

Dollar Thrifty shares rise on good outlook news

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Shares of Dollar Thrifty Automotive Group Inc. rose \$2.11, or 5.1 percent, on Wednesday, closing at \$43.17, after executives said the rental car company's second-quarter performance will be better than expected.

The forecast came six weeks before shareholders of Tulsa-based Dollar Thrifty vote on a proposed \$1.3 billion, \$41-a-share buyout offer by Hertz Global Holdings Inc. Analysts said the anticipated second-quarter earnings could encourage competing bids.

Avis Budget Group Inc., the third largest rental car company after Enterprise Rent A Car and Hertz, said it is preparing a "substantially higher offer" for Dollar Thrifty.

Dollar Thrifty CEO Scott Thompson said the company expects to post \$75 million to \$80 million in second-quarter earnings before interest, taxes, depreciation and amortization.

The consensus estimate among Wall Street rental car industry analysts was for Dollar Thrifty's second-quarter EBITDA to be about \$52 million.

"For the year, we had given full-year (EBITDA) guidance of \$170 million to \$190 million, and today we upped that to \$200 million to \$220 million," Thompson said. "Last year, we made \$99 million (in EBITDA), so it's more than double from last year."

The average estimate by six analysts surveyed by Bloomberg was for 2010 EBITDA of \$181 million.

Thompson said major factors in the improved EBITDA performance were better management and reduced costs of Dollar Thrifty's fleet.

At the end of the first quarter, the company operated an average of 94,641 vehicles, down 5.2 percent from 2009's first quarter and 29 percent fewer than 2008, company documents show.

In 2009, Dollar Thrifty's average fleet cost per car per month was \$337, down from \$363 in 2008. The company's target average fleet cost per car per month in 2010 is \$325, company executives said.

The company's fleet costs are being helped by strength in the used-vehicle market and measures company executives took last year to lower depreciation costs.

The initiatives included diversification of manufacturers for better vehicle selection and better remarketing processes, executives said.

"We have gotten very good at fleet management while still being disciplined from a pricing and revenue standpoint," Thompson said.

In the first quarter, Dollar Thrifty reported net income of \$27.29 million, or 91 cents a share, while Hertz had a net loss of \$150.4 million, or 37 cents a share. Avis lost \$13 million, or 13 cents a share, in the first quarter.

On Tuesday, Dollar Thrifty set a shareholder vote on the Hertz offer for Aug. 18, with shareholders of record as of July 16 eligible to vote.

A majority vote by the holders of Dollar Thrifty's issued and outstanding shares will be necessary to approve Hertz's offer, Thompson said.

A higher offer by Avis before Aug. 18 would be considered by the Dollar Thrifty board of directors, he said.

"If the Dollar Thrifty board determines it is a superior offer, Hertz has two days to make a counter-offer," Thompson said.

Fred Russell, CEO of Fredric E. Russell Investment Management Co. in Tulsa, said it is clear after examining Hertz's balance sheet why the New Jersey-based firm seeks to acquire Dollar Thrifty.

"DTAG is better run, has far less debt, far less interest expenses and has far better return on assets," Russell said. "Dollar Thrifty is a far better managed company than Hertz."

Asked whether he would rate Dollar Thrifty's shares a "buy" or "sell," Russell, who does not own shares of Dollar Thrifty, said shareholders with a penchant for gambling can probably count on one more bid for the company from Avis or another company.

"For those who assume there will be another round of bidding, it's a 'buy,'" Russell said.

Thompson said he credits the Hertz-Avis competition as elevating Dollar Thrifty's profile.

"We couldn't have paid for this kind of advertising," Thompson said.

Hertz shares closed Wednesday at \$9.61, up 88 cents or 10 percent.


Avis shares closed Wednesday at \$9.41, up 70 cents or 8 percent.

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