

BondCliQ

Institutional Market Monitor

July 8th, 2020

You must SEE the market to BEAT the market

The Hertz Corporation has been one of the many companies forced to file for Chapter 11 bankruptcy protection due to the crippling effects of COVID-19. With business travelers grounded, tourism stalled and car prices marked down, Hertz has been devastated by the pandemic.

Using BondTiQ, we can easily observe the trends of Hertz's outstanding corporate debt throughout 2020 to observe how the bond market reacted.

Leading Up to the Crisis

With air travel at record levels in 2018 and 2019, many thought Hertz was positioned for a major financial turnaround. After four consecutive years of net losses, Hertz saw revenue increase 6% in the first two months of the year. With BondTiQ, we can use our Issuer page to observe the positive client flow of Hertz's corporate debt in January:

Market Size		Maturity						Credit Rating			Trade Size		
Totals		0-3	3-5	5-7	7-10	10-15	15+	<=CC	CCC TO BB+	>=BBB-	<1MM	1MM-5MM	>5MM
Volume	371,924,010	7%	24%	17%	51%	0%	0%	0%	100%	0%	9%	91%	0%
Trades	433	34%	21%	11%	34%	0%	0%	0%	100%	0%	77%	23%	0%

Consumer Discretionary

vol: 305,082,000 | trds: 347 | Client Flow: +9% : 28.4MM

HTZ
Client Flow: +9%
Volume: 305.1MM
Mkt. Share: 100.00%

However, the effects of COVID-19 hit Hertz at almost every level of its business. Following its 2012 acquisition of Dollar Thrifty, Hertz saw a large increase in its corporate debt outstanding, doubling from \$3b to \$6b. Further adding to its leverage, Hertz had also built up a hefty securitized debt position; of its \$19b in total outstanding debt, \$14b was in asset backed debt, collateralized by its fleet of vehicles. At this level of debt

combined with a revenue freeze, Hertz found itself in an extremely vulnerable position against the threat of COVID-19. The reality of COVID-19's effect on travel became quite apparent as Hertz's trading volume in the short end doubled, increasing from 31% to 60% between January and March.

By March, Hertz was experiencing negative client flow on increased volume, as investors were speculating whether the company could pay its debts:

Market Size		Maturity						Credit Rating			Trade Size		
Totals		0-3	3-5	5-7	7-10	10-15	15+	<=CC	CCC TO BB+	>=BBB-	<1MM	1MM-5MM	>5MM
Volume	640,536,640	37%	23%	13%	27%	0%	0%	100%	0%	10%	90%	0%	
Trades	1,104	67%	16%	7%	10%	0%	0%	100%	0%	85%	15%	0%	

Consumer Discretionary

vol: 541,318,650 | trds: 974 | Client Flow: **-8%** : 41.8MM

HTZ
Client Flow: -8%
Volume: 541.3MM
Mkt. Share: 100.00%

Hertz Files for Chapter 11 Bankruptcy

On May 22, the Hertz Corporation entered Chapter 11 proceedings in the U.S. Bankruptcy Court, facing the threat of having to fully liquidate its fleet and agreeing to begin paying off lease payments in the 60 days following the filing. Following a skipped debt payment in late April, Hertz was sent scrambling to find potential lines of credit, build up its cash position and potentially strike a deal with debt holders to stay financially afloat.

Steadily increased volume, negative performance and a significant price hit throughout May is detailed below:

Market Size		Maturity						Credit Rating			Trade Size		
Totals		0-3	3-5	5-7	7-10	10-15	15+	<=CC	CCC TO BB+	>=BBB-	<1MM	1MM-5MM	>5MM
Volume	635,158,020	32%	19%	15%	34%	0%	0%	99%	1%	0%	14%	86%	0%
Trades	1,762	66%	17%	3%	13%	0%	0%	96%	4%	0%	91%	9%	0%

Consumer Discretionary

vol: 530,063,330 | trds: 1,665 | Client Flow: **+3%** : 18.1MM

HTZ
Client Flow: +3%
Volume: 530.1MM
Mkt. Share: 100.00%

Post-Bankruptcy Rally

Following the bankruptcy filing, Hertz saw a rally in its corporate debt, tightening ~50% from its May spread wides. The company announced an unprecedented plan to issue more equity to help fund its restructuring, a practice rarely seen in Chapter 11 bankruptcies. Also, Jefferies predicted Car Max Inc. would swoop in and bid for a sizable chunk of Hertz's automobile fleet.

Since these announcements, Hertz debt has rallied on heightened volume, trades and performance:

Market Size		Maturity						Credit Rating			Trade Size		
Totals		0-3	3-5	5-7	7-10	10-15	15+	<=CC	COC TO BB+	>=BBB-	<1MM	1MM-5MM	>5MM
Volume	2,204,507,420	33%	29%	16%	21%	0%	0%	100%	0%	0%	9%	91%	0%
Trades	3,718	61%	23%	5%	11%	0%	0%	100%	0%	0%	84%	16%	0%

Consumer Discretionary

vol: 1,853,421,710 | trds: 3,460 | Client Flow: +1% : 12.3MM



A Closer Look

It will be very interesting to observe trends in Hertz's outstanding debt as the coronavirus crisis continues on. Will travel restrictions loosen and boost Hertz's outlook? Will they be able to sell off some of their fleet at a reasonable price to build up dry powder to satisfy debt holders? Can it adequately restructure its capital to survive the unknown future of a global lockdown?

Using BondTiQ, you can easily observe the past and present trends of specific issuers like Hertz, and watch how, or if, it will eventually recover from this pandemic.

If you are interested in a free trial of BondTiQ, reach out to us at info@bondcliq.com.