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# Hertz Misses Lease Payment, Prepares for Potential Bankruptcy

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[Hertz Global Holdings](#) Inc. is preparing for a possible bankruptcy filing after the rental-car company failed to make lease payments to preserve cash amid the Covid-19 pandemic, according to people familiar with the matter.

The rental-car company and its advisers are negotiating with senior lenders and certain holders of its vehicle finance subsidiary's notes with the aim of temporarily reducing payments, the company said Wednesday in a filing.

The situation is fluid, the people familiar with the matter said, adding that Hertz is in talks with lenders on a forbearance agreement to waive a default and to potentially avoid bankruptcy.

While the car rentals have fallen off a cliff with most Americans refraining from traveling, Hertz still faces monthly payments under its operating lease, which it uses to lease vehicles for its rental car fleet.

The fallout from the new coronavirus has hit the rental-car

companies doubly hard because their operations are reliant on two industries—automotive and travel—that have been pummeled in the past several weeks.

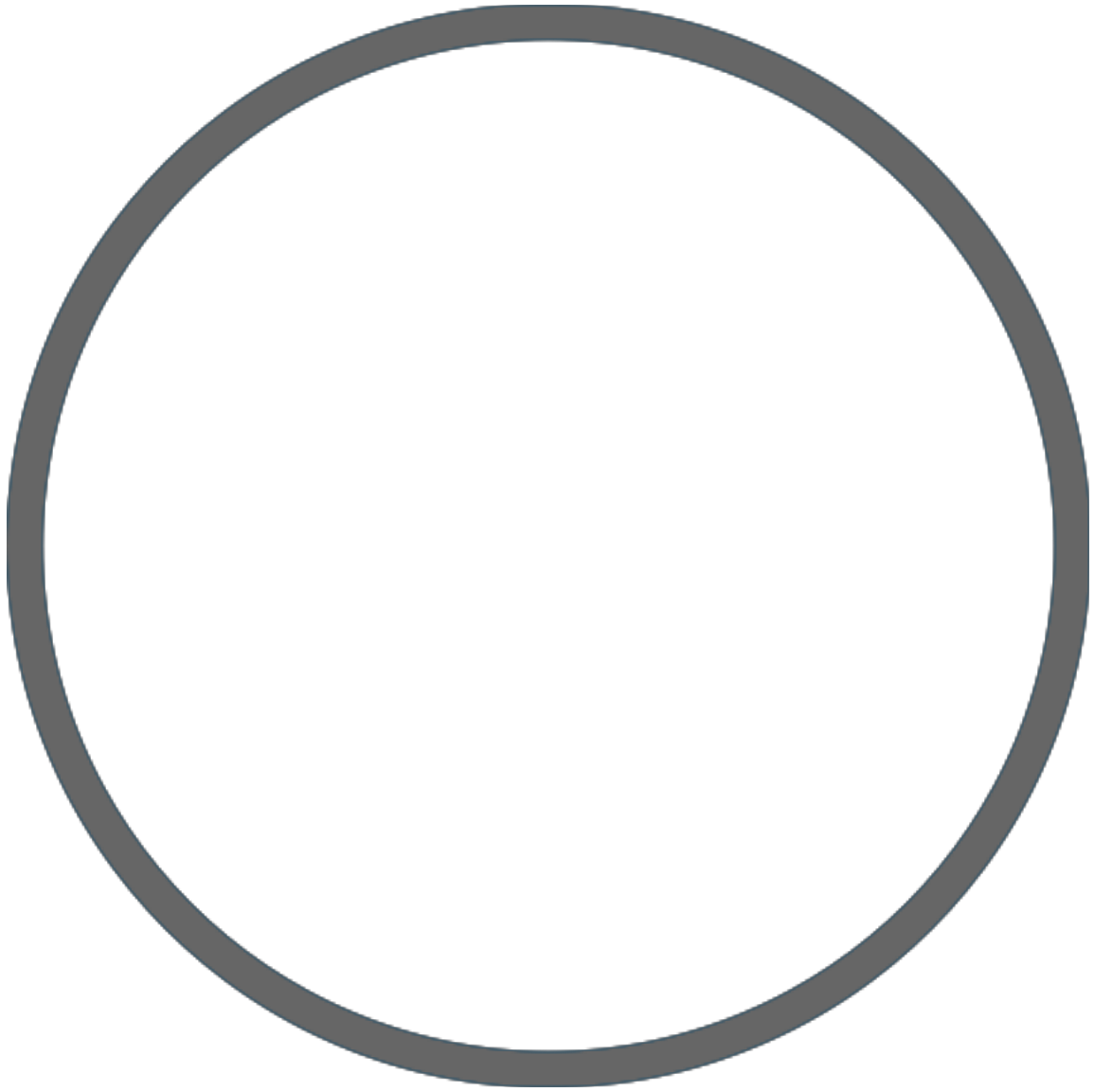
Hertz failed to make payments Monday under the operating lease kicking off a grace period that ends on May 4. If a sufficient amount of creditors don't agree to waive any default by the end of the grace period, "Hertz could be materially and negatively impacted" the company said. It has so far received required support from holders of the vehicle finance notes, but hasn't yet received sufficient support for a waiver from its senior lenders, Hertz said Wednesday.

The Wall Street Journal [reported Friday](#) that Hertz as well as certain of its creditors have hired restructuring advisers. Hertz has \$17 billion worth of debt, which includes \$3.7 billion of corporate bonds and loans and \$13.4 billion of vehicle-backed notes.

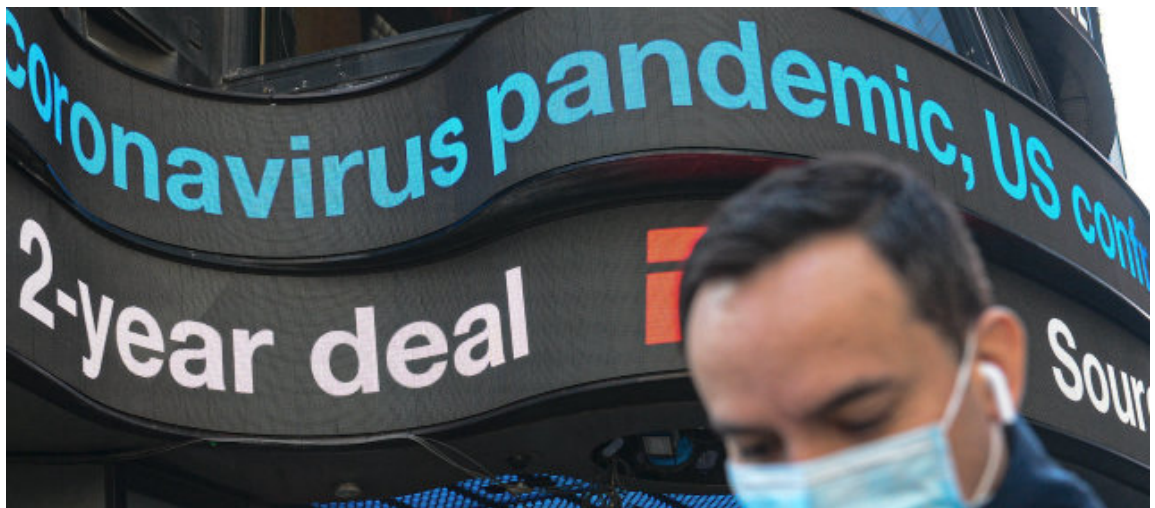
Government-mandated lockdowns and travel restrictions related to the Covid-19 outbreak have hit rental-car companies hard. Hertz and rivals [Avis Budget Group](#) Inc. and Enterprise Holdings Inc. have laid off workers to cut costs and have lobbied for federal assistance to keep their businesses afloat while demand for their services craters.

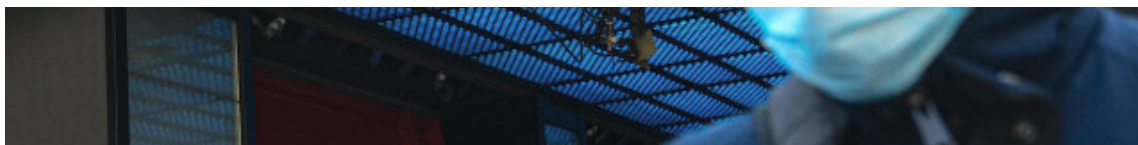
Hertz recently laid off about 10,000 employees in North America as the pandemic depressed travel. The layoffs follow the implementation of furlough programs in March.

Coronavirus Update: U.S. GDP Hit, Meat Plants to Remain Open



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## Coronavirus Update: U.S. GDP Hit, Meat Plants to Remain Open

The U.S. economy shrank at a 4.8% pace in the first quarter as many companies report losses, President Trump's action to keep meat-processing plants open is criticized by unions, and labs say Covid-19 testing capacity is unused. WSJ's Shelby Holliday has the latest on the pandemic. Photo: Marcus Santos/Zuma Press

Hertz's business had already started to fall off significantly late last month, Chief Executive Kathryn Marinello said at the time. Roughly 20% of Hertz's rental cars nationally were in use at the end of March, versus 80% normally, she said.

Rental car companies were facing disruption even before the Covid-19 outbreak hit the U.S., with the rise of [Uber Technologies](#) Inc. and [Lyft](#) Inc. and increasing use of peer-to-peer car sharing services that offer an alternative to traditional car rental.

The health crisis has only added to those challenges, analysts say. Many travelers are staying home as part of shelter-in-place orders, causing a steep drop off in demand for rental cars. On top of that, those vehicles now sitting idle on rental car lots are also losing value, because demand for buying used cars is also collapsing.

—Nora Naughton contributed to this article.

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