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Zacks Small-Cap Research

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AMERCO Inc. (UHAL-NASDAQ)

AMERCO reports 5th consecutive quarter of financial results that is above expectations; operating margin expands to 34.8% exemplifying leverage in an economic environment of strong demand and pricing.

By expecting the range of the EV-to-EBITDA valuation metric to be 8.4-to-10.4 over the next 12 months, a target price of $875 is indicated at a second quartile valuation level.

Current Price (11/05/21)	$759.25
Valuation	**$875.00**

OUTLOOK

AMERCO is the parent company of U-Haul International, the world's largest consumer truck and trailer rental company. U-Haul is also the third largest self-storage operator in North America.

A decade of continued growth in the number of truck & trailer rental stores, along with a steady expansion of the rental fleet, positioned AMERCO to benefit, in a leveraged manner, from the transition of a significant portion of the workforce to remote working locations.

Management is focused on expanding capacity in the self-storage area, along with optimizing vehicle utilization & normalizing the fleet rotation program.

SUMMARY DATA

52-Week High	**$769.90**
52-Week Low	**$382.50**
One-Year Return (%)	**91.08**
Beta	**0.88**
Average Daily Volume (shrs.)	**36,667**
Shares Outstanding (million)	**19.607**
Market Capitalization ($mil.)	**$14.887**
Short Interest Ratio (days)	**4.89**
Institutional Ownership (%)	**38.15**
Insider Ownership (%)	**42.97**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**6.8**
Earnings Per Share (%)	**17.9**
Dividend (%)	**N/M**
P/E using TTM EPS	**14.7**
P/E using FY 2022 Estimate	**12.5**
P/E using FY 2023 Estimate	**N/A**

Risk Level	**Below Average**
Type of Stock	**Large - Blend**
Industry	**Trans-Equip. & Leas.**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Jun)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2019	1,020 A	1,105 A	919 A	725 A	3,769 A
2020	1,079 A	1,150 A	928 A	822 A	3,979 A
2021	987 A	1,325 A	1,170 A	1,059 A	4,542 A
2022	1,473 A	1,664 A	1,331 E	1,174 E	5,642 E

Earnings per share

	Q1 (Jun)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2019	$6.53 A	$8.35 A	$4.01 A	$0.04 A	$18.93 A
2020	$6.76 A	$7.97 A	$1.58 A	$6.24 A	$22.55 A
2021	$4.47 A	$13.58 A	$9.33 A	$3.76 A	$31.15 A
2022	$17.60 A	$20.90 A	$15.05 E	$7.19 E	$60.75 E

Quarterly revenues may not equal annual revenues due to rounding.

Quarterly EPS may not equal annual EPS due to rounding.

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RECENT EVENTS

Demand for self-moving equipment and self-storage continues to be strong, which has led to **strong pricing** in both average rental rates and average revenue per occupied storage space. Under the company's growth strategy, management had optimally positioned the Moving and Storage operating segment to benefit from the surge in demand generated by the pandemic through consistent investments in capacity expansion that had increased the number of retail locations, box trucks and trailers in the rental fleet. Prior to the pandemic, during fiscal 2019 and fiscal 2020, company-owned locations increased 15.4%, the truck fleet expanded 9.3% and the trailer fleet increased 7.6%. As a result, the company's **operating margin expanded to a historically high level of 34.8% in the second fiscal quarter**.



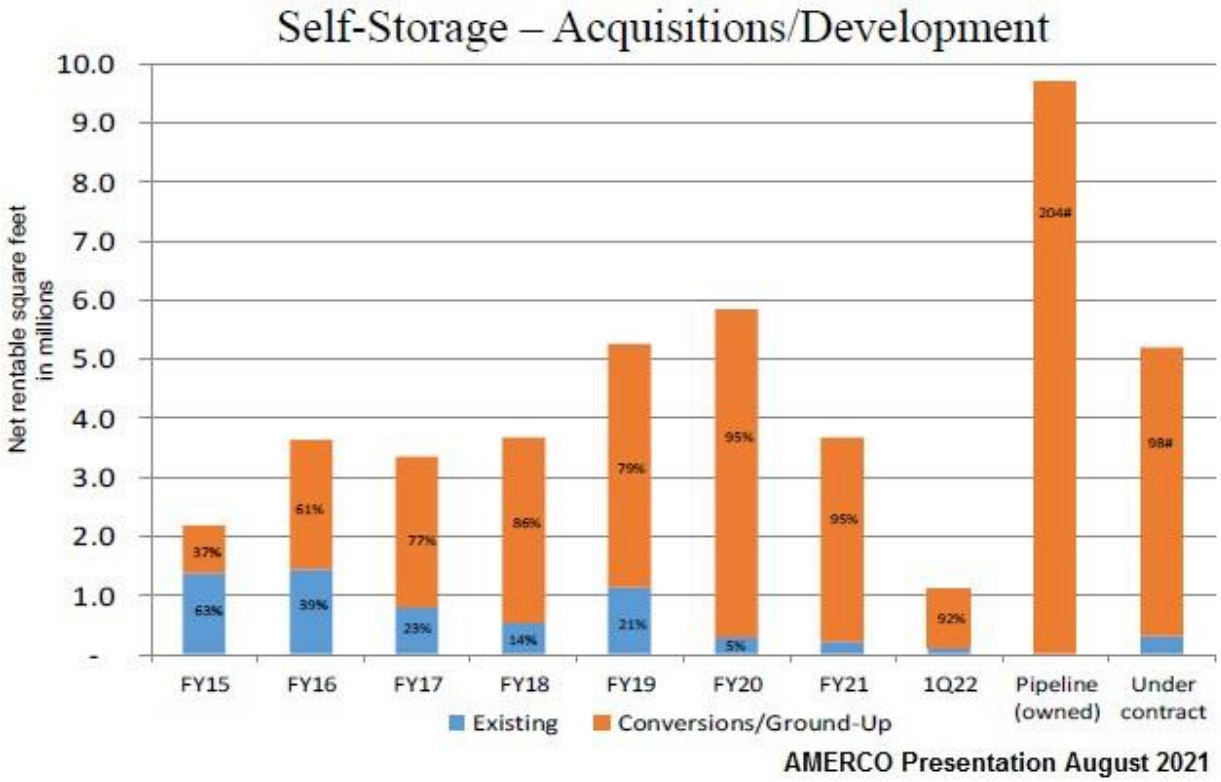
AMERCO Annual Report 2021

Management expects an uneven pace of capital expenditures as replacement trucks become available from GM and Ford. There are expectations that when the company is able to normalize the fleet rotation program, the capex will lead to increased depreciation charges, which will dampen earnings growth.

Along with attempting to acquire replacement trucks, the company is implementing a **U-Box expansion program** this winter. The effort includes increasing the number of U-Box warehouses (along with the size of those warehouses), and increasing the size of both the U-Box container fleet and the U-Box delivery truck fleet.

Also, management is **increasing the pace of investment in the self-storage area**. The company's **property acquisition pipeline continues to be robust**. In October, 16 development properties closed, and currently, approximately $310 million in deals (roughly 125 properties) are in escrow. AMERCO constantly issues press releases on the acquisition of properties and the opening of new facilities on prnewswire.com using the keyword U-Haul.

From a valuation perspective, self-storage operations command a higher valuation multiple than truck rental companies. **The image below** from the company's most recent August Analyst Day conveys **the size and scope of the self-storage development program** relative to the company's historical record.



Financial Results for Second Quarter of Fiscal 2022

On November 3, 2021 after the market close, AMERCO reported financial results for the second fiscal quarter ending September 30, 2021. **Revenues and EPS were well above our expectations**. **Total revenues increased 25.6% YOY** to approximately $1.66 billion, driven by a 26.6% increase (or an increase of $248 million) in **self-moving equipment rentals**. **Other revenues** (which is predominately driven by U-Box) increased 55.2% (or $50.7 million) while **self-storage revenues** increased 33.1% (or $38.2 million).

In the **self-moving equipment rental** business, **revenues increased across all four major metrics:** volume of transactions and the average revenue per transaction for both in-town and one-way rentals of trucks and trailers. The improved metrics were helped by the increases in the number of retail locations, independent dealers, box trucks, trailers and towing devices over the last 12 months.

In **self-moving/self-storage products & services**, the 6.5% revenue decrease was due to a tough comparison versus the second quarter of fiscal 2021 when an increase in the sales of hitches during the pandemic drove a 34.9% increase.

AMERCO - Co-owned Self-Storage Occupancy Rate					
Fiscal Year	**FY 1Q (June)**	**FY 2Q (Sept.)**	**FY 3Q (Dec.)**	**FY 4Q (March)**	**FY Year (March)**
FY 2019	69.6%	70.6%	68.0%	66.9%	**68.7%**
FY 2020	68.4%	69.5%	66.9%	66.1%	**67.7%**
FY 2021	67.6%	71.9%	73.4%	74.3%	**71.8%**
FY 2022	79.7%	84.3%			

In the **self-storage** area, revenues increased 33.1% (or $38.2 million) as the average monthly number of occupied units at company-owned locations increased by 103,000 units, **occupancy**

rates increased YOY from 71.9% to 84.3% and new capacity over the last 12 months expanded by 3.9 million net rentable square feet, along with an improvement in average revenue per occupied feet.

Other revenue increased 55.2% (or $50.7 million) driven primarily by growth in the U-Box program.

Total costs and expenses increased only 16.3% (or $152.4 million). **Operating expenses** and **commission expenses** increased 21.2% and 28.7%, respectively. **Depreciation expense** decreased by $1.69 million (or 1.2%) as an $8.0 million gain on the sales of rental trucks more than offset the $3.9 million increase in depreciation on the rental equipment fleet.

Management had planned to return to a **normalized rotation program** during fiscal 2022; however, truck manufacturers (General Motors and Ford) have been unable to supply a sufficient amount of replacement trucks. **In the first six months of fiscal 2022, capital expenditures on new rental trucks and trailers totaled $548 million**.

Earnings from operations increased 47.7% (or by $152.4 million) to $578.7 million compared to $391.8 million in second fiscal quarter of 2021. An income tax expense of $129.0 million was recorded.

For the second quarter of fiscal 2022, AMERCO reported a **net income** of $409.9 million (or **$20.90 per diluted share**), a **53.9% increase** compared to $266.4 million (or $13.58 per diluted share) in the comparable quarter last year. Shares outstanding have remained stable at 19,607,788 shares for a decade.

As of September 30, 2021, AMERCO has a **strong liquidity position**. The Moving and Storage operating segment has approximately $2.486 billion available including from cash, cash equivalents and a **$600 million senior unsecured note private placement offering** with 8, 9, 10 and 12 year maturities and a weighted average interest rate of 2.59%. **Working capital sequentially** increased 15.4% to approximately $6.72 billion.

In summary, AMERCO reported **strong quarterly results** with both the top-line (total revenues) and bottom line (net income/EPS) coming in **well above expectations**. The operating margin expanded 122 basis points sequentially from 33.6% to 34.8%, exemplifying leverage in environment of strong demand and pricing.

Financing

On October 4, 2021, AMERCO announced that the company has entered into an agreement to issue $600 million of fixed rate senior unsecured notes in a private placement consisting of four $150 million tranches, namely,

- Series A 2.43% Senior Notes are due September 30, 2029
- Series B 2.51% Senior Notes are due September 30, 2030
- Series C 2.63% Senior Notes are due September 30, 2031
- Series D 2.78% Senior Notes are due September 30, 2033

The weighted average interest rate of the four tranches is 2.59%.

The proceeds are being targeted to fund the expansion of retail locations in the self-storage and self-moving areas. Management does not plan on registering the notes under the Securities Act of 1933.

Special Dividend Declared

On October 6, 2021, AMERCO declared a **special cash dividend of $0.50** per common share. The dividend was paid on October 29, 2021 to holders of record on October 18, 2021.

AMERCO					
Special Dividends			Special Dividends		
Record Date	Paid Date	Amt Per Share	Record Date	Paid Date	Amt Per Share
12/23/11	01/03/12	$1.00	03/23/18	04/06/18	$0.50
11/19/12	11/30/12	$5.00	06/21/18	07/05/18	$0.50
01/10/14	02/14/14	$1.00	09/10/18	09/24/18	$0.50
03/06/15	03/17/15	$1.00	12/20/18	01/07/19	$0.50
06/19/15	07/01/15	$1.00	03/21/19	04/04/19	$0.50
09/16/15	10/02/15	$3.00	09/09/19	09/23/19	$0.50
04/05/16	04/21/16	$1.00	12/19/19	01/06/20	$0.50
10/20/16	11/03/16	$1.00	08/20/20	09/07/20	$0.50
02/23/17	03/09/17	$1.00	12/09/20	12/21/20	$2.00
07/20/17	08/03/17	$1.00	06/24/21	07/08/21	$0.50
12/21/17	01/05/18	$0.50	10/18/21	10/29/21	$0.50

EXECUTIVE SUMMARY OF MANAGEMENT'S U-HAUL GROWTH STRATEGY

Management's goal is to be the **predominant provider of moving and storage services** for "do-it-yourself" consumers in North America through U-Haul International. The company has developed **complementary verticals** to better serve its customers, from moving supplies (boxes, tape etc.) and trailer hitches to ancillary products/services, such as the filling of propane tanks and specialty extension services, such as U-Box (portable moving and storage units) and eMove (an online marketplace of independent moving and self-storage affiliates).

AMERCO is one of the leading companies in the **self-storage** industry (the third largest self-storage operation in North America), a complementary operation and logical extension of its self-moving business.

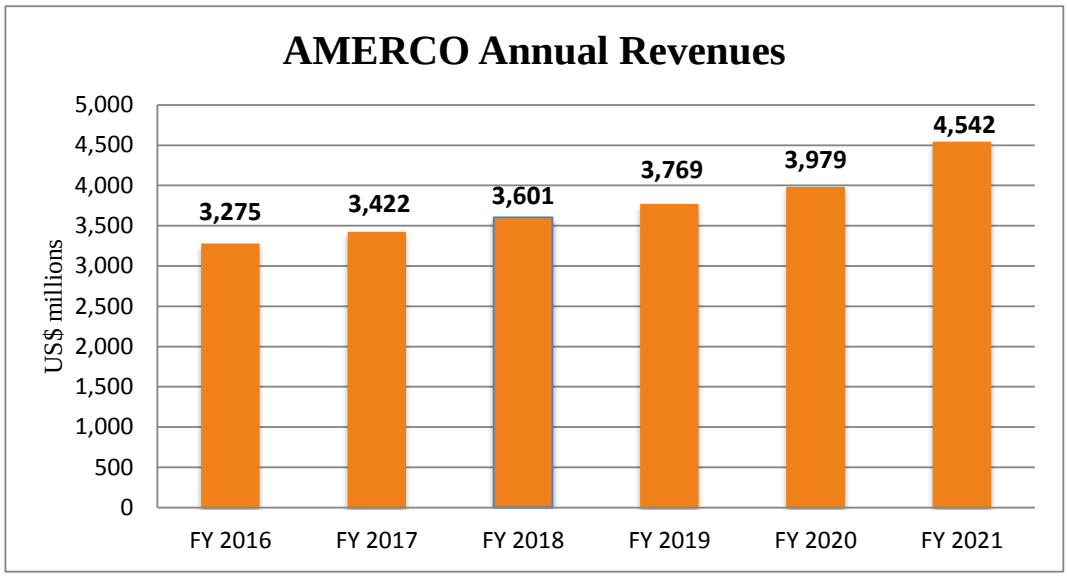
AMERCO also owns holds **two insurance companies**: a property & casualty company (Repwest Insurance) that offers rental coverage to customers (through Safemove, Safetow and Safestor policies) and a life insurance company (Oxford Life Insurance), initially held for insuring employees, but later expanded into specialty lines.

U-Haul maintains and continually enlarges a fleet of rental equipment, including trucks, trailers and towing devices. Historically, revenue growth has been achieved by

- **Growing the distribution network**
  - The number of company's retail locations has grown at a 5-year CAGR of 4.32%
- **Increasing the size of the fleet**
  - The truck fleet has grown at a 5-year CAGR of 4.83%
  - The trailer fleet has grown at a 5-year CAGR of 3.13%

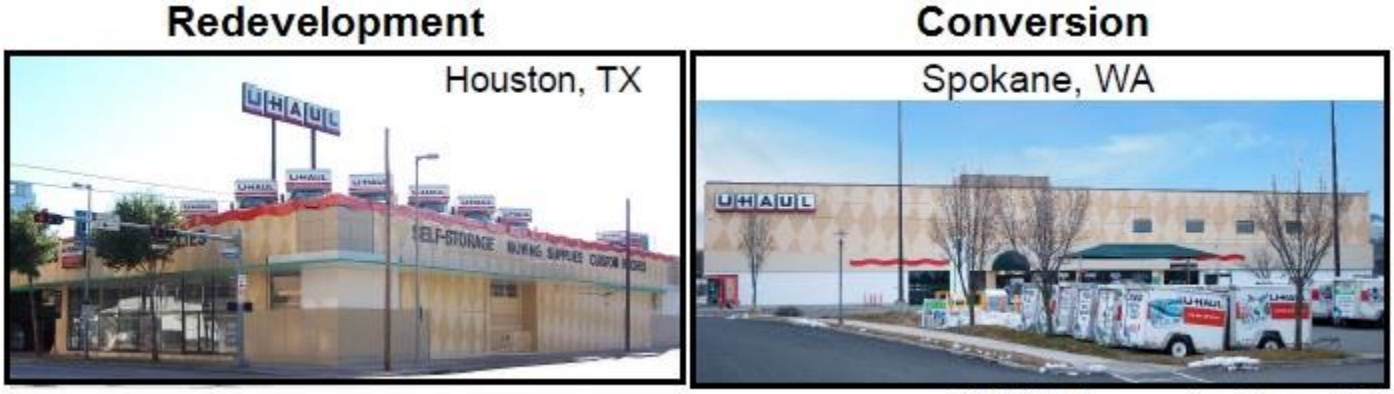
- **Expanding the self-storage footprint**
  - The number of self-storage locations has grown at a 5-year CAGR of 5.58%
  - The number of rentable units has grown at a 5-year CAGR of 8.66%
  - The rentable square footage has grown at a 5-year CAGR of 8.04%

As a result, **AMERCO's revenues have increased at a 5-year CAGR of 6.76%**.



Operationally, management strives to maximize **vehicle utilization** by adjusting the distribution of the truck and trailer fleets among the over 2,100 company stores and approximately 21,100 independent stores. The company's earning leverage is highly dependent on equipment utilization as well as **pricing** and **volume**. The critical factor of vehicle utilization in the truck rental business hinges on the geographical distribution of the fleet after one-way rentals, since U-Haul does not back-haul equipment. Traditionally, pricing has been the method by which equipment can be relocated.

In order to maintain the company's top-line growth trajectory, management must **allocate an appropriate level of investments** into the retail fleet network, the fleet itself (with new trucks, trailers and towing devices) and the self-storage business. Over the past decade, management has consistently increased the total number of rental trucks in the fleet with new additions exceeding the number of trucks removed for retirement. Hence, management also faces the challenges of executing its **fleet rotation program**, requiring both the procurement of truck chassis from North American manufacturers and the retirement of vehicles through the used-truck sales market.



AMERCO Presentation August 2020

KEY POINTS

- AMERCO primarily provides **"do-it-yourself" moving and storage** and **supplies products and services**. The company also has Property and Casualty and Life Insurance subsidiaries.
- U-Haul is one of the most recognized names in North America and has a commanding share of the consumer **self-moving business**.
    - U-Haul has a network of more than **23,200 company-operated and independent locations** in all 50 United States and 10 Canadian provinces.
    - As of the end of the company's fiscal year (March 31, 2021), the size of U-Haul's rental fleet was approximately **176,000 trucks**,**126,000 trailers** and **46,000 towing devices**
    - U-Haul also provides **moving supplies** (boxes, tape etc.) and the service of selling and installing **trailer hitches**
    - The company has expanded into ancillary products/services
        - **U-Box** (portable moving and storage units)
        - **CollegeBoxes** (a packing, storage and shipping solution for college students)
        - **Moving Help (**an online marketplace connecting consumers to service providers who help with packing, unpacking, loading and unloading)
        - **Storage Affiliates** (through the WebSelfStorage platform enables independent self-storage operators to manage their facility and connect to customers on uhaul.com)
    - The company also supplies **propane** as alternative-fuel for vehicles & for backyard BBQs.
- U-Haul is also one of the leading companies in the **self-storage** industry
    - a complementary operation to the self-moving business
    - As of the end of the company's fiscal year (March 31, 2021),U-Haul operates almost **812,000 rentable storage units** consisting of approximately **70.5 million square feet of storage space** in all 50 United States and 10 Canadian provinces
    - Individual storage units range in size from 6 square feet to 1,000 square feet
    - The self-storage business also provide value-added services, such as an electronic monitoring system (Max Security), access during extended hours and individually alarmed units.
- Property and Casualty Insurance - **Repwest Insurance**
    - Repwest underwrites components of the Safemove, Safetow, and Safestor protection packages to U-Haul customers
- Life Insurance - **Oxford Life Insurance**
    - Oxford underwrites life and health insurance products, primarily to the senior market
- AMERCO does not have a formal dividend policy; however, since December 2011, the Board has periodically declared the payment of special dividends.
- In mid-August, the management of AMERCO provides an Investor Presentation via live webcast.

OVERVIEW

Headquartered in Reno, AMERCO is North America's largest "do-it-yourself" moving and storage operator. U-Haul offers **"do-it-yourself" moving and storage and supplies products and services** to help people move and store their household and commercial goods in the United States and Canada. The company also has **Property and Casualty Insurance** and **Life Insurance** subsidiaries, Repwest Insurance and Oxford Life Insurance, respectively.

Founded in 1945 as U-Haul Trailer Rental Company, the company began by renting trailers. Beginning in 1959, management broadened the scope of the company's operation by renting trucks on a one-way and in-town basis exclusively through independent U-Haul dealers. In 1969, U-Haul Trailer Rental Company was incorporated as Advanced Management Engineering Research Company (AMERCO) in Nevada. Since 1974, the company developed a network of U-Haul

managed retail centers, through which it rents its trucks and trailers and sells moving & self-storage products and services to complement its independent dealer network.

The company operates in **three reportable segments**:

- **Moving & Storage** (through its AMERCO, U-Haul and AMERCO Real Estate Company subsidiaries)
- **Property & Casualty Insurance** (through Repwest Insurance Company)
- **Life Insurance** (through Oxford Life Insurance Company)

AMERCO		
Segment Analysis (in $US '000, except percentages)	**FY 2021 3/31/2021**	**% of Revenues**
Revenues		
Self-moving equipment rentals	3,083,317	67.9%
Self-storage revenues	477,262	10.5%
Self-moving/self-storage products & services	344,929	7.6%
Property management fees	31,603	0.7%
TOTAL MOVING & STORAGE		**86.7%**
Life insurance premiums	121,609	**2.7%**
P&C insurance premiums	68,779	**1.5%**
Net investment & interest income	122,938	**2.7%**
Other revenue	291,548	**6.4%**
TOTAL REVENUES	**4,541,985**	**100.0%**

The **Moving & Storage** segment, by far the company's largest and most significant segment, engages in the **rental of trucks, trailers**, specialty rental items, and **self-storage** spaces to the "do-it-yourself" mover and management of self-storage properties owned by others, as well as **sales of moving supplies**, towing accessories, and **propane**. Operations are conducted under the registered trade name U-Haul® throughout the United States and Canada. The company sells U-Haul brand boxes, tape and other moving and self-storage products and services to do-it-yourself moving and storage customers at all of its distribution outlets. Net revenue from the Moving & Storage segment in fiscal 2021 accounted for approximately **86.7% of total revenues**.

The **Property and Casualty Insurance** segment offers moving and storage contents insurance products, including **Safemove** and **Safetow policies** that provide moving customers with a damage waiver, cargo protection, and medical and life coverage; and **Safestor**, which protects storage customers from loss of their goods in storage. Repwest provides loss adjusting and claims handling for U-Haul through regional offices across North America. **Repwest** also underwrites components of the Safemove, Safetow, and Safestor protection packages to U-Haul customers. The business plan for Repwest includes offering property and casualty products for other U-Haul related programs. Net revenue from the P&C segment in fiscal 2021 accounted for approximately **1.5% of total revenues**.

The **Life Insurance** segment includes **Oxford Life Insurance Company**, which provides life and health insurance products, primarily to the senior market through the direct writing or reinsuring of life insurance, Medicare supplement and annuity policies. Net revenue from the life insurance segment in fiscal 2021 accounted for approximately **2.7% of total revenues**.

MOVING & STORAGE OPERATIONS

Self-Moving

AMERCO rents its distinctive orange U-Haul trucks and trailers through a network of over **2,100 company operated retail-moving centers** and approximately **21,100 independent U-Haul dealers**. The company also has a storage facility network with thousands of independent service providers participating as Storage Affiliates. As of March 31, 2021, the company's **rental fleet** consisted of more than **176,000 trucks**, **126,000 trailers** and **46,000 towing devices**.



AMERCO Presentation August 2020

The company has at least six different truck models and eight major types of trailers. The truck chassis are engineered by domestic truck manufacturers and made to U-Haul's specifications. The chassis are delivered to one of seven U-Haul manufacturing centers to be fitted with a cargo box. These manufacturing centers also build the trailers from the "ground up." Eleven (11) manufacturing and assembly facilities are strategically located throughout the United States in order to efficiently provide vehicles regionally.
Commonality of features (gear boxes, rear axles, tires, etc.) and parts reduce maintenance expenses and improve the efficiency of the parts inventory. All engines are gasoline powered to potential fueling problems. The company provides almost all of the preventive maintenance on the fleet with the exception of warranty claims.

U-Haul dealers also offer moving supplies, including a wide variety of U-Haul-brand boxes, tape and packing materials. In addition, specialty boxes are available for dishes, computers, other electronic equipment, hanging clothes, etc.

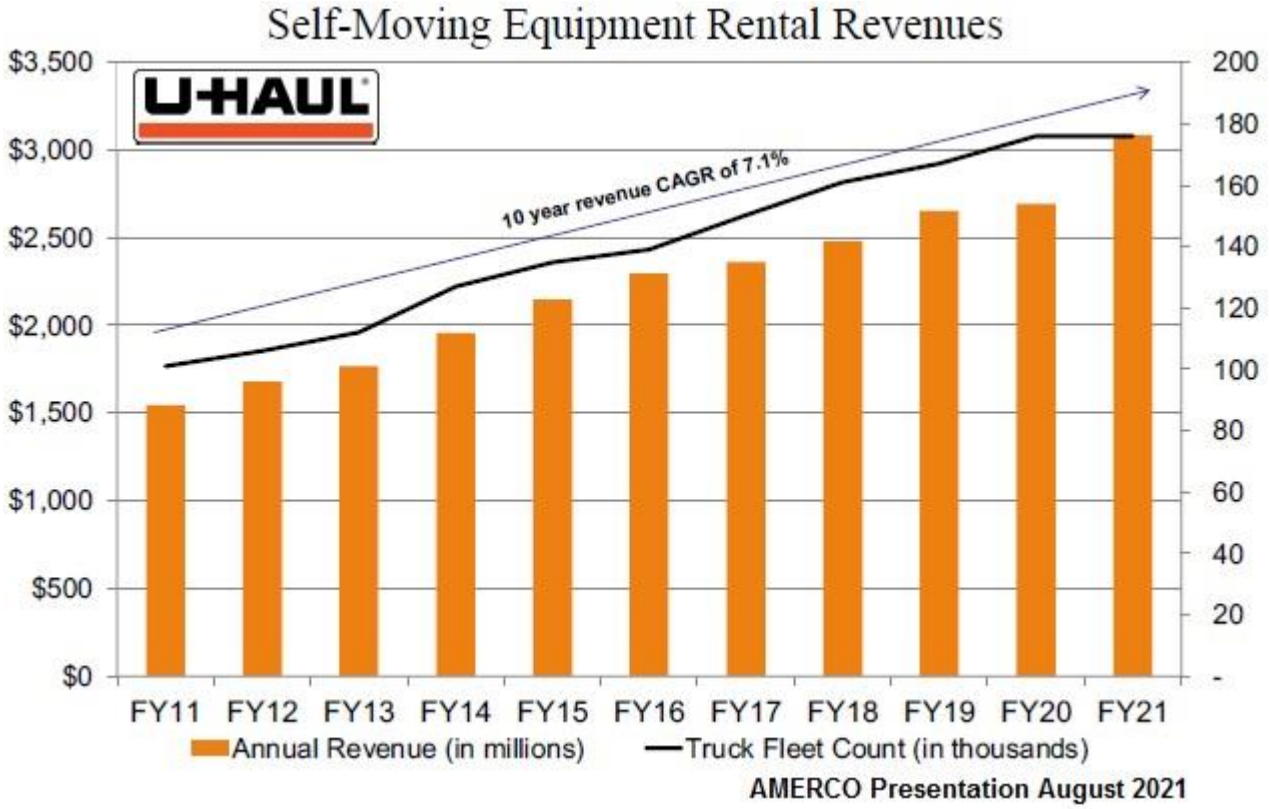
U-Haul is one of the most recognized names in the world and has a commanding share of the consumer self-moving business. The company is the consumer's number one choice as the largest installer of permanent trailer hitches in the automotive aftermarket industry. U-Haul's brand awareness is very high. A survey of public brand identification of truck manufacturers placed U-Haul second behind Mack Truck, even though U-Haul does not make trucks. The name U-Haul is as well-known as Kleenex (Kimberly-Clark), Coke (The Cola-Cola Company) and Clorox. U-Haul trucks often appear in movies and television without AMERCO having to pay for advertising.

Independent dealers receive trucks on a consignment basis and are paid a commission based on gross revenue generated by the dealer. The independent dealers are not franchisees. U-Haul does not franchise its name. Dealer contracts can be terminated upon 30 days written notice by either party.

AMERCO	Key Statistics (Self-Moving)					
Fiscal Year	Total Company Revenues ($ '000)	Trucks Fleet Size	Trailers Fleet Size	# of Company Stores	# of Independent Stores	# of Total Stores
FY 2010	2,002,005	98,000	77,000	1,400	14,900	16,300
YOY change	0.00%	-2.97%	1.32%	0.00%	3.47%	3.16%
FY 2011	2,241,275	101,000	82,000	1,400	15,000	16,400
YOY change	11.95%	3.06%	6.49%	0.00%	0.67%	0.61%
FY 2012	2,502,675	106,000	83,000	1,450	15,500	16,950
YOY change	11.66%	4.95%	1.22%	3.57%	3.33%	3.35%
FY 2013	2,558,587	112,000	90,000	1,490	16,400	17,890
YOY change	2.23%	5.66%	8.43%	2.76%	5.81%	5.55%
FY 2014	2,835,252	127,000	98,000	1,540	17,400	18,940
YOY change	10.81%	13.39%	8.89%	3.36%	6.10%	5.87%
FY 2015	3,074,531	135,000	107,000	1,600	18,200	19,800
YOY change	8.44%	6.30%	9.18%	3.90%	4.60%	4.54%
FY 2016	3,275,468	139,000	108,000	1,700	19,500	21,200
YOY change	6.54%	2.96%	0.93%	6.25%	7.14%	7.07%
FY 2017	3,421,767	150,000	112,000	1,750	20,000	21,750
YOY change	4.47%	7.91%	3.70%	2.94%	2.56%	2.59%
FY 2018	3,601,114	161,000	118,000	1,790	20,000	21,790
YOY change	5.24%	7.33%	5.36%	2.29%	0.00%	0.18%
FY 2019	3,768,707	167,000	120,000	1,981	20,000	21,981
YOY change	4.65%	3.73%	1.69%	10.67%	0.00%	0.88%
FY 2020	3,978,868	176,000	127,000	2,065	20,100	22,165
YOY change	5.58%	5.39%	5.83%	4.24%	0.50%	0.84%
FY 2021	4,541,985	176,000	126,000	2,100	21,100	23,200
YOY change	14.15%	0.00%	-0.79%	1.69%	4.98%	4.67%
5-year CAGR	6.76%	4.83%	3.13%	4.32%	1.59%	1.82%
10-year CAGR	7.32%	5.71%	4.39%	4.14%	3.47%	3.53%

To further leverage AMERCO's web-based technology platform, the company developed **eMove**®, an online marketplace that connects consumers with a network of affiliates of independent moving service providers and independent self-storage affiliates that have been vetted by U-Haul. Through MovingHelp.com, service providers can provide help to pack and load items while the Storage Affiliates offer self-storage services where U-Haul may not have facilities that are conveniently located for the consumer.

A component of the truck rental fleet is the disposal of trucks that are removed from the fleet for retirement. Typically, as new trucks are added to the fleet, older (high mileage) trucks are and sold. This dynamic process affects fleet size, non-cash depreciation charges, proceeds from the sale of retired trucks (which are dependent on the strength/weakness of the used truck market) and the availability of rentable trucks.



Furthermore, U-Haul sells and installs a broad range of **hitches** and components for towing trailers, boats, jet skis, motorcycles, campers, horse trailers etc. Management believes that U-Haul is the largest seller and installer of hitches and towing systems in North America.

U-Haul is also one of the largest refillers of **propane** tanks in North America, primarily for alternative-fuel vehicles and backyard barbecues. The company's trained and certified personnel provide propane at nearly 1,200 locations.

The moving truck and trailer rental industry is large and highly competitive. There are two distinct users of rental trucks: commercial and "do-it-yourself" residential users. AMERCO focuses primarily on the "do-it-yourself" residential user and is the largest self-moving company with over 50% of the applicable market. There are few large competitors and new entrants have found it difficult to achieve a significant market share. Within this segment, the company's major competitors are Avis Budget Group, Inc. (NASDAQ: CAR) and Penske Truck Leasing (a closely-held company). Enterprise Rent-a-Car (a private holding company) started a small truck service, which targets the light local delivery business.

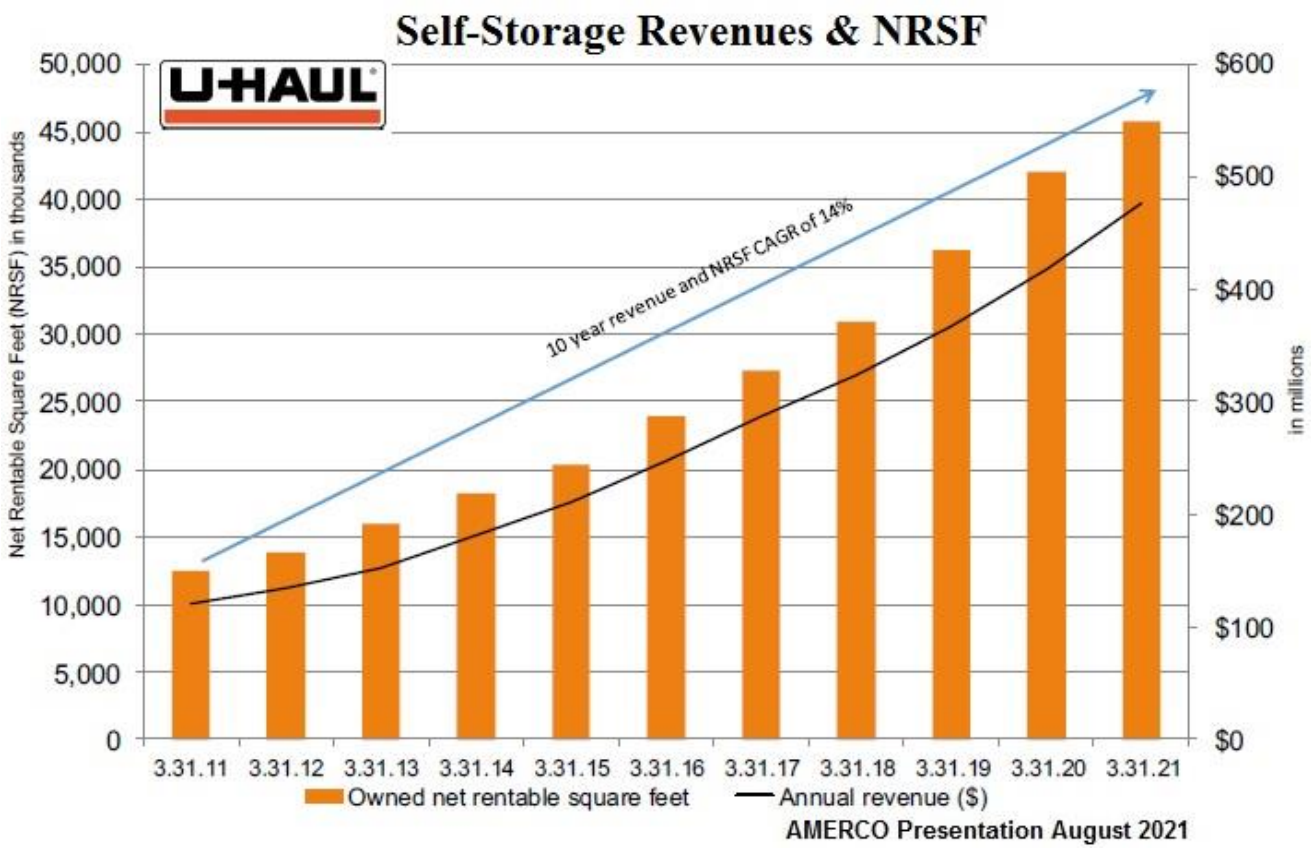
Consumer self-moving and self-storage are relatively single-digit, top-line growth industries (around 5% annually). However, both are highly fragmented industries; therefore, there are opportunities to gain market share. Both industries are less cyclical than most, since in bad times some people downgrade their living quarters (and some move back in with their parents) and use self-storage and consumer truck rental to move and store their belongings. In good economies, people move up-scale from small apartments to larger ones or to houses.

Storage

The primary market for storage rooms is for the storage of household goods. U-Haul serves millions of 'do-it-yourself' household moving customers annually. A large number of renters use a rental truck or trailer to move goods in or out of the storage facilities. It was a logical extension of the do-it-yourself-moving business to be also in the self-storage industry.

U-Haul operates almost **812,000 rentable storage units**, comprising approximately **70.5 million square feet** of storage space in all 50 United States and 10 Canadian provinces. The target market for the rental of storage units is for the storage of household goods. Individual storage units range in size from 6 square feet to 1,000 square feet. The company's provide **competitive self-storage services**, such as an electronic system that monitors the storage facility 24 hours a day (Max Security), access during extended hours and individually alarmed units. Many locations include climate controlled facilities, which is a growing trend in the self-storage industry.

Self-storage revenues have increased in the 13%-to-14% range over the last three fiscal years (13.4% in FY 2019 and 14.0% in both FY 2020 and FY 2021). The robust top-line growth was driven both by increased occupancy at existing locations (+12% in FY 2019, +16% in FY 2020 and +18% in FY 2021) and from the addition of new facilities. During fiscal 2019, approximately 5.3 million net rentable square feet was added, a 10.0% increase. In fiscal 2020, net rentable square feet increased by 9.9%, which added approximately 5.8 million square feet. During fiscal 2021, net rentable square feet increased by 5.7%, which added approximately 3.7 million square feet.



AMERCO	Key Statistics (Storage)			
Fiscal Year	Self-Storage Locations	Self-Storage Rentable rooms	Self-Storage (sq. ft.)	Company-owned Self-Storage Occupancy
FY 2010	1,100	402,000	35,500,000	75.2%
YOY change	0.92%	1.77%	1.43%	N/M
FY 2011	1,115	411,000	36,300,000	75.8%
YOY change	1.36%	2.24%	2.25%	N/M
FY 2012	1,140	423,000	37,800,000	76.9%
YOY change	2.24%	2.92%	4.13%	N/M
FY 2013	1,180	445,000	40,000,000	78.7%
YOY change	3.51%	5.20%	5.82%	N/M
FY 2014	1,220	467,000	42,100,000	80.5%
YOY change	3.39%	4.94%	5.25%	N/M
FY 2015	1,280	491,000	44,200,000	81.7%
YOY change	4.92%	5.14%	4.99%	N/M
FY 2016	1,360	536,000	47,900,000	80.1%
YOY change	6.25%	9.16%	8.37%	N/M
FY 2017	1,440	581,000	51,400,000	75.8%
YOY change	5.88%	8.40%	7.31%	N/M
FY 2018	1,519	632,000	55,200,000	71.6%
YOY change	5.49%	8.78%	7.39%	N/M
FY 2019	1,631	697,000	60,700,000	68.7%
YOY change	7.37%	10.28%	9.96%	N/M
FY 2020	1,745	774,000	66,700,000	67.7%
YOY change	6.99%	11.05%	9.88%	N/M
FY 2021	1,784	812,000	70,500,000	71.8%
YOY change	2.23%	4.91%	5.70%	N/M
5-year CAGR	5.58%	8.66%	8.04%	N/M
10-year CAGR	4.81%	7.05%	6.86%	N/M

The self-storage market is large and highly fragmented. The largest national storage competitors include Public Storage Inc. (NYSE: PSA), Extra Space Storage, Inc. (NYSE: EXR), Life Storage Inc. (NYSE: LSI), formerly known as Sovran Self-Storage Inc., CubeSmart (NYSE: CUBE) and National Storage Affiliates Trust (NYSE: NSA).

INSURANCE OPERATIONS

AMERCO has two insurance subsidiaries, **Repwest Insurance Company** (Property and Casualty) and **Oxford Life** (Health, Life and Annuities). These companies were originally set up to serve U-Haul employees and the U-Haul dealers (many of whom were one proprietor gas station owners that were not able to obtain low priced insurance). However, over the years, both insurance subsidiaries branched out into other lines of insurance. Oxford Life and Repwest have usually been profitable over the last eight years. AMERCO decided to scale back Repwest's operations, and the casualty business now only insures U-Haul's risks. Oxford Life is focused on Medicare supplement, annuities and life insurance.

A number of years ago AMERCO, formed a relationship through Mark Shoen called SAC that allowed the company to expand U-Haul-managed self-storage locations. AMERCO sold real estate to SAC in return for debt and managed the storage properties for a fee. The debt was paid down by SAC in 2012.

Repwest will continue to provide loss adjusting and claims handling for U-Haul and underwrite components of the Safemove, Safetow and Safestor protection packages to U-Haul customers. Repwest has started to grow again and its revenue is tied to the operations of moving and storage. Oxford is pursuing its goals of expanding its presence in the senior market through the sales of its Medicare supplement, life and annuity policies.

Repwest Insurance Company is rated A by A.M. Best, having been upgraded on September 24, 2020).

Oxford Life Insurance is rated A by A.M. Best, having been upgraded from A- on July 30, 2021. Oxford is a member of the Federal Home Loan Bank.

The insurance industry is highly competitive with a large number of life insurance companies and property and casualty insurance companies. In addition, the marketplace includes financial services firms offering both insurance and financial products. Some of the insurance companies are owned by stockholders and others are mutual companies that are owned by policyholders. Many competitors have been in business for a longer period of time or possess substantially greater financial resources and broader product portfolios than AMERCO's insurance companies. The company competes in the insurance business based upon price, product design, and services rendered to agents and policyholders.

VALUATION

AMERCO operates in both the "do-it-yourself" **consumer truck and trailer rental business** and **in the self-storage industry**. The vehicle rental business requires considerable investment in infrastructure (rental facilities and vehicles). Earnings in this segment tend to exhibit cyclicality, which is a consequence of the substantial earnings leverage that can be derived from improved utilization of the fleet. On the other hand, despite also requiring a significant investment in infrastructure (storage buildings), self-storage operations tend to be much less cyclical and provide steady cash flow.

From an investment perspective, both types of operations are **generally valued on the metric of EV-to-EBITDA** (Enterprise Value-to-Earnings Before Interest, Taxes, Depreciation and Amortization). From the Industry Comparable table below, it is easily observable that self-storage operations are valued at a much higher EV-to-EBITDA basis (26.8 on average compared to only 6.3 for truck rental companies) due to the each industry's fundamental attributes described above. Due to the small sample size of public truck rental companies (since Penske and Enterprise are not publicly traded), the EV-to-EBITDA metric is distorted.

Over the last ten years, AMERCO's stock has traded in an ever increasing EV-to-EBITDA range. For historical perspective, in 2011 the range was 2.1-to-3.9; by 2015 the range expanded to 6.0-to-7.6. In the last 12 months, the range was between 7.6 and 10.5. On average, the end-points of the range have increased by approximately by 0.54 each year over the last decade.

We believe there are several fundamental drivers that are causing the range end-points to increase, two of which relate to the company's operations. First, the base of operations is growing with the truck fleet increasing at a 10-year CAGR of 5.71%, the number of company stores having grown at 4.14% and self-storage square-footage having increased by a CAGR of 6.86%. Second, the rate of self-storage square-footage growth is accelerating with the last two pre-COVD years increasing by

just below 10% in both FY 2019 and FY2020. As a result, the higher valuation multiple self-storage operations are becoming a larger percentage of the company from a low base to 10.5% of revenues in FY 2021, which is further expanding the EV-to-EBITDA multiple.

Industry Comparables	Ticker	% Chg YTD	P/E CFY	Price/ Book	Price/ Sales	EV/ EBITDA
AMERCO	**UHAL**	67.3	12.5	2.7	2.8	8.3
S&P 500	**SPX**	25.1	21.3	4.9	3.1	30.3
TRUCK RENTAL COMPANIES						
RYDER SYSTEM INC	**R**	41.0	12.8	1.9	0.5	4.2
AVIS BUDGET GROUP	**CAR**	697.5	31.3	7.1	2.5	8.5
Industry Mean		**369.2**	**31.3**	**4.5**	**1.5**	**6.3**
SELF-STORAGE COMPANIES						
CUBESMART	**CUBE**	59.3	N/A	5.9	14.4	28.1
EXTRA SPACE STORAGE INC	**EXR**	68.0	35.8	8.7	17.7	27.0
LIFE STORAGE INC	**LSI**	63.6	N/A	3.4	22.7	28.7
NATIONAL STORAGE AFFILIATES TRUST	**NSA**	72.1	N/A	4.0	13.6	23.3
PUBLIC STORAGE INC	**PSA**	46.6	34.6	11.3	17.5	27.1
Industry Mean		**61.9**	**35.2**	**6.6**	**17.2**	**26.8**

Looking out 12 months, we expect the EV-to-EBITDA range to be 8.4-to-10.4. At a second quartile multiple of 9.55, a **target price of $875** is indicated.

RISKS

- AMERCO's business is subject to many economic factors that are not included in our forecasts. These include the impact of high fuel costs, significant economic downturns, and a substantial decline in housing starts, among others.
- Revenues (and therefore earnings) are seasonal, due to changes in consumer behavior as the weather changes. It is assumed that past weather conditions continue to be relatively the same over the quarterly time frames of the past.
- U-Haul purchases truck chassis from a limited number of domestic manufacturers e.g. Ford Motor Company and General Motors Corporation. If the production or quality of product is hindered, it could have a negative impact on AMERCO's operations and stock price.
- U-Haul maintains a large fleet of rental equipment. The company's rental truck fleet rotation program is funded internally through operations and externally from debt and lease financing. A challenging financial market could adversely affect the company's fleet rotation program.
- Another important aspect of U-Haul's fleet rotation program is the sale of used rental equipment. The sale of used equipment provides the organization with funds that can be used to purchase new equipment. However, at times, the used rental equipment market weakens in response to various economic factors. During such times of weak pricing and the near absence of demand, the company's financial results could be adversely affected by increasing depreciation expense, losses on the sale of retired equipment (due to net proceeds on sales falling short of estimated residual values) and decreases in expected cash flows from the sales of used equipment.

INSIDER AND INSTITUTIONAL OWNERSHIP

Insiders hold or control about 46.4% of outstanding shares. Willow Grove Holdings LP (a Shoen family investment vehicle) beneficially owns 8,424,659 shares (or 43.0% of the shares outstanding). In addition, the Employee Stock Ownership Plan (ESOP) holds 4,722,894 shares (24.1%)

Institutions currently hold approximately 38.15% of the outstanding shares. The largest institutional holders include The Vanguard Group (4.0% of the shares outstanding), Abrams Capital (2.9%), Wellington Management Company (2.8%), BlackRock Institutional Trust Company (2.7%) and Dimensional Fund Advisors (2.4%).

BALANCE SHEET

AMERCO

(in $US '000 except share data)	FY 2018	FY 2019	FY 2020	FY 2021	2Q FY 2022
Period ending	3/31/2018	3/31/2019	3/31/2020	3/31/2021	9/30/2021
ASSETS					
Cash and cash equivalents	759,388	673,701	494,352	1,194,012	2,430,233
Reinsurance recoverables & trade receivables	193,538	224,785	186,672	224,426	227,935
Inventories and parts	89,877	103,504	101,083	105,577	142,955
Prepaid expenses	165,692	174,100	562,904	469,144	202,339
Investm'ts, fixed maturities & mktable equities	1,919,860	2,235,397	2,492,738	2,695,656	2,845,147
Investments, other	399,064	300,736	360,373	489,759	571,942
Deferred policy acquisition costs	124,767	136,276	103,118	89,749	97,138
Other assets	244,782	78,354	71,956	47,730	51,626
Right of use assets - financing	-	-	1,080,353	877,038	752,990
Right of use assets - operating	-	-	106,631	92,505	85,237
Related party assets	33,276	30,889	34,784	35,395	38,773
Total Current Assets	**3,930,244**	**3,957,742**	**5,594,964**	**6,320,991**	**7,446,315**
Land	827,649	976,454	1,032,945	1,075,813	1,172,648
Buildings and improvements	3,140,713	4,003,726	4,663,461	5,073,017	5,477,544
Furniture and equipment	632,803	689,780	752,363	786,505	811,337
Rental trailers and other rental equipment	545,968	590,039	511,520	477,921	536,814
Rental trucks	4,390,750	4,762,028	3,595,933	3,909,724	4,278,732
(Accumulated depreciation)	(2,721,142)	(3,088,056)	(2,713,162)	(2,992,365)	(3,386,162)
TOTAL ASSETS	**10,746,985**	**11,891,713**	**13,438,024**	**14,651,606**	**16,337,228**
Accounts payable and accrued expenses	510,678	556,873	554,353	645,575	694,284
Total Current Liabilities	**510,678**	**556,873**	**554,353**	**645,575**	**694,284**
Notes, loans and finance/capital leases payable	3,513,076	4,163,323	4,621,291	4,668,907	5,335,278
Operating lease liabilies	-	-	106,443	92,510	85,199
Policy benefits & losses, claims & loss exp. payable	1,248,033	1,011,183	997,647	997,701	1,016,505
Liabilities from investment contracts	1,364,066	1,666,742	1,802,217	2,161,530	2,276,829
Other policyholders' funds and liabilities	10,040	15,047	10,190	12,420	10,943
Deferred income	34,276	35,186	31,620	42,592	51,212
Deferred income taxes, net	658,108	750,970	1,093,543	1,178,489	1,312,281
Non-Current Liabilities	**6,827,599**	**7,642,451**	**8,662,951**	**9,154,149**	**10,088,247**
TOTAL LIABILITIES	**7,338,277**	**8,199,324**	**9,217,304**	**9,799,724**	**10,782,531**
SHAREHOLDERS' EQUITY					
Common Stock	10,497	10,497	10,497	10,497	10,497
Additional paid-in capital	452,746	453,326	453,819	453,819	453,819
Accumulated other comprehensive income	(4,623)	(66,698)	34,652	106,857	74,207
Retained earnings	3,635,561	3,976,962	4,399,402	4,958,359	5,693,824
Cost of common shares in treasury	(525,653)	(525,653)	(525,653)	(525,653)	(525,653)
Cost of preferred shares in treasury	(151,997)	(151,997)	(151,997)	(151,997)	(151,997)
Unearned employee stock ownership plan	(7,823)	(4,048)	-	-	-
Total stockholders' equity	**3,408,708**	**3,692,389**	**4,220,720**	**4,851,882**	**5,554,697**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**10,746,985**	**11,891,713**	**13,438,024**	**14,651,606**	**16,337,228**
Shares outstanding	19,607,788	19,607,788	19,607,788	19,607,788	19,607,788

PROJECTED ANNUAL INCOME STATEMENTS

AMERCO

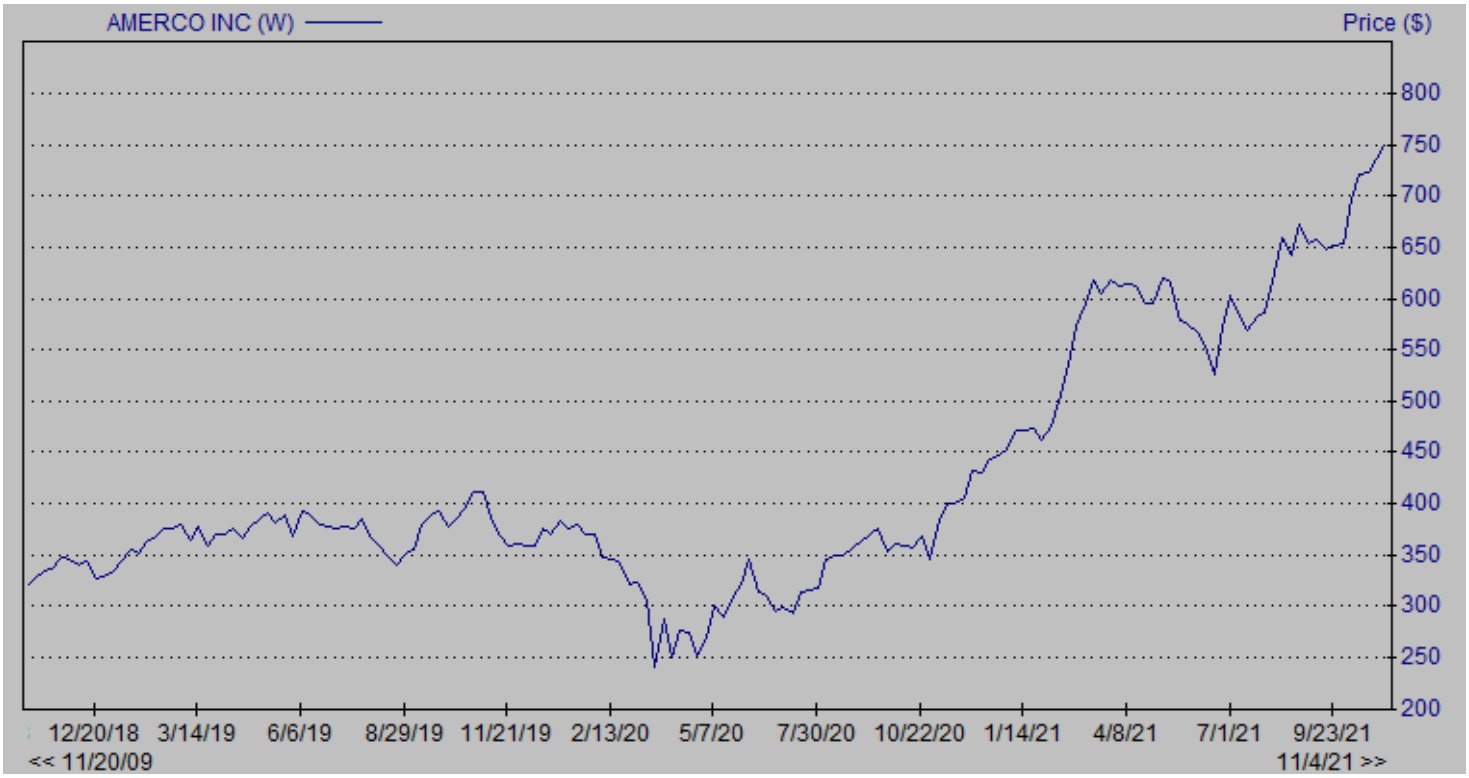
Income Statement (in $US '000, except share and per share data)	2017 3/31/2017	2018 3/31/2018	2019 3/31/2019	2020 3/31/2020	2021 3/31/2021	2022 E 3/31/2022
Revenues						
Self-moving equipment rentals	2,362,833	2,479,742	2,653,497	2,692,413	3,083,317	3,884,821
Self-storage revenues	286,886	323,903	367,276	418,741	477,262	605,996
Self-moving/self-storage prod. & svc.	253,073	261,557	264,146	265,091	344,929	338,215
Property management fees	29,075	29,602	29,148	30,406	31,603	34,412
Life insurance premiums	163,579	154,703	63,488	127,976	121,609	113,836
P&C insurance premiums	52,334	57,100	60,853	66,053	68,779	81,345
Net investment & interest income	102,276	110,473	110,934	137,829	122,938	148,435
Other revenue	171,711	184,034	219,365	240,359	291,548	435,066
Total Revenues	**3,421,767**	**3,601,114**	**3,768,707**	**3,978,868**	**4,541,985**	**5,642,125**
Expenses						
Operating expenses	1,568,083	1,807,056	1,981,180	2,117,148	2,187,684	2,466,223
Commission expenses	267,230	276,705	288,408	288,332	329,609	417,139
Cost of sales	152,485	160,489	162,142	164,018	214,059	226,919
Benefits and losses	182,710	185,311	100,277	174,836	179,512	179,428
Amort. of deferred policy acq. costs	26,218	24,514	28,556	31,219	28,293	30,308
Lease expense	37,343	33,960	33,158	26,882	28,470	30,604
Depreciation	449,025	543,247	554,043	637,063	609,930	560,465
Net gains on disposal of real estate	(3,590)	(195,414)	(44)	(758)	3,281	(2,032)
Total Operating Expenses	**2,679,504**	**2,835,868**	**3,147,720**	**3,438,740**	**3,580,838**	**3,909,053**
Earnings from operations	**742,263**	**765,246**	**620,987**	**540,128**	**961,147**	**1,733,072**
Other components of net periodic benefit	-	(927)	(1,013)	(1,054)	(987)	(1,120)
Interest expense	(113,406)	(126,706)	(142,445)	(160,950)	(163,502)	(165,333)
Fees and amortization on early extinguish	(499)	-	-	-	-	-
Total Other Income (Expenses)	**(113,905)**	**(127,633)**	**(143,458)**	**(162,004)**	**(164,489)**	**(166,453)**
Pretax earnings	**628,358**	**637,613**	**477,529**	**378,124**	**796,658**	**1,566,619**
Income tax benefit (expense)	(229,934)	152,970	(106,672)	63,924	(185,802)	(375,498)
Net Income	**398,424**	**790,583**	**370,857**	**442,048**	**610,856**	**1,191,121**
Basic and diluted loss per share	**20.34**	**40.36**	**18.93**	**22.55**	**31.15**	**60.75**
Wgted. Avg. Shares Out. - diluted	19,586,606	19,588,889	19,592,048	19,603,708	19,607,788	19,607,788

PROJECTED QUARTERLY INCOME STATEMENTS

AMERCO

Income Statement (in $US "000 except share and per share data)	FY 2021 3/31/2021	1Q FY 2022 6/30/2021	2Q FY 2022 9/30/2021	3Q E FY 2022 12/31/2021	4Q E FY 2022 3/31/2022	FY FY 2022 3/31/2022
Revenues						
Self-moving equipment rentals	3,083,317	1,035,377	1,179,061	911,015	759,368	3,884,821
Self-storage revenues	477,262	137,393	153,485	156,023	159,094	605,996
Self-moving/self-storage prod. & svc.	344,929	104,885	92,191	68,656	72,483	338,215
Property management fees	31,603	8,449	8,747	9,779	7,437	34,412
Life insurance premiums	121,609	28,705	28,913	27,849	28,370	113,836
P&C insurance premiums	68,779	16,869	22,499	23,604	18,373	81,345
Net investment & interest income	122,938	34,999	36,780	37,540	39,116	148,435
Other revenue	291,548	106,179	142,578	96,492	89,817	435,066
Total Revenues	**4,541,985**	**1,472,856**	**1,664,254**	**1,330,958**	**1,174,058**	**5,642,125**
Expenses						
Operating expenses	2,187,684	614,529	696,074	555,719	599,900	2,466,223
Commission expenses	329,609	113,149	127,896	96,435	79,659	417,139
Cost of sales	214,059	69,915	66,491	43,322	47,191	226,919
Benefits and losses	179,512	47,298	44,630	43,750	43,750	179,428
Amort. of deferred policy acq. costs	28,293	8,823	6,750	7,391	7,344	30,308
Lease expense	28,470	7,647	7,441	7,758	7,758	30,604
Depreciation	609,930	121,717	135,748	145,000	158,000	560,465
Net gains on disposal of real estate	3,281	(4,430)	523	375	1,500	(2,032)
Total Operating Expenses	**3,580,838**	**978,648**	**1,085,553**	**899,750**	**945,103**	**3,909,053**
Earnings from operations	**961,147**	**494,208**	**578,701**	**431,208**	**228,955**	**1,733,072**
Other comp. net periodic benefit costs	(987)	(280)	(280)	(280)	(280)	(1,120)
Interest expense	(163,502)	(39,178)	(39,545)	(43,280)	(43,330)	(165,333)
Fees & amort. early exting. of debt	-	-	-	-	-	-
Total Other Income (Expenses)	**(164,489)**	**(39,458)**	**(39,825)**	**(43,560)**	**(43,610)**	**(166,453)**
Pretax earnings	**796,658**	**454,750**	**538,876**	**387,648**	**185,345**	**1,566,619**
Income tax benefit (expense)	(185,802)	(109,575)	(128,978)	(92,648)	(44,297)	(375,498)
Net Income	**610,856**	**345,175**	**409,898**	**295,000**	**141,047**	**1,191,121**
Basic and diluted loss per share	**31.15**	**$17.60**	**$20.90**	**$15.05**	**$7.19**	**60.75**
Wgted. Avg. Shares Out. - diluted	19,607,788	19,607,788	19,607,788	19,607,788	19,607,788	19,607,788

HISTORICAL STOCK PRICE



Source: Zacks Investment Research

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