PORTFOLIO MANAGER'S REVIEW

THE MANUAL OF **Ideas**
SERIOUS IDEAS FOR SERIOUS INVESTORS™

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When asked how he became so successful, Buffett answered: "we read hundreds and hundreds of annual reports every year."

Edited by the
***Manual of Ideas* Research Team**

"If our efforts can further the goals of our members by giving them a discernible edge over other market participants, we have succeeded."

Top Ideas In This Report

Also Inside

About Portfolio Manager's Review

Our goal is to bring you equity investment ideas that are compelling on the basis of value versus price. In our quest for value, we analyze the top holdings of top fund managers. We also use a proprietary screening methodology to identify opportunities that are not yet widely followed by institutional investors.

John Mihaljevic, managing editor, is a fund manager, former banker and analyst. He is a member of Value Investors Club, an exclusive community of top money managers, and has won the Club's prize for best investment idea. John is a trained capital allocator, having studied under Yale chief investment officer David Swensen and served as research assistant to Nobel laureate James Tobin. John holds a BA in Economics, *summa cum laude,* from Yale and is a CFA charterholder. He resides in New York City with his wife and two kids.

THE SUPERINVESTOR ISSUE

- ► **Snapshot of 100 companies owned by superinvestors**
- ► **22 companies profiled and analyzed**
- ► **Proprietary selection of Top 3 candidates for investment**
- ► **Plus: Latest holdings of top investors**
- ► **Plus: Exclusive Interview with Brian Bares**
- ► **Plus: Exclusive Notes from Value Investing Seminar, Italy**

Superinvestor companies mentioned in this issue include Abbott Labs, Abercrombie & Fitch, Alleghany, Allegheny Energy, Allergan, Alliance One, Allied Healthcare, Allstate, AmeriCredit, Apollo Group, Aspen Insurance, Automatic Data, AutoNation, Bank of America, Becton, Dickinson, Bel Fuse, BioFuel Energy, Brookfield Prop., Burlington Northern, Campbell Soup, Capital Southwest, CapitalSource, Cardinal Health, CF Industries, Coca-Cola Company, Comcast, Contango Oil & Gas, Coventry Health, Crosstex Energy, Dell, DIRECTV Group, Discovery Comms, DreamWorks Animation, EMC Corp., Exterran Holdings, Fairfax Financial, Forest City, General Electric, Genworth Financial, Health Net, Hertz Global, Hewlett-Packard, Humana, Intelligent Systems, International Assets, International Coal, Jefferies Group, Johnson & Johnson, Leucadia National, Level 3 Comms, Liberty Acquisition, Liberty Entertain., Lockheed Martin, Magna International, Market Leader, McDonald's, MI Developments, Microsoft, ModusLink Global, Monsanto Company, Nabors Industries, News Corp., Northrop Grumman, Odyssey Re, Omnicom Group, Overstock.com, Pfizer, Philip Morris, POSCO, Potash Corp., Procter & Gamble, Republic Airways, SAP, Sears Holdings, Smithfield Foods, Spirit AeroSystems, St. Joe, Stanley Furniture, Strayer Education, Sun Microsystems, Sycamore Networks, TAL International, Target, Tejon Ranch, Theravance, Transatlantic, TravelCenters, tw telecom, U.S. Bancorp, United Am. Indemnity, Varian Medical, Visa, VistaPrint, Wal-Mart, Walt Disney, WellCare Health, Wells Fargo, Wyeth, Yahoo!, Yum! Brands, and more.

(profiled companies are underlined)

Hertz (HTZ) – Berkowitz ⇧

Services: Rental & Leasing

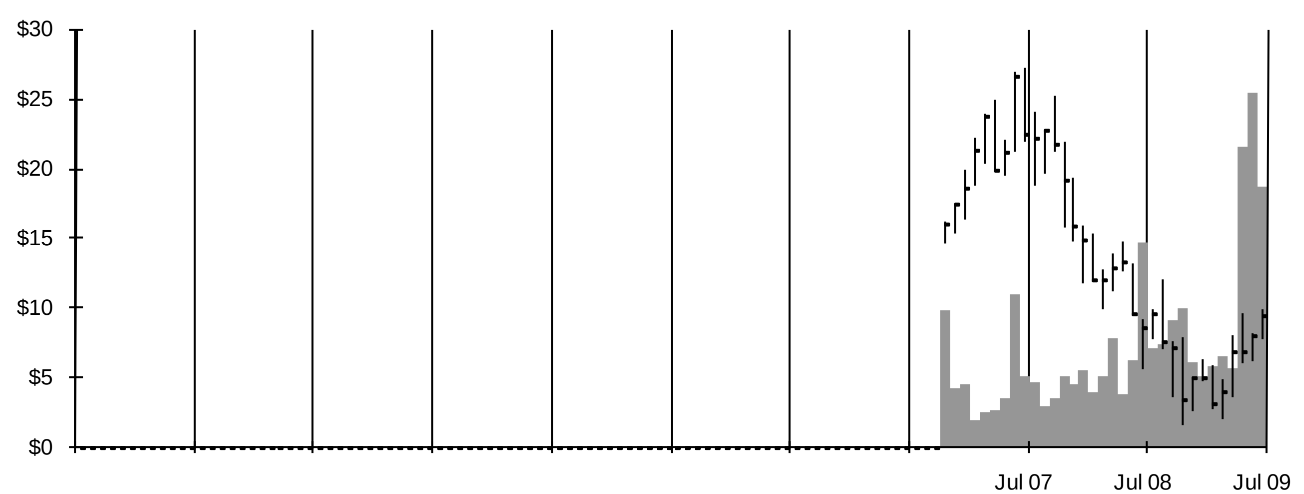
Park Ridge, NJ, 201-307-2000
http://www.hertz.com

Trading Data	Consensus EPS Estimates				Valuation	
Price: $11.02 (as of 8/14/09)			Month	# of	P/E FYE 12/31/08	n/m
52-week range: $1.55 - $11.99		Latest	Ago	Ests	P/E FYE 12/31/09	110x
Market value: $4.5 billion	This quarter	$0.24	$0.23	5	P/E FYE 12/31/10	28x
Enterprise value: $13.7 billion	Next quarter	0.01	-0.08	5	P/E FYE 12/31/11	n/a
Shares out: 409.4 million	FYE 12/31/09	0.10	0.00	6	EV / LTM revenue	1.8x
Ownership Data	FYE 12/31/10	0.39	0.24	6	EV / LTM EBITDA	11x
Insider ownership: 1%	FYE 12/31/11	n/a	n/a	n/a	EV / LTM EBIT	n/m
Insider buys (last six months): 15	LT EPS growth	12.0%	12.0%	1	P / tangible book	n/m
Insider sales (last six months): 14	**Latest Quarterly EPS Surprise**				**Greenblatt Criteria**	
Institutional ownership: 52%	Date	Actual	Estimate		LTM EBIT yield	-6%
# of institutional owners: 312	7/28/09	$0.12	$0.06		LTM pre-tax ROC	-8%

Operating Performance and Financial Position

($ millions, except per share data)	Fiscal Years Ended 12/31/02	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08	LTME 6/30/09	FQE 6/30/08	FQE 6/30/09
Revenue	5,638	5,934	6,676	7,469	8,058	8,686	8,525	7,530	2,275	1,755
Gross profit	2,545	2,618	2,942	3,280	3,582	4,042	3,767	3,141	1,020	784
EBIT	216	238	503	542	201	387	(1,383)	(879)	93	31
Net income	(150)	159	366	350	116	265	(1,207)	(1,360)	51	4
Diluted EPS	0.45	0.69	1.59	1.52	0.36	0.81	(3.74)	(4.21)	0.16	0.01
Cash from ops		1,899	2,251	1,455	2,605	3,090	2,096	1,785	(120)	(268)
Capex		227	286	343	224	209	250	131	55	27
Free cash flow		1,673	1,965	1,112	2,381	2,881	1,846	1,654	(175)	(295)
Cash & investments			678	844	675	730	594	571	811	571
Total current assets			0	0	0	0	0	0	0	0
Intangible assets			544	4,258	4,138	4,084	2,886	2,922	4,091	2,922
Total assets			14,096	18,581	18,677	19,256	16,451	15,650	20,691	15,650
Short-term debt			0	0	0	0	0	0	0	0
Total current liabilities			0	0	0	0	0	0	0	0
Long-term debt			8,428	12,515	12,276	11,960	10,972	9,796	12,694	9,796
Total liabilities			11,426	16,315	16,143	16,342	14,981	13,874	17,715	13,874
Preferred stock			0	0	0	0	0	0	0	0
Common equity			2,670	2,266	2,535	2,913	1,471	1,777	2,976	1,777
EBIT/capital employed			5%	5%	2%	4%	-14%	-8%	n/m	n/m

Ten-Year Stock Price Performance and Trading Volume Dynamics



BUSINESS OVERVIEW

Hertz is the largest global car rental provider and one of the largest equipment rental companies in the U.S. and Canada.

Hertz was acquired from Ford by a private equity consortium in December 2005 and went public in November 2006.

INVESTMENT HIGHLIGHTS

- **Car rental leader.** With 8,000 locations, Hertz Rent-A-Car (RAC) is the #1 car rental brand, with #1 airport share in U.S. and 42 airports in Europe.
- **#2 in U.S./Canada equipment rental.** Hertz Equipment Rental (HERC) derives 70% of revenue from U.S. where it has 4% share of the fragmented industry. Worldwide average fleet age is 40 months.
- **$11 billion of revenue-earning equipment at cost as of 6/09,** of which cars represented 77%. Net equipment was $9 billion, with 79% in cars.
- **Raised $1 billion in equity and convert in May.** CD&R and Carlyle bought total of 32 million shares at $6.23/share. Proceeds reduced fleet debt.
- **Guiding for adjusted EPS of $0.12-0.15 in 2009,** with revenue of $6.7-7.0 billion, corp. EBITDA of $900-935 million, pretax inc. of $100-120 million.

INVESTMENT RISKS & CONCERNS

- **$9 billion net debt at June 30** includes $5 billion fleet debt, which finances RAC fleet, and $4 billion corporate debt, which finances HERC fleet, ABS equity and corporate needs. $3.4 billion of U.S. fleet debt is financed via bankruptcy-remote SPV.
- **2010 refinancing need.** The company has $4.2 billion of maturities, mainly fleet debt, due in 2010, for which it is pursuing refinancing options.
- **Exposed to air travel.** 69% of 2008 global car rental revenue was generated at airport locations.
- **Car fleet has "residual risk,"** as only 32% of U.S. cars and 42% internationally are program cars, i.e., subject to repurchase by car makers. The average holding period of cars in U.S. is 12 months.
- **Concentrated suppliers:** Ford (23% of car fleet, based on book value), Toyota (21%), GM (19%).
- **HERC exposed to construction and industrial markets** (2/3 of North America revenue in Q2).

COMPARABLE PUBLIC COMPANY ANALYSIS

	MV ($mn)	EV ($mn)	EV / Rev.	P / T. Book	This FY P/E	Next FY P/E
CAR	1,080	7,540	1.4x	n/m	n/m	15x
URI	490	3,540	1.2x	n/m	n/m	43x
DTG	490	2,150	1.3x	2.7x	n/m	24x
HTZ	**4,510**	**13,730**	**1.8x**	**n/m**	**110x**	**28x**

SELECTED OPERATING DATA

FYE December 31	2005	2006	2007	2008	1H09
Δ total revenue	12%	8%	8%	-2%	-23%
Δ total headcount	n/a	-2%	-7%	-15%	n/a
% of revenue by segment:					
Car rental	81%	79%	80%	81%	83%
Equipment rental	19%	21%	20%	19%	17%
Revenue growth by segment:					
Car rental	10%	5%	9%	-1%	-20%
Equipment rental	22%	18%	5%	-6%	-35%
% of revenue by geography:					
U.S.	71%	70%	67%	65%	n/a
International	29%	30%	33%	35%	n/a
"Corporate" EBITDA margin: [1]					
Car rental	10%	10%	11%	6%	6%
Equipment rental	41%	45%	47%	44%	41%
Total company	15%	17%	18%	13%	11%
% of "corporate" EBITDA by segment:					
Car rental	50%	47%	48%	37%	44%
Equipment rental	51%	55%	54%	67%	62%
Other [1]	-2%	-2%	-2%	-4%	-6%
Type of U.S. car rental by revenues: [2]					
Business	46%	47%	46%	45%	43%
Leisure	54%	53%	54%	55%	57%
Airport	80%	79%	77%	78%	76%
Off-airport	20%	21%	23%	22%	24%
Worldwide car rental operational data:					
# of transactions	n/a	n/a	4%	-6%	-15%
Transaction days [3]	6%	1%	5%	-1%	-12%
Revenue/transaction day	0%	3%	0%	-2%	-3%
Avg comp.-operated cars	6%	0%	7%	-1%	-14%
Revenue earning equip. [4]	-3%	0%	3%	-15%	-23%
Worldwide equipment rental operational data:					
Rental & related revenue	21%	17%	4%	-7%	-31%
Same-store revenue growth	22%	17%	3%	-6%	n/m
Avg equipment cost [5]	12%	17%	10%	2%	-16%
Revenue earning equip. [4]	36%	18%	11%	-19%	-25%
Tangible equity to assets	-14%	-11%	-8%	-10%	-9%
Δ shares out (avg)	0%	6%	32%	0%	3%

Source: Company filings, *Manual of Ideas* analysis.
[1] "Corporate" EBITDA is a non-GAAP measure and excludes extraordinary items. Unlike in equipment rental, it is not a traditional EBITDA measure for the car rental segment as it is stated *after* car rental fleet interest and depreciation.
[2] "Business" includes replacement rentals. 1H09 data is based on 2Q09.
[3] Represents total number of days vehicles were on rent in a given period.
[4] Refers to net revenue earning equipment operated during period in $.
[5] Refers to avg acquisition cost of equipment operated during period in $.

MAJOR HOLDERS *

Insiders 1% | CD&R 20% | Carlyle* 17% | Merrill Lynch* 14% | Fairholme 14% | Lord, Abbett 13%

RATINGS

VALUE Intrinsic value materially higher than market value?	☆☆☆
MANAGEMENT Capable and properly incentivized?	☆☆☆
FINANCIAL STRENGTH Solid balance sheet?	☆☆
MOAT Able to sustain high returns on invested capital?	☆☆☆☆
EARNINGS MOMENTUM Fundamentals improving?	☆☆
MACRO Poised to benefit from economic and secular trends?	☆☆☆
EXPLOSIVENESS 5%+ probability of 5x upside in one year?	☆☆☆

* CD&R, Carlyle and Merrill Lynch are parties to a stockholders' agreement and may be deemed a "group" that controls Hertz via a combined 51% shareholding.

THE BOTTOM LINE

Hertz is the #1 car rental and #2 equipment rental brand. With enterprise value representing 80% of revenue-earning equipment at cost and a 2009 annualized cash flow yield before fleet growth in the mid-teens, Hertz deserves a closer look. The recent capital raise has given management more flexibility in addressing 2010 fleet debt refinancing. If an economic recovery takes hold, Hertz could be a major beneficiary, as it is highly leveraged to trends in global travel and construction.

…additional insight into HTZ:

SLIDES FROM COMPANY PRESENTATION, JULY 2009

U.S. RAC Commentary

Hertz

- Adjusted pre-tax margin increased by double digits in Q209
  - Significant margin improvement in off-airport business
- U.S. pure pricing +2% YoY, driven by leisure price increases
  - Price comparison of similar rentals – car class, length of rental, customer type, reservation channel
  - Takes mix out of the equation
- RPD down 1% in Q209 YoY, better than 3% decline in Q109
  - Leisure: flat YoY
  - Off-airport replacement: RPD +2% and RPT +3.5%, YoY
  - Offset by:
    - ✓ Reservation mix shift toward less expensive smaller cars
    - ✓ Higher percentage of lower-priced off-airport volume
    - ✓ Constrained commercial pricing
    - ✓ Longer length rentals

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U.S. RAC Commentary

Hertz

- Length per transaction +4% YoY, increasing Revenue Per Transaction by 3%
- Average fleet 14% smaller
- U.S. RAC fleet efficiency up 320 basis points YoY
- Residual values in used car market continue to strengthen
- Advantage RAC – 18 locations now in operation from four original locations when acquired
  - Re-gained relationships with all 3rd party online websites
  - Online market share mid-20% in markets served
- Advanced bookings continue stronger with visibility through September

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International RAC Commentary

Hertz

- Europe's advanced bookings strong through summer peak
  - Adding fleet to capture higher-than-expected demand
- Int'l used-car prices still lower YoY, but stabilizing
  - Certain regions reporting increase
- Int'l transaction days 14% lower compared with 15% smaller fleet
- Int'l fleet efficiency up 141 bps year over year
- Europe adjusted pre-tax margin positive in Q209, improved from margin decline in Q109
  - Expect to show YoY margin increase in 3Q09

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Equipment Rental Commentary

Hertz

- Industry over fleeted –competitors continue pricing irrationally
- Volume down 30% YoY; normal seasonal pick up not evident
  - Have seen some MONTHLY volume improvement recently
- HERC pricing down 7% from last year
- Focus: fleet efficiency, revenue management, cost savings actions
- Corporate EBITDA margins 42.7% for Q209, better than Q109
- Generated sequential quarterly increase in adj. pre-tax margin

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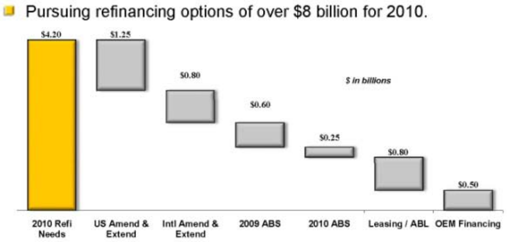
Refinancing Options

Hertz

- Pursuing refinancing options of over $8 billion for 2010.



Ranges: $1.25 - $2.0 | $0.8 - $1.2 | $0.6 - $1.2 | $0.25 - $2.0 | $1.3 - $2.0

- Does not factor in corporate liquidity

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Outlook

Hertz

- U.S. RAC
  - Advance booking continue to build
  - Leisure volume and pricing stronger; business volume stabilized
  - Net increase in number of contracted accounts YTD
  - Advantage market share back on track
    - Fleet synergies being realized
  - Off-airport continues to strengthen
  - Developing new car-sales channels
- Europe RAC
  - Inbound travel U.S. to Europe improved since quarter-end
  - Domestic bookings increasing
  - Restructuring program underway
- HERC Opportunities
  - Entertainment & Event Industries
  - National Accounts
  - U.S. Communities Government Purchasing Alliance

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Full Year Guidance

Hertz

- **FY 2009 Financial Guidance**

Total Revenues	$6.7bb to $7.0bb
Corporate EBITDA	$900mm to $935mm
Adjusted pre-tax income	$100mm to $120mm
Adjusted diluted EPS	$0.12 to $0.15

- **Based on normalized tax rate of 34% and 407.7 million shares**

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Editor-in-chief: John Mihaljevic, CFA.

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