

Hertz Gets Ripped to Shreds After 'Extremely Weak' Quarter

Michelle Lodge May 9, 2017 10:57 AM EDT

 **TheStreet Video**

Hertz hit a brick wall in the first quarter.

Car rental firm **Hertz Global Holdings (HTZ)** reported on Monday a first-quarter 2017 net loss from continuing operations of \$223 million, or \$2.69 per diluted share. On an adjusted basis, Hertz reported a net loss for the first quarter of \$134 million, or \$1.61 per diluted share, compared with an adjusted net loss of \$67 million, or \$0.79 per diluted share, for the same period last year. Wall Street expected a loss of 91 cents a share.

Shares of Hertz plummeted 13.6 percent to \$12.87 on Tuesday on the earnings report. Its main rival, **Avis (CAR)**, saw shares drop slightly in sympathy.

Total revenues for the first quarter were \$1.9 billion, a 3% decline versus the first quarter of 2016. In addition, the loss from continuing operations before income taxes for the quarter was \$294 million compared with \$76 million in the same period last year.

"As previously outlined, we are executing on a turnaround plan that puts our customers at the center of everything we do," Kathryn V. Marinello, Hertz' president and CEO, said in a press release. "Our goal is to strengthen the business to drive predictable, sustainable

growth over the long term. While we are mindful of today's headwinds related to used car residual values, our commitment to investing in the business remains steadfast.



In a recent note from New Constructs, analysts called the stock "dangerous" and recommended that investors sell it. New Constructs also wrote that the company's return on investment versus its weighted-average cost of capital was "very dangerous."

"Companies must earn an ROIC greater than WACC to generate positive economic earnings and create value for shareholders," the analysts added. "Hertz' ROIC of 1.7% compared to its WACC of 6.1% for the trailing 12 months earns a very dangerous rating." Analysts at Credit Suisse chimed in on Tuesday and said Hertz' quarter was "extremely weak."

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