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PRESENTATION
Operator
Welcome to the Hertz Global Holdings Fourth Quarter 2023 Earnings Call. (Operator Instructions) I would like to remind you that this morning’s call is being recorded by the company. I would now like to turn the call over to your host, Johann Rawlinson, Vice President of Investor Relations. Please go ahead.

Johann Rawlinson - Hertz Global Holdings, Inc. - VP of IR

Good morning, everyone, and thank you for joining us. By now, you should have our earnings press release and associated financial information. We've also provided slides to accompany our conference call, and these can be accessed through the Investor Relations section of our website.

I want to remind you that certain statements made on this call contain forward-looking information. Forward-looking statements are not a guarantee of performance and by their nature, are subject to inherent risks and uncertainties. Actual results may differ materially. Any forward-looking information relayed on this call speaks only as of today's date, and the company undertakes no obligation to update that information to reflect changed circumstances.

Additional information concerning these statements is contained in our earnings press release and the filings we make with the Securities and Exchange Commission. Our filings are available on the SEC's website and the Investor Relations section of the Hertz website. I would also direct your attention to the Form 8-K that we furnished to the SEC on January 11, which includes information on our strategic decision regarding the sale of a portion of the EV fleet.

Today, we'll use certain non-GAAP financial measures, which are reconciled with GAAP numbers in our earnings press release and earnings presentation available on our website. We believe that these non-GAAP measures provide additional useful information about our operations, allowing better evaluation of our profitability and performance. Unless otherwise noted, our discussion today focuses on our global business.
On the call this morning, we have Stephen Scherr, our Chief Executive Officer; Alex Brooks, our Chief Financial Officer; and Justin Keppy, our Chief Operating Officer.

I'll now turn the call over to Stephen.

Stephen M. Scherr - Hertz Global Holdings, Inc. - CEO & Chairman

Good morning and thank you for joining our fourth quarter earnings call. We have a good amount to cover this morning. On our performance, we will address the cost challenges that the business faced in the fourth quarter, which were a continuation of the challenges we faced throughout 2023 as well as the solid demand and stable rate environment we continue to experience. The core message we are sharing this morning as we begin 2024 is one of confidence on the forward.

Our confidence is based on the continued stability of the demand and rate environment, the expected benefits of the strategic decision that we made in the fourth quarter regarding our EV fleet, which is also expected to reduce operational distraction and the continued execution of our enhanced profitability plan. All told, we expect that 2024 will be a transitional year for Hertz, and we expect to regain our operational cadence and improve our financial performance with increasing effect into 2025.

With that, let me turn to our Q4 results, both revenue and cost and our progress on select initiatives. Justin Keppy will then share impressions from his first 90 days in his role as our Chief Operating Officer; and the initiatives he is leading to enhance productivity with a particular focus on our goals for 2024. Alex will then conclude our prepared remarks with additional commentary on our financial performance liquidity and outlook before we turn the call over to your questions.

On the quarter, revenue was $2.2 billion, in line with our expectations and in line with sequential seasonality and up 7% year-over-year. Our topline performance reflected continued demand for our product, consistent with travel trends reported across airlines and hotels. Specifically, Q4 volume was up 12% year-over-year. The organization delivered Q4 revenue with a strong focus on rate.

Revenue per day in the quarter came in better than expected at $58.09, which is slightly better than typical seasonality would yield. Year-over-year RPD reflected a moderating trend relative to prior quarterly comparisons and the rate of year-over-year decline decelerated. Overall, this better-than-expected rate performance was the product of a relatively stable rate environment in the quarter and underscores that rate for the whole of 2023 remained 40% higher than rate in 2019. Our ability to capture this rate was not only a product of stable demand, but our prioritization of RPD. We made some very intentional decisions in the quarter to forgo lower-margin business, even though it was at the expense of utilization.

Further to utilization, we did carry more cars into quarter end than we had previously anticipated. Like all decisions regarding fleet, we are guided by an ROA or return-on-asset mindset with a central objective of keeping our supply of fleet inside profitable demand. Against declining vehicle residual values in the fourth quarter, and what we might yield on sale, we saw the opportunity for greater returns in the continued deployment of these assets. As you are aware, we’ve been focusing on growing customer channels like Dollar and rideshare both of which can accommodate higher mileage vehicles.

In addition, we are being very intentional about our choice of disposition channel. We continue to see the opportunity to increase vehicle sales through retail channels including Carvana and our proprietary network. As compared to auction or wholesale, retail typically yields higher selling prices when residual prices are in decline. In Q4, for example, we saw a positive variance between wholesale and retail gross price in the range of 5% to 10%. This prioritization of more favorable economics related to continued rental versus immediate disposition and the selection of channel to optimize price reflects our continued attention to asset returns. Let me turn to vehicle carrying and operating costs.

Quickly on carrying costs. Weakness in residual values, together with the charge we took on the held-for-sale EVs, along with higher interest rates, resulted in a higher-than-expected vehicle carrying costs for the quarter. Alex will expand on this in more detail.

With respect to operating costs, direct operating expense or DOE per transaction day was $36.92 in the fourth quarter. Excluding net collision and damage and adjusting for extraordinary litigation expense in the fourth quarter of 2022, DOE per transaction day was flat in Q4 versus a year ago.
and decreased by 8% for the year. We continued to experience elevated collision and damage in the quarter, largely driven by costs associated with running our EV fleet. And perhaps more significantly, the challenge of the EVs had an impact on our operational efficiency more generally, further supporting the advisability of our EV sales plan. As Justin will speak to more, DOE is squarely in our sights.

All told, fourth quarter adjusted corporate EBITDA was a loss of $382 million, which includes the $245 million of incremental net depreciation expense associated with the EV sales plan. To be clear, this bottom-line result is unacceptable. But as I said at the beginning of my remarks, I have confidence in our trajectory, particularly with the bold but achievable cost out plan and our decision around EVs. The drivers of this outcome are understood and are being addressed and the opportunities before us are real.

Our decision regarding the EV fleet is one driver of opportunity. As we discussed in our 8-K, we expect the consequences of our Q4 decision to be material and positive on the forward. We expect improved adjusted corporate EBITDA and cash flow over the next 2 years from that decision. We will also be positioned to better meet customer demand through higher utilization on fewer and less expensive ICE vehicles while maintaining an EV fleet where again, supply better meets profitable demand.

And because we are eliminating a portion of the EV fleet that yielded the lowest RPD and exhibited the highest level of damage incidence, we expect to yield a disproportionately higher financial benefit over this year and next, than the size of the fleet reduction would imply. The anticipated 2-year payback on the charge taken in Q4 related to EVs, in terms of aggregate benefit to adjusted corporate EBITDA production is to be understood as entirely separate and apart from the opportunity to generate an incremental $500 million of adjusted corporate EBITDA, which we have discussed on previous calls.

This incremental $500 million opportunity falls into 3 areas: First, we have our project-driven initiatives, which are focused on the creation of profitable incremental revenue. This includes growing rideshare and improving our European and value brand businesses.

In 2024, we will expand on the progress we made across each of these initiatives in 2023, which included on rideshare growing revenue by 75% over the prior year. Uber drivers have now driven over 1 billion miles in EVs rented from Hertz.

Our international business increased volume across key customer channels and grew annual revenue by 17% over the prior year. We also made progress in our Dollar and Thrifty brands where we now have new websites designed to enable improved direct bookings and enhance customer loyalty. Second, we have our efforts to enhance the yield on our core business and the assets deployed against it through a focus on improved revenue management.

Some specific progress to note. Our team rolled out an improved skip-the-counter process across all brands in select airports during the quarter, reducing pressure on field employees and improving the customer experience with real opportunity to increase the sale of value-added services or VAS products through digital channels. And we started to roll out Apple Pay for the Hertz brand in select U.S. channels, providing our customers with an easy, secure and private payment option. We are already seeing over 20% of eligible reservations completed with Apple Pay. Third and perhaps most in focus now is our disciplined approach on productivity to reduce costs throughout the business. Justin will speak to this cost-out opportunity in more detail, but the work is well underway.

The team is energized and sees the opportunity and is working to deliver. A terrific add to the team who is already putting us in an improved position is our new Chief Operating Officer, Justin Keppy and I'm pleased to turn it over for his comments. Justin?

Justin Keppy - Hertz Global Holdings, Inc. - Executive VP & COO

Thank you, Stephen, and good morning, everyone. It’s been an exciting first 90 days at Hertz, learning the business, visiting our larger operations and meeting the field operations teams who make it happen. Their engagement and passion to support our customers and move the business forward is inspiring. We have a great foundation to pivot towards improved profitability.

Looking forward, I see the road to profitable growth by getting back to the fundamentals in line with the 3 areas, as Stephen referenced. In partnership with our leaders, we are bringing greater operational discipline and focusing on what immediately matters, getting cost out. It’s clear
that we need to take bold action on both fixed and variable costs and accelerate productivity across our operations. We aimed to get $250 million in benefit this year in addition to the benefit we expect to achieve from the EV reduction. While the company has been successful in tackling costs, we believe we can do more.

On productivity and cost benefit efforts fall into 5 core areas. Let’s start with staffing and third-party spend across our business. We have taken a first step in rightsizing and reducing third-party spend and are assessing further actions. Within our fleet operations, we are enhancing our workforce planning process to better align staffing to volume and location. We expect meaningful benefit from these actions.

Footprint is our second core focus area. We have assessed our network, and we expect to reduce the cost of our physical off-airport real estate footprint as we exit underperforming locations. These actions are designed to provide more focus and enable the redeployment of over 10,000 vehicles to more attractive use without the detriment to the robustness of our remaining network. We expect these network actions to be initiated within Q1.

Third, we are attacking operating costs and improving field productivity. Collision, damage, maintenance, transportation, fuel, and out of service are the prime targets. We are rolling out to the field new digital tools to improve visibility and decision-making. During the quarter, we began to deploy digital capabilities into the field to enable more real-time and simpler documentation of damage upon a vehicle’s return to lot. This tool promises to capture an increasing number of damage incidents with better precision and ultimately yield better reimbursement outcomes.

The fourth area is procurement, a big opportunity with an addressable spend of nearly $3 billion. We have started to centralize and consolidate spend to reduce consumption and buy more effectively. We will continue to explore opportunities to accelerate our progress in this key area.

The final area is technology. Technology is critical to what we do. As we have previously mentioned, we are well underway in modernizing our infrastructure, moving solutions to the cloud, and retiring legacy software platforms. We have made real progress and we’ll start seeing benefit in 2024, including a year-over-year reduction in spend, as previously highlighted.

To ensure progress against our $250 million target for the year, we are developing detailed action plans with KPIs and implementing a governance process run by a newly formed and expanding program office. In addition, and separate from the $250 million benefit I just outlined, we are progressing our efforts to reduce collision and damage across EVs more broadly. These include active discussions with key OEMs to get access to parts and labor more quickly and at better pricing, leveraging our digital tools and insights to improve underwriting and collections. And in rideshare specifically, lowering driver churn and expanding our EV charging network.

To wrap up, I joined Hertz to make a real impact. My first impressions of the business are positive, and I’m excited to capture the opportunities ahead. We know what to do and are organized to do it. In future calls, I look forward to providing you with updates on our progress.

Now let me turn it over to Alex.

Alexandra Dawn Brooks - Hertz Global Holdings, Inc. - EVP, CFO & Principal Accounting Officer

Thank you, Justin, and good morning, everyone. Let me start by covering our full 2023 results. Revenue was $9.4 billion, up 8% year-over-year, although down 4% year-over-year, rates remained healthy at $60.62. This was about 40% above 2019, as noted earlier. Volume for the year was up 13% compared to 2022, with meaningful growth across leisure, corporate and rideshare. Our fleet size grew only 9%, resulting in utilization that was 190 basis points higher than 2022, primarily driven by improved out of service levels. Strength in utilization of the fleet meaningfully contributed to RPU of $1,479 in 2023, down slightly versus 2022.

DPU of $307 for 2023 was broadly in line with our expectations at the start of the year, notwithstanding the $245 million of incremental net depreciation expense resulting from our EV plan of sale. For the fourth quarter, DPU was $498, inclusive of the incremental depreciation and $350, excluding the charge. As you’re aware, DPU is driven by a variety of factors, including fleet mix, mileage and condition as well as views on forward residual values and our historical sales experience. The combination of these factors drove Q4 DPU higher than we expected. We’re closely watching
residual values entering Q1, particularly in light of our plans to rotate fleet over the course of 2024 to a materially younger composition. As Stephen shared, we bring a return-on-assets mentality to our fleet plan, and that includes our central tenet of maintaining fleet within profitable demand.

Regarding operating costs, DOE per transaction day in 2023 was consistent with our prior year. Excluding net collision and damage in both years and litigation settlements in 2022, DOE per day was down 8%, reflecting progress on our cost initiatives. Both vehicle and non-vehicle interest expense was higher in 2023 compared to 2022, driven primarily by the macro rate environment with modest impact from fleet size.

Adjusted corporate EBITDA for 2023 was $561 million, a 6% margin, which reflected a drag of several hundred basis points related to the EV headwinds and previously discussed and further burdened by the charge related to the EV sale plan. Turning to our capital structure and liquidity.

At December 31, we had $2.6 billion of capacity under our vehicle debt facilities globally, with a portfolio that was approximately 70% fixed rate. We maintained sufficient equity cushion in our global ABS facilities at the end of 2023. Of note, $2 billion of medium-term notes under our U.S. ABS facility mature in December of ’24, and we intend to refinance those notes in the normal course of business with the exact timing subject to market conditions. Turning to our cash flow and capital allocation.

We entered 2024 with solid demand and a stable rate environment. We expect demand to track to historical seasonal patterns and anticipate supporting RPD through initiatives such as better monetization of upgrades, incremental value-added services revenue through digital channels and improved price capture in our value brands.

Regarding vehicle carrying costs, we expect the dynamic residual environment to be an important macro trend for the industry in the year ahead. It will influence, but not dictate our return-on-asset based approach to fleet rotation and, of course, depreciation we plan for normal seasonality in the used car market, notwithstanding our view that the market is structurally short used vehicles in the near to medium term.

On productivity, we look to achieve $250 million in benefit over the course of 2024, as Justin covered earlier. More broadly, we expect adjusted corporate EBITDA to benefit from improvements associated with the strategic sale of 1/3 of our EV fleet as well as the benefits of our productivity and cost initiatives, and as referenced, a focus on the fundamentals and improved operational discipline.

In closing, I look forward to the future of our business and bringing the opportunities we discussed today to fruition.

With that, let's open the call for Q&A.
Chris Jon Woronka  - Deutsche Bank AG, Research Division - Research Analyst

So since you made that announcement regarding the planned reduction in the EV fleet, I guess the question is, at what point do you kind of evaluate your progress on that? And what would be the kind of markers that might cause you to possibly accelerate that further? Just trying to get a sense for how you’re going to evaluate the success of it and when you might decide you need to do more if you need or want to do more.

Stephen M. Scherr  - Hertz Global Holdings, Inc. - CEO & Chairman

Sure. Thanks for the question, Chris. Look, this is a dynamic. I mean we are assessing the move we made all of the time, not just simply on the disposition of the cars, but equally on the residual EV fleet that we had. We obviously took and are taking 20,000 cars out. That's largely to bring supply inside demand. And the frame of reference as to whether there's more to do or whether we're content with the fleet we have is going to be a ROIC, a return on invested capital, assessment on the EVs.

In taking the 20,000 out, think about it this way, we have effectively clipped the lowest rung of demand in terms of RPD and candidly, the most offensive component of demand as it related to damage. And so our view is that while we're taking 1/3 of the fleet down our expectation is that we will capture close to a half, if you will, of the economic drag that's posed there.

So where does that come from? We obviously told you in the 8-K that we expect over the 2 years in the aggregate to recapture about $250 million of EBITDA and free cash flow of about $250 million to $300 million. So what’s embedded in that? And what are we going to look at as we harvest this? Well, first of all, there's a reduction in fleet carrying cost, there's lower operating costs relating to collision and transport and charging and labor. And then we expect enhanced revenue in the context of deploying fewer cars at higher utilization than the cars we're taking out.

And on the reduced carrying cost, I mean, that's in front of us. The depreciation is captured. That's for us to take. What we do in terms of unit economics will be a function of the fact that we're going to only replace 15,000 of the 20,000 cars taken out. So these are less expensive cars, lower depreciation, lower vehicle carrying costs, operating at higher utilization so that will produce much higher margin dollars to us, and the operating costs just simply around collision transport and labor will be there.

And so, a, we need to sell these cars, and we're on pace to do that at or around where our mark was at December 31. Two, we need to capture the cost savings through EBITDA and realize the cash flow that we've laid out to go get. And third, we need to make a constant reassessment. If at the end of the day, the returns that we are modeling for the balance of the fleet against the demand that we believe to be there doesn’t show, then you should assume we will take more action than none.

The other aspect around this, I would point out, and this runs the kind of the expense initiatives that Justin has, is I think we have dramatically derisked the ability to go at costs unrelated to the EVs. Meaning away from the sort of clear categories of expense that we are relieving ourselves in the sale of the EVs, we are reducing kind of the operational distraction in the field in a very meaningful way. And in doing that, we will position the field to action some of the cost reduction that Justin has and will take you through. And I think that’s an important variable in this.

And so, we're about providing choice to customers. We think we've landed on an EV fleet that meets demand. But I can assure you if those numbers don't scratch to an adequate return, then we will take further action against that fleet, again, always with a mindset of keeping supply inside demand. And I think the lesson of this, if you will, is that incremental steps to wrestle down the cost elements of the EVs were not going to work and were not going to work with the speed of execution that we were comfortable with. And as a consequence, and as evident in the fourth quarter, the need to take a big bite out of this issue was one that was in front of us and we took it. And if that's not enough, we'll do more. If it is, we'll play forward with attractive returns on the deployment of those vehicles.

Chris Jon Woronka  - Deutsche Bank AG, Research Division - Research Analyst

Stephen, that's really helpful. I guess as a follow-up, I'm curious about how you're thinking about fleet sourcing. And this is both for kind of the 15,000 or so ICE cars that you want to backfill the EV sales with, but also just kind of your natural rotation. I mean, are you willing to lean more into the used car market now that given the current pricing environment there, is that something that's more on the table this year?
Stephen M. Scherr - Hertz Global Holdings, Inc. - CEO & Chairman

Well, I would say a couple of things on the fleet. First of all, on the ICE vehicles to sort of substitute in for the EVs, recognize that as we reduced down unprofitable network locations, okay? As Justin noted, we are redeploying fleet, mostly ICE vehicles back to airports and other locations. So part of the 15,000, okay, will be vehicles that we're capturing from other locations where utilization is not sufficient, number one. Number two, we are this month at our lowest out of service. We're going to continue to drive out of service down and redeploy and use those vehicles, right, where we can. Third, in deference to cash, we're going to look to sort of manage between purchases and sales and modulate that, again, based on kind of the return profile of what those activities have.

So the point I was making was that it will take 15,000 cars to replace the 20,000 cars that we're taking out in the EVs. Again, lower-cost ICE vehicles used at a higher level of utilization. We do not need to go out and buy 15,000 additional cars to make that happen. Part of that will be lower out of service, part of that will be redeployment of the fleet around the overall network particularly as we pinch off unprofitable locations. And I think we're quite comfortable with what's there in our ability to sort of backfill for demand.

Operator

Our next question comes from the line of Ian Zaffino of Oppenheimer.

Ian Alton Zaffino - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

Great. Thanks for all the details on the cost savings. And just conceptually, I'm trying to understand here, when you think about your normalized EBITDA number, I guess, where do you think that is? And then you've stated it previously, so now is this cost savings on top of that normalized earnings number or EBITDA number? Or is this what you need to get to that number?

Stephen M. Scherr - Hertz Global Holdings, Inc. - CEO & Chairman

So thanks for the question, Ian. Here's what I would tell you. You need to separate out what we're forecasting in terms of EBITDA benefit from the EV sale, okay, which we believe to be $250 million of EBITDA uplift, okay, over 2 years such that, that's a round trip, if you will, relative to the charge that we took in the fourth quarter.

So set that aside and let's call that the normal as it were, right, adjusting for the EV move. On top of that, we are coming back to the $500 million that we've spoken of before, which is a combination of new projects like rideshare and otherwise, okay? Second is realizing higher yield on the assets that we have, so sweating the fleet in a way that we can. And the third and perhaps the most important in the context of this call is an ability to gain productivity and pull costs out of the business.

The combination of those 3 things: Projects, yield and cost amount to a $500 million go get. It's within that $500 million that Justin has talked about $250 million of that $500 million being realized through productivity and cost in 2024. So again, separate out the EBITDA benefit that comes back to us on the EV sale, focus then on $500 million of EBITDA addition. And within that $250 million that is a very definite productivity and cost out in 2024. And Justin can give you kind of his take on what's the makeup of that $250 million of cost out this year.

Justin Keppy - Hertz Global Holdings, Inc. - Executive VP & COO

Sure. Thanks, Stephen. Ian, if you look at it, I'll say just the majority of our planned $250 million productivity benefit for the year is cost out. So it's spend reduction, taking costs out. If I look across the categories, and we're looking globally, it's just not an Americas effort, we're working across all of our businesses. First thing within staffing and third party, we've already taken action. So we've got head count actions that are benefiting us coming into the year. We're locking down hire new requests. So any new adds are being scrutinized, and we're only adding where essential. And
third-party spend, took a tough look first thing when I came in, and we've already identified over $30 million of spend reductions. And I can tell you, we're not done yet.

On footprint, we've closed year-to-date, 8 of our lower-performing retail locations as we expand our relationship with Carvana and others. And we've completed an assessment of our off-airport rent-a-car locations, looking at the ones that are underperforming. And as Stephen highlighted, it gives us the ability to free up vehicles to reallocate to on-airport or other more profitable locations. We expect a sizable portion of those actions to be complete here in Q1.

On field productivity. I'm pleased to say the team's energized, it's going. Technology that we launched last year has taken hold. We're rolling out the digital tool on collision I mentioned before. Also on the telematics, seeing real progress on the fuel that's been talked about before. It's accelerating, it's expanding, and it's looking very positive. In procurement, I said we spent almost $3 billion. Just -- if you just think about that for a second, 1% is $30 million. And first kind of observations, there's more that we can do to leverage our larger spend on categories such as tire or glass and we can get real meaningful reductions here, and we're going to.

And finally, the last category, technology. Our modernization continues, we're seeing benefit of the capabilities that were developed last year. This year, it's all about prioritization, speed of completion, and we're going to see meaningful reductions in spend year-over-year. And as you [heard], there's a lot of activity there across activities. It's the reason why we're taking a programmatic effort to ensure that we stay on track in building out the program office.

And I'd just like to say, while I see $250 million in productivity that I outlined, I'm personally going to be disappointed if we don't do more. The opportunities are there. And it's exciting to see the momentum continue to build. I look forward to giving you updates in the future. Thanks for the question. Hopefully, this clarifies.

Ian Alton Zaffino - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

No, that's great. And I guess maybe higher level on just another topic. You guys seem a little bit more confident in the rate environment and RPD going forward. Kind of what's giving you that confidence? Or maybe give us a little data point on what you saw in January?

Stephen M. Scherr - Hertz Global Holdings, Inc. - CEO & Chairman

Sure. So let me start with what we're seeing in January or what we saw in January. First of all, leisure business and leisure demand is really quite strong, and we're seeing considerable volumes across the sort of Sun Belt from Florida all the way west to Hawaii, Hawaii making sort of a considerable rebound. We've seen larger inbound activity growth, and we've seen strong corporate growth, particularly in the Midwest, locations like Detroit and Chicago that are showing high volume.

I would say that looking backwards, as I said in the prepared remarks, the rate of decline year-over-year on a quarterly basis is decelerating. And so we saw better performance in the fourth quarter on rate than we had seen, again, on a year-over-year basis in the prior quarters.

I'd also say that as we listen, as you listen to sort of what the airlines and the hotels and the travel industry is reporting, forecast growth, which is substantial. And I think that the back half of this year holds considerable promise for us in the context of sort of economic trends that are playing, which is lower inflation, lower interest rates and a clear view that the American consumer, in particular, continues to consume travel as an experiential good that they're looking to partake in. And so we're just seeing very strong demand.

I would also say that where there are generally higher cost inputs, there is less incentive for any one of the major players in rental to sort of look to lower rate. And on that -- in that regard, I think we feel quite good about what we're seeing, both in terms of demand and what we saw as a decelerating trend in terms of decline. And I'd also point out that, as I did in the remarks, we're 40% better than where we were and stability around that number, I think, is in front of us.
Our next question comes from the line of Adam Jonas of Morgan Stanley.

I have a question for Steve and one for Justin. Steve, what does transitional year mean? Could Hertz lose money, burn cash, test the covenants? I'm getting a lot of questions, a lot of questions from clients on the covenants as another sign of the lack of confidence in the strategy and execution. I'm sure that's not a surprise to you.

But what message do you have for -- I mean there's just an army of people betting against Hertz right now and kind of how much worse does it have to get? Obviously, we know it gets worse, but kind of is there some kind of -- without providing guidance, some base or kind of clearing or bottom that you might have some confidence in terms of how -- where that bottom would be this year. That would mean a lot.

Yes. So here's what I would say, Adam, I think that had we not taken the step that we did around EVs in the fourth quarter, it would be a rocky path forward in terms of trying to sort of patch up for the continuing operational distraction and the cost that we were otherwise incurring on the bottom 1/3 of that fleet. And so I think by taking that step in the fourth quarter, we've set ourselves up with a much clearer path to sort of the reconciliation of our cost structure to a revenue line that is strong and sustainable.

This company is not experiencing revenue intake or demand. What it was and is experiencing is a cost challenge. We pinched off the single largest component of that cost challenge, which is the EVs. And as I've said, if we need to do more, we will, but reducing 1/3 of that fleet puts us in a better position. It yields out certainly on depreciation and a short view on a reduction in expense, and it promises to carry lower direct operating expense relative to our ability to meet that demand with ICE vehicles.

I think secondly, it sets up Justin to achieve the elements and items in his cost out that he reflected in the prior question. And I think these are in front of us, and this is not sort of a blueprint. These are actions that are being taken right now. It therefore gives us confidence that against a very good and solid demand rate and revenue backdrop, we have a path where we've already taken a very big down payment in the charge we took in the fourth quarter.

And therefore, a transitional year means that in 2024, we are executing against the reduction in the EV fleet against a series of very precise cost-out elements that gives us confidence that we won't be in a position where the covenants will come into play and that we will emerge at the end of '24 into '25 with a much better cost structure against which we can engage on a level of demand that is in front of us.

And I think equally, if one forecast for what the back end of this year might look like, much as I'm not relying on that for the success of Hertz, but lower interest rates and continued demand and lower inflation spells well both for the core element of demand in the business, a control over cost and equally stability to residual prices, which lends itself to an easier execution across the whole. And so that's what I'm referring to in terms of transitional and kind of a little bit of my own mindset about how the forward is accomplished.

Thanks, Stephen. Justin, I know you've only been at the company for 90 days, but you did say you were out in the field. I'd be very interested in what the field managers, licensees, people on the desk, what they're most concerned about? What's their top like Justin, you got to fix this. This is not good enough. What -- and anything take you by surprise? And as a follow-up, I'd be -- well, I have one -- and I just have one little follow-up to that question, but what were you hearing from them?
Justin Keppy - Hertz Global Holdings, Inc. - Executive VP & COO

Yes, sure thing. So I’ll say it was extremely invigorating to go see the passion in the field. These employees, some of them have been there for decades, are hugely customer service-oriented and focused. And I’ll say the one kind of unanimous theme to answer your question is they were concerned about the EVs and having to substitute EVs for consumers that might not otherwise have wanted them. And that has an NPS effect. It’s certainly if people aren’t looking to drive an EV or whatnot, we’re seeing incident rates of damage and collision.

But that the feedback I’ve gotten with this announcement. It was -- we didn’t take this announcement lightly, is that this will give us some bandwidth to focus back on servicing the customers as Hertz has been known to do.

Adam Michael Jonas - Morgan Stanley, Research Division - MD

Okay. And my follow-up there is, what about the mileage of the cars? My understanding is your cars are (expletive) old, really just -- what -- did that come up?

And I’d be curious if you could please give us some data on that. What’s the average mileage of your fleet, for example, in the U.S. Where is that versus normal? Where do you want it to be? Because that strikes me as an indicator. I don’t know if you’d consider it a KPI, Justin, but it’s something that if you have a smelly car with 60,000 miles on it, it’s just got -- getting your OpEx up. That’s not something Enterprise and Avis is doing right now, but you are. So tell us where you are and where you want to be on that. That’s really important.

Stephen M. Scherr - Hertz Global Holdings, Inc. - CEO & Chairman

Adam, let me take it first, and then I’ll pass it to Justin. The fleet plan that we have for ’24 is to meaningfully reduce the age of the fleet. I mean by several hundred basis points in terms of the percentage of cars that ultimately will be 50,000 miles or older. So that’s the path that we are on in the context of the first part of your question and be -- about the transition, okay?

The second is that we do have homes for cars that are not otherwise being rented to Hertz premium customers. So for example, growth in Dollar and TNC, I’m not suggesting that these are cars that wouldn’t want to be rented, but these are older cars that have homes for them. And I think that’s an important sort of element to think about in the context of a comparison to others, where our rideshare business is not sort of common to the others that are in it. But the fleet in our current fleet plan is meant to become -- or meant to be rendered appreciably younger, both in age and miles.

And I’ll ask Justin to finish up on your question.

Justin Keppy - Hertz Global Holdings, Inc. - Executive VP & COO

Yes, just to -- yes, to expand a bit upon that, too. The other positive thing is we look to our fleet plan for 2024, we’re noticing a transition with our -- becoming more of a buyer’s market than a seller’s market that we experienced with the OEMs over the past couple of years. Already in Europe, we’re seeing program cars that are at very favorable rates to what we’ve experienced in ’23 and earlier. And it enables us to take good actions with the refresh in the fleet that Stephen otherwise outlined.

Stephen M. Scherr - Hertz Global Holdings, Inc. - CEO & Chairman

Adam, I’d also say that, obviously, in rendering your fleet younger is one part buy and one part sell. And I wouldn’t take the comment lightly in the context of our access, unlike others, to a proprietary retail network and Carvana and others like them in part because in a declining residual market, okay, the delta historically between wholesale and that retail can be 10% or greater.
And so the ability for us within the balance of what we’re trying to do in a transitional year, to dispose of fleet at prices that are not necessarily reflected in what you see in indices that track wholesale auction will be a benefit to us in the context of managing the financial element of this kind of fleet rotation.

Adam Michael Jonas - Morgan Stanley, Research Division - MD

Okay. We’ll follow up on the mileage later if you didn’t want to provide it.

Stephen M. Scherr - Hertz Global Holdings, Inc. - CEO & Chairman

Sure.

Operator

Our next question comes from the line of John Healy of Northcoast Research.

John Michael Healy - Northcoast Research Partners, LLC - MD & Equity Research Analyst

Stephen, I wanted to get a couple of big-picture questions into you. Obviously, a lot of time spent this morning on EV. But can we talk about EV and ride hailing together? Obviously, 2 businesses that are kind of newer to the company over the last 5 years. As you look at these businesses, does maybe the hypothesis or the penciling out of the potential need to be longer term revisited just from what you’re learning because I think there was an expectation that EV and ride hailing could be actually margin accretive type businesses. I’m curious to know now that you’ve been in them, if you agree with kind of the longer-term economics and potential of those businesses or is this the sign that maybe it penciled out on Excel, but in reality, just these businesses are just different than we thought. So I’d love to get your thoughts there.

Stephen M. Scherr - Hertz Global Holdings, Inc. - CEO & Chairman

No, that’s an excellent question. I would say the following. I think the long-term proposition around that business is a good one. I think that it’s not to be ignored that against the financial model, if you will, at the time that Hertz entered this when it came out of bankruptcy, a number of things have happened, not least of which is the deployment of Teslas has become a more expensive proposition because when the MSRP came down, the residual came down and the depreciation went up. And obviously, the experience around damage has been elevated.

So if you think about your revenue intake and you deduct your cost of the car, largely depreciation, you deduct damage and then you look at other expenses, it yields a positive margin, but not near that, which it had initially -- or we had initially intended it to do. So we need to rotate the sort of cars in there, and we have obviously reduced down the number of EVs that are in there. And the forward will be deployment of less expensive cars, which will render that business more profitable.

The other thing I will say to you is that this business for drivers that are in our car for an extended period of weeks. So in other words, when you get past 4 weeks or 5 weeks of a driver in that car, the economics are very attractive, meaning you need to get through the initial underwriting of the driver, okay, and some experience of that driver in the car because when you get that combination of a well underwritten driver and a driver that has experience, the margins on that car are very attractive in part because the maintenance and the churn goes down, the driver is keeping the car an extended period just as the model held. The damage level is low because the incident level is low because the driver is experienced in the context of the EV, perhaps they hadn’t been at the start.

So the real challenge is to get by if you will, the cost of acquisition on the driver because the margin on the longer-term driver is very, very attractive. And you should assume that we are working with Uber and Lyft and others to sort of overcome that issue. And so I know that’s a little bit more than sort of a yes or no answer, but it is a finesse business model, and I think it works. I think we were thrown a curve relative to sort of how it
modeled out from the start, but I think that's the direction we're going. And I think that's an attractive business as a general matter, but we need to work through that underwriting segment of it.

John Michael Healy  - Northcoast Research Partners, LLC - MD & Equity Research Analyst

And just a quick follow-up question for me. When you guys talked about the $250 million of cost on EV being recovered over 2 years and then the $250 million of cost benefit this year, how much of that EV item do you think we would recover this year? And when you talk about those cost items, is that flow through for 2024? Or is that like a run rate number? How do we parse what we actually might see kind of in the results this year?

Stephen M. Scherr  - Hertz Global Holdings, Inc. - CEO & Chairman

Sure. So I would say on the $250 million of EBITDA recapture over 2 years in the aggregate, I mean, roughly speaking, I would say it's 50-50, right, over '24 and then '25 and then obviously runs, okay, as a permanent fixture in our overall EBITDA production.

On the separate $250 million of cost out that Justin was referring to, you should view that as cost coming out and materializing in 2024 and to carry forward on a run rate basis as we move. Again, that's a byproduct of both productivity and cost.

Operator

Our next question comes from the line of Stephanie Moore of Jefferies.

Stephanie Lynn Benjamin Moore  - Jefferies LLC, Research Division - Equity Analyst

There's a good number of moving pieces here that you kind of went through on the call here. So Stephen, I know you said in the past that you expected to achieve EBITDA growth in 2024. But given the current dynamics and -- but also your own cost reduction programs, is this still the case?

Stephen M. Scherr  - Hertz Global Holdings, Inc. - CEO & Chairman

Well, I think EBITDA in '24 will show to be higher than what we produced in '23, taking account of the EV charge that was otherwise taken in Q4. So I think we'll see a higher level of EBITDA production in '24 relative to the reported number in '23.

Stephanie Lynn Benjamin Moore  - Jefferies LLC, Research Division - Equity Analyst

Okay. No, perfect. That's helpful. And then as you think about the cadence of these initiatives, again, these kind of major cost savings, when should we expect to start to see those materialize in 2024? How quickly can these headwinds that we certainly saw in 2023 can start to be offset. I mean, is this more of a second half 2024? Or just any kind of color on the cadence throughout 2024 would be helpful.

Stephen M. Scherr  - Hertz Global Holdings, Inc. - CEO & Chairman

Well, I think on the EVs, obviously, they are being sold out now, much as the depreciation has been stopped on those cars. So depreciation should fall pretty quickly in the context of that zeroing out on the charge itself. Obviously, the cost will be reduced down as progress is made on the sale of the 20,000 vehicles, which is running at pace. And we're obviously quite incented to see that happen quicker than longer. Maybe I'll ask Justin to comment on kind of the pace and when you'll see some earlier, some later in the context of the categories he's focused on.
Justin Keppy - Hertz Global Holdings, Inc. - Executive VP & COO

Sure. On some of just the cost out on budget reductions or third-party spend, we've enacted those already. So we're going to see the benefit of those starting here in Q1, which will run rate through the entire year. Some of the other items will take a bit more time just to get in place as well as roll out across the broader network. So we will see a bit of a ramp as the year goes through. But that's natural with any cost reduction program. As you implement, you see the benefits compound in the back half of the year.

Stephanie Lynn Benjamin Moore - Jefferies LLC, Research Division - Equity Analyst

Got it. And then just one kind of somewhat related question. I think we saw that Tesla announced a pretty major recall here in the last couple of weeks. Can you just kind of walk us through what that impact could be on your business?

Stephen M. Scherr - Hertz Global Holdings, Inc. - CEO & Chairman

Well, I think you should always assume that we obviously follow all of the recalls and make sure that we comply with necessary rules and laws as it relates to that with respect to the rental car industry. I would say on the recalls, at least in the past with Tesla, they've been over-the-air recall, so software adjustments that have been made. And so it is easier to execute on those recalls. But that's largely how we're dealing with all of them.

Operator

Our next question comes from the line of Ryan Brinkman of JPMorgan.

Ryan Joseph Brinkman - JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst

I wanted to ask on the softer trend of earnings in 4Q apart from the onetime charge related to the plan to sell 20,000 electric vehicles. I'm curious in order to help us better understand the jumping off point as we head into 2024, the annualized rate of EBITDA, I guess, how much of the shortfall excluding the charge, may have nevertheless still related to the EV fleet headaches that should significantly ameliorate given the sale, such as higher damage repair costs or maybe even the RPD pressures that bled over from having too many EVs in the RAC fleet versus how much of the shortfall in 4Q ex the charge might be more of a recurring nature, such as normal course depreciation on the EVs you are retaining or on the rest of the portfolio or incrementally softer non-EV, RPD, et cetera.

How are you thinking about these considerations? And after taking them into account and excluding the charge, how should investors be thinking about the sequential trend in EBITDA results generally from 4Q to 1Q this year relative to the more typical 4Q to 1Q seasonal pattern?

Stephen M. Scherr - Hertz Global Holdings, Inc. - CEO & Chairman

Well, I would say that -- remember, we spoke about several points of margin as the effect of EV relative to ICE. So think about that as a $70 million to $80 million drag in the quarter in the context of overall cost. I would say that wholly independent of the specific entry categories of expense, and I made this comment earlier, I think the implication has manifested in the fourth quarter of the EV challenge, which in part motivated us to take the charge and the action that we did is the spillover effect and the distraction on the field more broadly. It meant that we were running with personnel higher than we needed to. It meant that we were incurring transport costs higher than we needed to.

All of those or both of those, I should say, are not linked, if you will, to the EV itself and the way in which we refer to several points of margin. But the spillover effect on our cost base was becoming too widespread and therefore, taking a bolder action to arrest that trend by pulling down 1/3 of the fleet was the choice that we made.
But I'm giving you that because there's an effect that's related to the EV fleet then there's sort of the collateral impact on broader cost that was there. And I think you're equally right in the context of uplift to RPD that we can get by virtue of, if you will, removing sort of the worst performers among the EV fleet in terms of RPD and the like.

Ryan Joseph Brinkman - JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst

Okay. And maybe just delving in on that last topic there. Could you help us with dimensioning the step-down in those repair costs and the cadence or pace of that step down, you did suggest that it would drop by more than 1/3 of the repair cost, given that these are the more problematic vehicles, right? But then what are the other kind of knock-on benefits there? Like Tesla was supplying a certain amount of parts that wasn't sufficient but now it will be more sufficient, right?

And then also, there's the efforts that you talked about on the 3Q call, I don't know maybe around vertical integration or something. Just given all of these factors, do you have an estimate for the dollar savings in '24 versus '23, I don't know, in EBITDA or in DOE per transaction day or something like that?

Stephen M. Scherr - Hertz Global Holdings, Inc. - CEO & Chairman

Well, listen, they should trend lower. And remember that there were a series of steps that we were taking to try to address both the elevated damage and the elevated cost of damage, including as Justin referenced, we just didn't begin to negotiate with the OEMs on lower labor and lower parts cost. But at the end of the day, that was not going to make a sufficient difference, okay, to sort of put us back on track as fast as we wanted. So therefore, the reduction mattered.

It also means though that those measures that we were taking, okay, will have greater effect on the balance of the 2/3 of the EVs that are there. And if they don't, then we'll move more aggressively on that fleet size. But the effect of the cost out, if you will, on the EVs is more effective against 65% of the standing fleet as opposed to 100%. And again, taking out the biggest offenders of RPD and the biggest offenders of damage incident and therefore, cost will translate into what I was saying before, which is probably a 50% reduction in that, notwithstanding only removing 1/3 of the fleet itself.

Ryan Joseph Brinkman - JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst

That's very helpful. And then just lastly, I know there was some discussion earlier about normalized earnings, but just maybe looking beyond all this noise, maybe out 2 years from now or something like that. What would you say is the normalized earnings power? I mean, I know there's some EBITDA numbers. What about like -- have you looked at it on an EBITDA per car basis just given sort of any structural change in the size of the market or in market share?

And when you compare EBITDA per car normalized versus pre-pandemic, what are the big differences there, is it because we've got the RPD tailwind or what improvement do you expect that there is? And what are the biggest drivers of the improvement?

Stephen M. Scherr - Hertz Global Holdings, Inc. - CEO & Chairman

Well, I mean, listen, from a methodology point of view to try to get back to what you would view to be a normal number, you need to reverse or pull back the benefit of the EV sale right, of $250 million as we've been forecasting over the 2 years and sort of start yourself from there. And then it will be a question of the pace of achievement of the $500 million that we've talked about, which is both revenue and productivity and cost.

I think that there ought to be heightened confidence in the ability to take the cost out and ascertain the productivity gains as we represented, we will do to the tune of $250 million by the end of '24. And so half of that $500 million should be seen by the end of '24, right, with progress on the $250 million of EV. So listen, it's hard for me to sort of put myself in your place and understand the assumptions you want to make about the broader...
market and the like. But there's $250 million of EV and there's $500 million to be had. Of that $500 million, $250 million is in the first year, namely 2024.

I think you then need to make assumptions about whether you believe that the deceleration in rate decline and the extent to which we are 40% better than where we were pre-pandemic holds, I don't see a reason why it shouldn't as we hit sort of a more normalized position. I think that -- as it relates to residuals and how that weighs on the industry, no less ourselves, again, there you need to take stock of the fact that while we have seen precipitous decline off of the very elevated levels that existed in '22.

The reality is, is that -- the age of cars on U.S. roads right now was less than 10 years pre-pandemic. It's now at about 12.5 years, okay? Number two, there's a structural short of good quality used cars because they weren't made in the pandemic. So off-lease cars are lower.

If you further believe that we will come upon a market toward the back half of the year, where auto loans will be more attainable and at lower price that cocktail of factors should lead you to believe that there is at the very least stability in residuals, if not an uptick that could come at the back half.

Again, we're not gaming, if you will, or modeling necessarily for that. I'm just giving you in response to your question, sort of a sense of where do I think rate is, where do I think residuals are, kind of wholly independent of the tactical moves that we're making to reduce cost.

Operator

Our next question comes from the line of Lizzie Dove of Goldman Sachs.

Elizabeth Dove - Goldman Sachs Group, Inc., Research Division - Research Analyst

You noted that you're prioritizing RPD over utilization this year and you've also talked to stable RPD repeatedly during this call. But wondering if you could just clarify how you're thinking about that, whether that reflects the change in strategy? And what exactly you do mean by stable? I think if I look at the numbers this quarter, it was nearly down kind of mid-single digits. And so I just want to see kind of how you kind of think about it into 2024 and the kind of range of outcomes for RPD.

Stephen M. Scherr - Hertz Global Holdings, Inc. - CEO & Chairman

Yes. Well, I guess, first principle is that we should continue to hold supply of cars inside where we expect demand to be, right, so that we can run at a respectable level of utilization and I think we're not of a mind to have capital deployed against cars that are simply not going to be used, okay? There are obvious variations in demand, quick moves, troughs and peaks. And so you need to hold cars for that, our view has been not to chase low-quality demand even if it meant that utilization sort of falls.

So there is a baseline of holding supply inside demand. And then there's the execution in the moment where I'm not of a mind to sort of chase low-quality demand that's not expressing sort of a sufficient RPD. And so the combination of those 2 should hold us there.

In terms of the broader sort of optimism or confidence on stability, candidly, I look at what you look at, which is I look at whether there is motive, right, to sort of drive price down by any one of our competitors. I don't believe there is. Okay? There's no world in which lowering price brings more demand to the industry. It may split share, but share has been very stable across the majors across a variety of markets.

So there's not an embedded incentive. Nobody is making a decision to take a business trip or not, or to take a vacation or not because the rate on the rental car is $5 higher or lower. So there's no particular incentive across the industry to lower rate as if it's going to generate industry-driven demand. And there doesn't seem to be a chase for share on that basis.
And then again, sort of stability in what we're seeing across travel, in fact, growth that's being forecast by airlines and hotels these are to our left and right in the context of where they deposit our customers at the airport. And so to the extent that travel continues, you should see us rationalize as Justin was saying, our off-airport locations, maintaining sufficiency of network, which I think is very valuable to us, but redeploying cars to the airport where these travelers are coming and optimizing to price at the same time.

Elizabeth Dove - Goldman Sachs Group, Inc., Research Division - Research Analyst

That's helpful. And just one follow-up on the EVs. I saw the headline yesterday that you're pausing the plans to buy a 65,000 EVs from Polestar. I was just curious if you have any outstanding kind of minimum agreement – minimum purchase agreements for this year with any of the others, whether that's GM or Tesla. I know you have the kind of initial kind of framework agreements. But I'm curious if there is any kind of purchase agreements you do have to hit this year?

Stephen M. Scherr - Hertz Global Holdings, Inc. - CEO & Chairman

Remember, the -- generally speaking, the agreements that we have long had with the OEMs is sort of a broad understanding about aggregate number of cars over some number of years. The commitment is not final until model year when price and trim and the like is all decided. By the way, that runs both ways. They're not obligated to deliver any more than we're not obligated to buy under these broader agreements.

And so we put the pause on obviously buying EVs, except to the extent that they were packaged with other ICE vehicles, but it's a de minimis amount that's there. By and large, we will be net lower for sure in the context of EVs based on the sale and based on a very de minimis number of EVs that come in.

Operator

Our next question comes from the line of Christopher Stathoulopoulos of SIG.

Christopher Nicholas Stathoulopoulos - Susquehanna Financial Group, LLLP, Research Division - Associate

Justin, on the $250 million with the 5 areas that you've identified, just wondering if you could give a little bit more of a finer point with respect to dollar per category and your comment that you would be disappointed if you don't do more, how should we think about potential upside there? I guess it would be in the third category on operating collision and things like that. But if you just provide a little bit more detail as we think about the cost for those 5 categories you've identified.

Justin Keppy - Hertz Global Holdings, Inc. - Executive VP & COO

Yes. Sure, Christopher. As you can imagine, we're building internal plans that are going to target a much higher cost. So we see this benefit drop through as committed. That's the first one. And secondly, we're spending less time kind of bucketing these things between categories. There's some accounting things, for instance, subro benefits are turned over a period of time. So while we're getting the immediate recoveries, it may bleed through from a portion of time before we fully recognize it in the benefits there.

So my suggestion there would be as we continue to solidify these plans and see real traction beyond the immediate kind of cost reduction, spend reduction, you have my commitment to provide further clarity and updates in the future calls.
Christopher Nicholas Stathoulopoulos - Susquehanna Financial Group, LLLP, Research Division - Associate

Okay. And then second question, Stephen. So your comments around I guess would be -- you alluded to a healthy demand outlook. We've heard similar comments here from the airlines as we wrap up earnings season. But it sounded like you were pointing to some confidence around the second half and curious to your thoughts around there.

And then potentially sort of a nuanced question here as these return-to-office mandates accelerate and potentially or arguably could drive a change in nonpeak versus peak demand for the airlines. Any thoughts around that, whether how that might affect length of rentals? Or is it sort of net neutral as this leisure travel phenomenon, if you will, starts to normalize.

Stephen M. Scherr - Hertz Global Holdings, Inc. - CEO & Chairman

Yes. So let me take the second one first, which is I think that -- we've always tried to sort of manage leisure and corporate so as to manage intra-week like troughy period. So the corporate contracts we have need to stand as profitable in their own right, but they do put the car to better, more normalized, smoother use, if you will, over the course of the week.

To the extent that there's a return to what was in terms of normal sort of employee and corporate behavior that inevitably will benefit us as it does the airlines and others. So we shouldn't track differently than they do in the context of the benefit of returning back to what's otherwise defined as normal.

In terms of optimism for the second half, I mean, here, I'm just referring to kind of more macroeconomic trends that would benefit sort of various components of our business. Obviously, the first one is demand and the proclivity -- and inclination to travel. So if things -- if inflation comes down and interest rates come down and there is a higher degree of consumer confidence that springs from it, that inevitably will be better for the travel industry, not limited to us.

The second component of that was the comment I was making around residual pricing of used cars, which is -- December into January is historically a low period in the context of volume of activity and the like. Typically, [precedents], they weaken. And then as you move into spring is a more kind of buying period, if you will, around residuals. The comment I was making was, what are the factors that drive that? So we'll see seasonal movement. The question is whether the curve lifts up or stays sustained elevated at the back end.

And I think the positive drivers of that as to whether or not they happen, we'll see will be lower interest rates, structural short in the used car market and the extent to which the average age of the car is getting old and people will be compelled to recycle their car, if you will, on the forward. Those are positive leading indicators in the context of what you think or should think that market will do. And if that happens, that will be a benefit to us.

Okay we want to thank you all -- sorry, we want to thank you all for your participation today. Before we close the call, I'd like to thank our employees for their continued hard work and dedication over the year and without whose efforts, none of this would be obviously possible. In closing, we look forward to sharing further updates with you on our next call. And with that, I'll turn it back to the operator.

Operator

Thank you. This concludes the Hertz Global Holdings Fourth Quarter 2023 Earnings Conference Call. Thank you for your participation.
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