Total revenues	$2,436	$2,378	$2,265	2 %	5 %
Direct operating expenses	$1,491	$1,407	$1,347	6	4
Depreciation of revenue earning equipment and lease charges, net	$492	$528	$524	(7)	1
Income before income taxes	$95	$34	$36	179	(6)
Adjusted pre-tax income [(b)]	$144	$134	$83	7	61
Transaction days (in thousands)[(c)]	46,917	45,019	43,248	4	4
Total RPD[(d)]	$52.86	$53.31	$53.09	(1)	—
Average Fleet [(e)]	166,900	161,300	155,100	3	4
Fleet efficiency [(e)]	77 %	76 %	76 %	N/A	N/A
Net depreciation per unit per month [(f)]	$250	$275	$287	(9)	