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Hertz:

Do the Indentures and the Credit Agreement Permit Uptiering the 2026s into Second-Lien Debt?

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The Bottom Line™:

- After completion of the 1L 2030s offering, the Company will have roughly \$550 million of incremental secured debt capacity under the secured 2029s indentures. That will be enough to replace the 2026s with secured debt.
- Canso's consent is required for any issuance of add-on Notes under either existing secured 2029s indenture. To avoid this constraint, an uptier might be structured as a new series of parity lien debt issued under a new indenture.
- The Company likely also has capacity under the Credit Agreement to refinance the 2026s with either second lien or second-out secured debt.
- The Extended Revolver includes a springing maturity trigger to 91 days prior to maturity of any debt with an outstanding principal amount of at least \$200 million. The window to refinance or at least repay a portion of the 2026s is therefore quite small.

Overview

The Hertz Corporation (the "Company") has outstanding \$200 million of remaining 4.625% Senior Notes due 2026 (the "2026s"). This report analyzes incremental second-lien secured debt capacity under:

- (1) the [June 28, 2024 Indenture](#) governing the 12.625% First Lien Senior Secured Notes due 2029 (the "1L 2029s"), as amended by the [First](#), [Second](#), and [Third Supplemental Indentures](#) (as amended, the "1L 2029s Indenture");
- (2) the [June 28, 2024 Indenture](#) governing the 8% Exchangeable Senior Second-Lien Secured PIK Notes due 2029 (the "2L 2029s"), as amended by the [First](#) and [Second](#) Supplemental Indentures (as amended, the "2L 2029s Indenture"); and,
- (3) the [November 23, 2021 Indenture](#) governing the 5% Senior Notes due 2029 (the "Unsecured 2029s"), as supplemented by the [First Supplemental Indenture](#) (as supplemented, the "Unsecured Indenture");
- (4) the [June 29, 2026 Indenture](#) (the "1L 2030s Indenture" and, together with the 1L 2029s Indenture and the 2L 2029s Indenture, the "Secured Indentures") governing the 6.75% Exchangeable Senior First-Lien Secured PIK Notes due 2030 (the "1L 2030s");
- (5) the [Credit Agreement, as amended through Amendment No. 10](#), dated May 6, 2025 (as amended, the "Credit Agreement").

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We do not analyze the [September 29, 2025 Indenture](#) governing the 5.5% Exchangeable Senior Notes due 2030 because that indenture includes neither a Debt covenant nor a Liens covenant.

The specific question is: how much incremental secured debt, at the second-lien level and pari passu with the existing 2L 2029s, can the Company incur to retire or exchange its outstanding 2026s in a hypothetical uptier transaction?

Outstanding Secured Debt

On June 29, 2026, the Company completed an offering of \$350 million of 1L 2030s, with \$50 million of additional notes available via initial purchaser over-allotment option. Net proceeds from the initial offering of approximately \$339.5 million (before expenses) will be used to repay revolver borrowings and for general corporate purposes as per the 8-K filing.

The Company currently has the following non-vehicle secured debt instruments outstanding (amounts listed reflect the post-1L 2030s closing capital structure as of June 25, 2026):

| Instrument | Principal Outstanding |
|--|---|
| Revolving Credit Facility | \$1.23B drawn at end of 1Q26; \$516M LCs; \$1.665B commitment (pro-forma for commitment step-down at end of June) |
| Term B Loan | \$1,238M |
| Incremental Term B Loan | \$489M |
| Term C Loan | \$245M |
| 1L 2029s (initial) | \$750M |
| 1L 2029s (Additional Notes, Dec. 2024) | \$500M |
| 1L 2030s (new) | \$350M (+\$50M option) |
| 2L 2029s | \$282M |

Secured Indentures Liens Covenant Analysis

Any incurrence of secured debt must be permitted under both the Liens covenant and the Debt covenant in each of the Secured Indentures. We begin with the Liens covenant. The Liens covenant is Section 409 of the 1L 2029s Indenture and Section 3.12 of the 2L 2029s Indenture and the 1L 2030s Indenture. Each Liens covenant says the Company and Restricted Subsidiaries may not incur liens securing debt unless such liens are Permitted Liens. Each Permitted Liens definition has three pertinent carveouts.

The Existing Liens carveout

Each Permitted Liens clause (f) allows liens existing on the issue date of the 1L 2029s. In the case of the 1L 2029s Indenture, clause (f) allows liens securing the 2L Notes and any PIK interest thereon (other than add-on 2L Notes that do not constitute PIK interest). In the case of the 2L 2029s Indenture, clause (f) allows liens securing the 1L Notes (other than add-on 1L Notes). In the case of the 1L 2030s Indenture, clause (f) allows liens securing the 2L Notes and any PIK interest thereon and liens securing the 1L Notes (other than add-on 1L Notes).

The Credit Facilities liens carveout

Each Permitted Liens clause (k)(i) permits liens on Collateral securing debt incurred under a Credit Facility and debt incurred other than under a Credit Facility to a stated amount. For the 1L 2029s and the 2L 2029s, that stated amount was initially \$4.545 billion. However, the supplemental indentures entered in December 2024 increased that stated amount to \$5.045 billion. For the 1L 2030s, that stated amount is \$5.045 billion.

For the 1L 2029s and the 2L 2029s, that clause had some pre-August 31, 2025 restrictions, but those restrictions have now expired.

In the case of the 2L 2029s Indenture only, this clause states that liens under it may have a high priority than the liens securing the 2L 2029s.

The initial Notes carveout

Permitted Liens clause (k)(v) in the 1L 2029s Indenture permits liens securing “the Notes Obligations (other than Notes Obligations in respect of any Additional Notes)”. In the case of the 1L 2029s Indenture, “Notes” means the 1L 2029s.

Permitted Liens clause (k)(v) in the 2L 2029s Indenture permits liens securing “the Notes Obligations (including any Notes Obligations in respect of PIK Interest or PIK Notes, but excluding Notes Obligations in respect of any Additional Notes)”. In the case of the 2L 2029s Indenture, “Notes” means the 2L 2029s.

Permitted Liens clause (k)(v) in the 1L 2030s Indenture permits liens securing “the Notes Obligations (including any Notes Obligations in respect of PIK Interest or PIK Notes, but excluding Notes Obligations in respect of any Additional Notes)”. In the case of the 1L 2030s Indenture, “Notes” means the 1L 2030s.

Secured Indentures Debt Covenant Analysis

The Debt covenant is Section 413 of the 1L 2029s Indenture and Section 3.08 of the 2L 2029s Indenture and 1L 2030s Indenture. Given that the Debt covenant includes carveouts that completely cover the pertinent Liens covenant carveouts, we need only consider those carveouts.

Credit Facilities debt basket

For each Secured Indenture, carveout (b)(i) permits debt incurred under a Credit Facility and debt incurred other than under a Credit Facility to a stated amount. For the 1L 2029s and 2L 2029s, that

stated amount was initially \$4.545 billion. However, the supplemental indentures entered in December 2024 increased that stated amount to \$5.045 billion. For the 1L 2030s, that stated amount is \$5.045 billion.

The initial Notes carveout

For the 1L 2029s Indenture, carveout (b)(iii) permits “the Notes and the Notes Guarantees (other than any Additional Notes)”. In the case of the 1L 2029s Indenture, “Notes” means the 1L 2029s.

For the 2L 2029s Indenture, carveout (b)(iii) permits “the Notes (including any PIK Interest and PIK Notes, but excluding any Additional Notes)”. In the case of the 2L 2029s Indenture, “Notes” means the 2L 2029s.

For the 1L 2030s Indenture, carveout (b)(iii) permits “the Notes (including any PIK Interest and PIK Notes, but excluding any Additional Notes)”. In the case of the 1L 2030s Indenture, “Notes” means the 1L 2030s.

The concurrent bonds carveout

For the 1L 2029s Indenture, carveout (b)(iii) permits “the Exchangeable Notes offered in the concurrent Exchangeable Notes Offering and Guarantees thereof and any Exchangeable Notes issued in the form of paid-in-kind interest thereon and Guarantees thereof (other than any additional notes not constituting paid-in-kind interest issued after the original issue date of the Exchangeable Notes)”.

For the 2L 2029s Indenture, carveout (b)(iii) permits “the First Lien Notes issued in the concurrent First Lien Notes Offering (other than any additional notes issued after the original issue date of the First Lien Notes)”.

For the 1L 2030s Indenture, carveout (b)(iii) permits “the Existing First Lien Notes issued on the Existing First Lien Notes Issue Date” and “the Existing Second Lien Exchangeable Notes (including any paid-in-kind interest thereon and Guarantees thereof)”. That is, the “concurrent bonds carveout” for the 1L 2030s Indenture picks up the bonds concurrently issued on the initial issue date of the 1L 2029s and 2L 2029s. It does not pick up anything issued concurrently with the 1L 2030s.

1L 2029s Indenture and 2L 2029s Indenture Incremental Secured Debt Capacity Calculation

For the 1L 2029s Indenture and the 2L 2029s Indenture, the \$5.045 billion Credit Facilities basket is the only plausible source of incremental secured debt capacity. The initial 1L 2029s and the initial and PIK 2L 2029s are permitted under other carveouts and therefore do not count against that \$5.045 billion of capacity. But all the other outstanding secured debt **does** count against that capacity. In particular, note that the \$500 million of add-on Notes issued in December 2024 **do count** against the \$5.045 billion.

If we assume the Company will wish to reserve the full capacity under its Revolver and that the amount of the 1L 2030s will be \$350 million, remaining secured debt capacity can be computed as follows:

\$5,045mm - \$1,665mm (revolver) - \$1,238mm (Term B Loan) - \$489mm (Incremental Term B Loan) - \$245mm (Term C Loan) - \$500mm (add-on 1L 2029s) - 350mm (1L 2030s).

That results in a bottom line number of \$558 million.

1L 2030s Indenture Incremental Secured Debt Capacity Calculation

For the 1L 2030s Indenture, the calculation is slightly different because the initial 1L 2030s are permitted under Permitted Liens clause (f) and Debt carveout (b)(iii). The \$350 million of 1L 2030s therefore **does not** count against the \$5.045 billion. That implies a higher bottom line number of \$908 million.

Restricted Payments covenant

The Restricted Payments covenant is not relevant under any Secured Indenture because the junior debt prepayment prong of the “Restricted Payment” definition only picks up prepayments of contractually subordinated debt. It does not include prepayments of senior unsecured debt as such debt is only “effectively subordinated,” not contractually subordinated.

Canso Consent

The supplemental indentures entered in December 2024 add a Canso consent requirement for add-on Notes. So long as Canso is a holder of the 1L 2029s, any issuance of add-on 1L 2029s after December 12, 2024 requires Canso's consent. The identical restriction applies with respect to add-on 2L 2029s so long as Canso is a holder of the 2L 2029s. Since Canso remains a current holder of each, any uptier structured as an issuance of add-on notes under an existing indenture requires Canso's affirmative consent. To avoid this constraint, the uptier might be structured as a new series of parity lien debt issued under a new indenture.

Unsecured Indenture Liens Covenant Analysis

Any incurrence of secured debt must be permitted under both the Liens covenant and the Debt covenant in the Unsecured Indenture. We begin with the Liens covenant. The Liens covenant is Section 409 of the Unsecured Indenture. The Liens covenant says the Company and Restricted Subsidiaries may not incur liens securing debt unless such liens are Permitted Liens or the Unsecured 2029s are equally and ratably secured. The Permitted Liens definition has three pertinent carveouts.

The Credit Facilities liens carveout

Permitted Liens clause (k)(i) permits liens securing debt incurred under a Credit Facility and debt incurred other than under a Credit Facility to the sum of (1) \$2.8 billion plus (2) the greater of \$1.31 billion and 100% of LTM EBITDA. Thus, this basket allows at least \$4.11 billion of secured debt.

The general liens basket

Permitted Liens clause (r) permits liens securing debt to the greater of \$655 million and 50% of LTM EBITDA. Thus, this basket in combination with the Credit Facilities liens carveout allows at least \$4.765 billion of secured debt.

The secured leverage ratio-based carveout

Permitted Liens clause (s) permits liens securing debt so long as on the date of the incurrence of such debt after giving effect to the incurrence (or on the date of entry into, or first borrowing under, a commitment to fund such debt) the Consolidated Secured Leverage Ratio is no more than 4.25x.

Unsecured Indenture Debt Covenant Analysis

The Debt covenant is Section 413 of the Unsecured Indenture. There are three carveouts that are most pertinent, as they correspond to the Liens covenant clauses mentioned above. There are also other sources of Debt covenant capacity, but we have omitted those as they are likely a moot point.

Ratio debt provision

Section 413(a) allows the Company and Restricted Subsidiaries to incur debt if pro forma (1) the Consolidated Total Corporate Leverage Ratio would be no more than 5.75x or (2) the Consolidated Coverage Ratio would be no less than 2x.

Credit Facilities debt basket

Carveout (b)(i) permits debt incurred under a Credit Facility and debt incurred other than under a Credit Facility to the sum of (1) \$2.8 billion plus (2) the greater of \$1.31 billion and 100% of LTM EBITDA. Thus, this basket allows at least \$4.11 billion of debt.

The general debt basket

Carveout (b)(xiv) permits debt to the greater of \$655 million and 50% of LTM EBITDA. Thus, this basket in combination with the Credit Facilities debt basket allows at least \$4.765 billion of debt.

Unsecured Indenture Incremental Secured Debt Capacity Calculation

We understand and assume that the Company was in compliance with both the 4.25x Consolidated Secured Leverage Ratio test and the 5.75x Consolidated Total Corporate Leverage Ratio at the time of all secured debt incurrences prior to Q1 2024. Thus, any such secured debt incurrences could be classified under those Ratio tests and need not utilize any of the \$4.765 billion of dollar-capped capacity. The Unsecured Indenture does not have any classification provision mandating use of that dollar-capped capacity.

The only secured debt incurrences since Q1 2024 have been the incurrences of \$1.25 billion of 1L 2029s, \$282 million of 2L 2029s, and the new 1L 2030s. Thus, it is clear that capacity for secured debt under the Unsecured Indenture vastly exceeds such capacity under the Secured Indentures, and therefore the Secured Indentures will govern.

Credit Agreement Junior Debt Prepayments Capacity

The Company's ability to refinance the 2026s prior to maturity is dependent not only on capacity for incurrence of junior lien and/or second out debt under the Debt and Liens covenants under the Credit Agreement, but also on constraints placed on the Company during the Relief Period. The "Relief Period" is the time frame beginning on May 6, 2025 (the "Tenth Amendment Effective Date") and it will remain in effect until the Company delivers a certificate that Annualized Adjusted Corporate EBITDA or TTM Adjusted Corporate EBITDA, whichever is greater, is at least \$850 million.¹ As of the date of this report, the Relief Period remains in effect.

Per Section 8.9(d)(iv) of the Credit Agreement, during the Relief Period, the Company may not voluntarily "purchase, repurchase, redeem, defease or otherwise voluntarily acquire or retire for value" (collectively, "voluntary prepayments") any subordinated, junior lien, or unsecured debt of the Company or a restricted subsidiary, subject to certain exceptions. In particular, such voluntary prepayments are even more limited with respect to the 2026s, prohibiting all voluntary prepayments of the 2026s except:²

- (1) with up to \$150 million cash on hand,
- (2) in an unlimited amount, subject to at least \$1 billion of liquidity, and/or
- (3) under the "Maximum Incremental Facilities Amount," as modified during the Relief Period.

Credit Agreement Secured Debt Analysis

Based on the above premise, if the Company chooses to go down the path of refinancing the 2026s with junior lien debt, it must have sufficient capacity under the definition of "Maximum Incremental Facilities Amount."

The Maximum Incremental Facilities Amount is the sum of three components:

- (1) the greater of \$635 million / 100% of EBITDA (the "free-and-clear component"),
- (2) an amount equal to prior voluntary prepayments / buybacks commitment reductions of the Facilities, incremental equivalent, and other pari passu and junior lien debt (the "voluntary prepayments component"), and
- (3) any amount subject to pro forma compliance with (a) 3x Net First Lien Leverage Ratio (if pari passu secured) and/or (b) 4.25x Net Secured Leverage Ratio (if junior secured); subject to "or no worse" optionality in the case of a financing of a permitted acquisition / investment (the "ratio component")

However, during the Relief Period, the Maximum Incremental Facilities Amount is limited as follows:

- (1) the free-and-clear tranche is capped at the lesser of the amount available as of the Tenth Amendment Effective Date and \$500 million; any pari passu secured debt under this cap must be second-out debt relative to the liens securing the 2025 Extended Revolver until the Relief Period terminates³, unless the

¹ As reported either in the Company's quarterly or annual SEC filings or, if earlier, as reported in SEC filings as an earnings release or "flash." The Relief Period exit is subject to a clawback mechanic. If the Company certifies the \$850 million EBITDA threshold based on an earnings release or "flash" and the next quarterly or annual SEC filing shows Annualized Adjusted Corporate EBITDA or TTM Adjusted Corporate EBITDA below \$850 million, the Relief Period suspension date is deemed not to have occurred.

² We note that the 2025 Extending Revolving Lenders may amend or waive the additional restrictions on junior debt prepayments imposed during the Relief Period (without the consent of Term Loan lenders).

³ The second-out requirement is governed by the separate "Pari Debt Requirement Trigger Date" concept, which mirrors but is distinct from the Relief Period suspension mechanics. Until that trigger is satisfied (same \$850M EBITDA threshold, same clawback risk), any pari passu secured debt incurred under the free-and-clear tranche must be "Second-Out

2025 Extended Revolver is permanently reduced by an amount equal to 50% of the debt being incurred; and

- (2) the pari passu ratio test under the ratio component is completely blocked during the Relief Period. Notably, however, the junior lien ratio test is not restricted and therefore remains available.

The voluntary prepayments component is the only source of pari passu first lien capacity available to the Company during the Relief Period. However, we assume that the Company utilized the voluntary prepayments component of the Maximum Incremental Facilities Amount to issue the 1L 2030s⁴ and that it is therefore not available to refinance the 2026s.

The Company could use either a portion of the \$500 million under the free-and-clear component of the Maximum Incremental Facilities Amount to incur second-out debt or, if net secured leverage would be at or below 4.25x pro forma for such incurrence, junior lien debt, to refinance the remaining \$200 million of 2026s. The timing of any refinancing of the 2026s is also relevant to the 2025 Extended Revolver maturity. The 2025 Extended Revolver matures on the earliest of March 31, 2028 and the date that is 91 days prior to the maturity of at least \$200 million of any non-Credit Agreement debt outstanding on the Tenth Amendment Effective Date. Accordingly, if at least \$200 million of 2026s remain outstanding as their maturity approaches, maturity on the 2025 Extended Revolver would spring forward to a date 91 days before maturity of the 2026s. As a result, failure to address the 2026s sufficiently in advance of that 91-day window could effectively pull the 2025 Extended Revolver into the same near-term maturity stack, accelerating the Company's refinancing needs and further pressuring liquidity.

— *Covenant Review*

Indebtedness," i.e., secured by pari passu liens but subordinated in lien priority on a second-out basis to the 2025 Extended Revolver. The only escape is the RCF Commitment Reduction Exception (permanent 50% Revolver reduction).

⁴ We also assume that the Company voluntarily prepaid (and permanently reduced commitments under) the \$335 million non-extended maturity Revolver in order to create capacity to incur the 1L 2030s.

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