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AMERCO Inc.

(NASDAQ: UHAL)

Another impressive top-line quarter driven by strong pricing; however, cost pressures have become a challenge. Capacity increases in rental equipment, self-storage and U-Box businesses continue to be pursued. Annual Analyst Day recap

By expecting the range of the company's EV-to-EBITDA valuation to be 8.4-to-10.4, a target price of \$675 is indicated by blending the average of the low-end of the expected valuation range with a first quartile valuation level of comparables.

Current Price (09/23/22) **\$500.66**
Valuation \$675.00

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 increase of demand for self-moving and self-storage.

Management remains focused on expanding capacity in the self-storage area, growing U-Box and normalizing the fleet rotation program.

SUMMARY DATA

52-Week High **\$769.90**
 52-Week Low **\$447.92**
 One-Year Return (%) **-23.46**
 Beta **0.94**
 Average Daily Volume (shrs.) **55,577**

Shares Outstanding (million) **19.608**
 Market Capitalization (\$mil.) **\$9.818**
 Short Interest Ratio (days) **4.65**
 Institutional Ownership (%) **37.00**
 Insider Ownership (%) **42.97**

Annual Cash Dividend **\$0.00**
 Dividend Yield (%) **0.00**

5-Yr. Historical Growth Rates
 Sales (%) **11.3**
 Earnings Per Share (%) **33.1**
 Dividend (%) **N/A**

P/E using TTM EPS **8.8**
 P/E using FY 2023 Estimate **8.3**
 P/E using FY 2024 Estimate **N/A**

Risk Level

Below Average

Type of Stock
 Industry

**Large - Blend
 Trans-Equip. & Leas.**

ZACKS ESTIMATES

Revenue

(in millions of \$)

	Q1	Q2	Q3	Q4	Year
	(Jun)	(Sep)	(Dec)	(Mar)	(Mar)
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	1,404 A	1,198 A	5,740 A
2023	1,598 A	1,911 E	1,611 E	1,229 E	6,350 E

Earnings per share

	Q1	Q2	Q3	Q4	Year
	(Jun)	(Sep)	(Dec)	(Mar)	(Mar)
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	\$14.35 A	\$4.42 A	\$57.29 A
2023	\$17.03 A	\$20.62 E	\$15.74 E	\$6.82 E	\$60.22 E

Quarterly revenues may not equal annual revenues due to rounding.

Quarterly EPS may not equal annual EPS due to rounding.

RECENT EVENTS

Annual Virtual Analyst & Investor Meeting

On Thursday, **August 18, 2022**, AMERCO held its 16th Annual Virtual Analyst & Investor Meeting. With a **broad North American dealer network footprint** (see graphic below) built under the company's long-term growth strategy, management had optimally positioned the self-moving operating segment to benefit from the surge in demand over the last two fiscal years. Consistent investments in capacity expansion increased the number of retail locations, box trucks and trailers in the rental fleet. This allowed the company to benefit from the strong demand for the company's self-moving rental equipment. As a result, **total revenues for fiscal 2022 increased 26.4%** to \$5.74 billion. Furthermore, increased demand was coupled with **strong pricing** driving the expansion of the **operating margin by 750 bps** to 28.7%. In addition, the company was well positioned for the self-storage and U-Box (Other revenues) businesses.



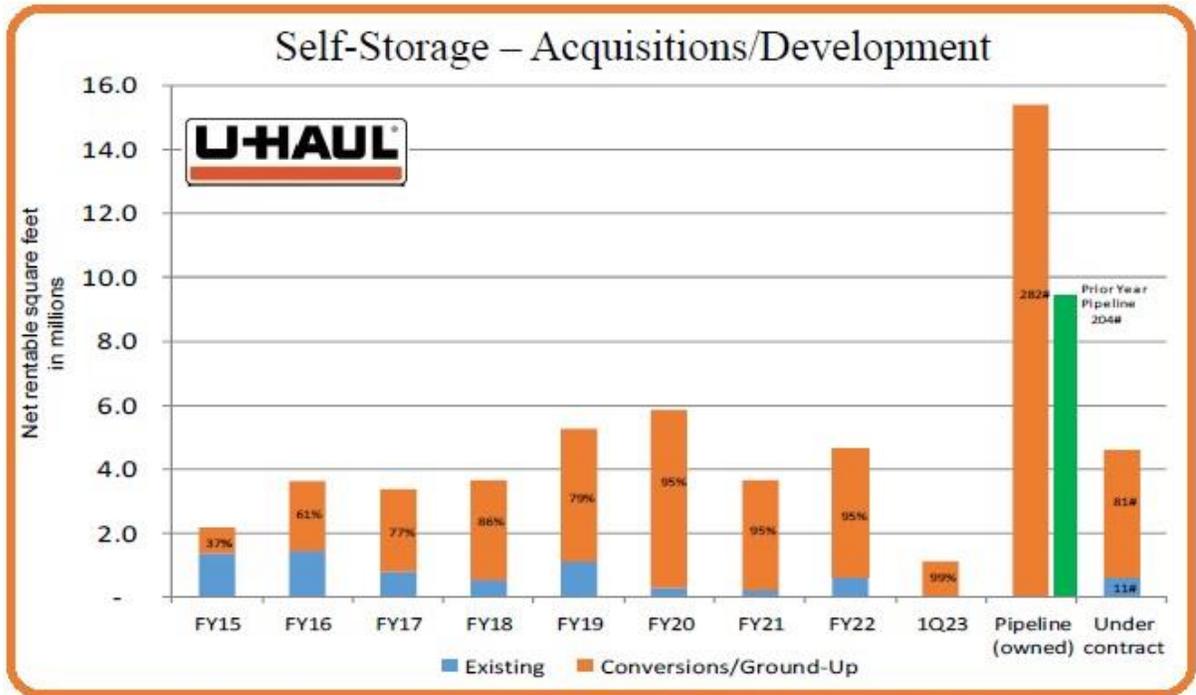
AMERCO Annual Analyst & Investor Meeting - August 2022

Management continues to **focus on operational metrics**, particularly **transaction volume** and **managing pricing**. Also, management believes that the **expanded customer base** developed during the pandemic will be retained going forward. **Strong pricing continues** in the Moving and Storage business.

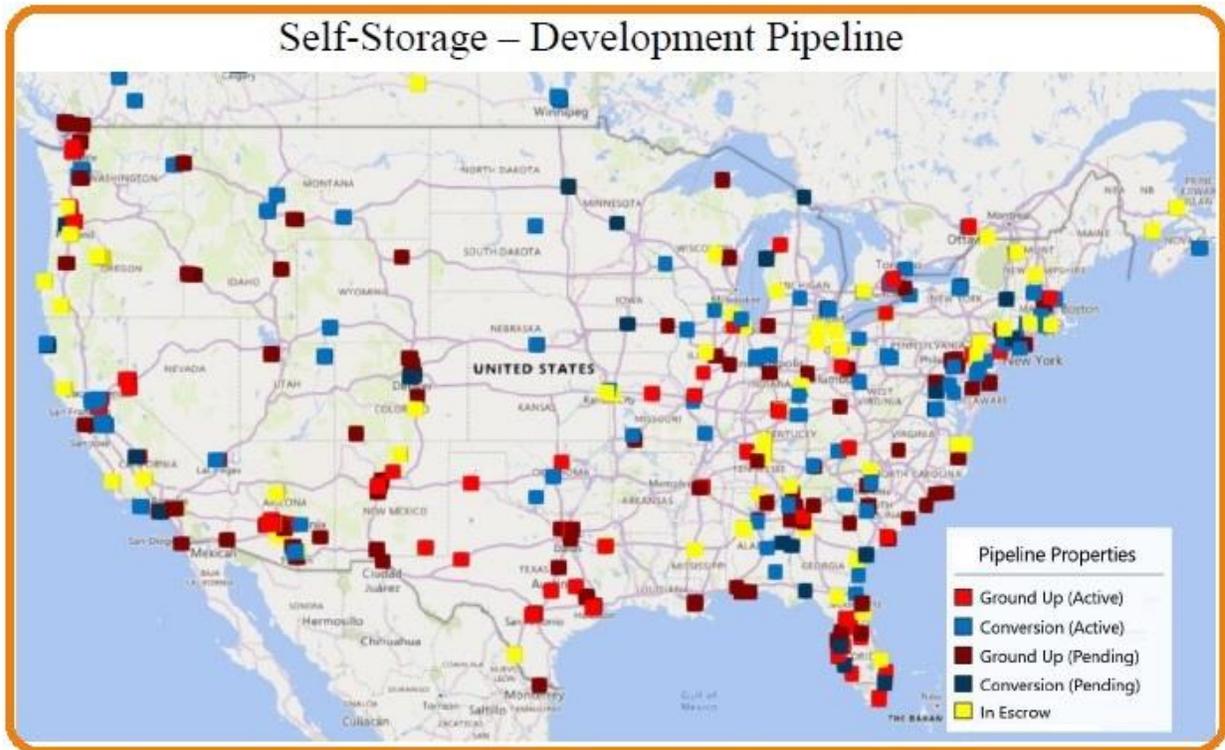
However, **delays at truck manufacturers** (GM and Ford) related to supply chain issues **continue to disrupt management's plan to return to a normalized rotation program**. During fiscal 2023, management now plans to invest to **slightly over \$1.5 billion (capital expenditures) into the truck rental fleet**, which will be dependent upon manufacturer availability.

Management continues to **invest steadily in the self-storage area**. The company's **property acquisition pipeline continues to be robust** (see bar chart below). The pipeline for owned

properties is at a record high. New locations continue to be opened across North America (see map), along with expanding capacity of existing locations.

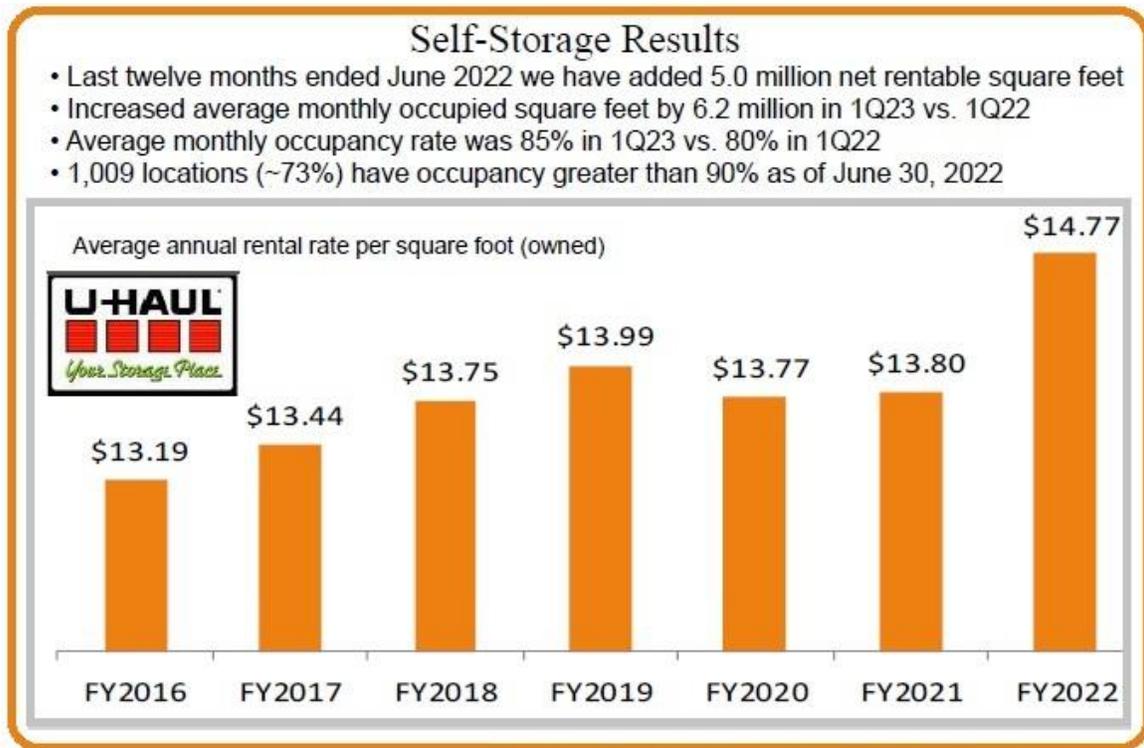


AMERCO Annual Analyst & Investor Meeting - August 2022



AMERCO Annual Analyst & Investor Meeting - August 2022

The top-line of the self-storage segment has been growing in the double-digit range for the last few years: 14.0% in FY2020, 14.0% in FY 2021 and 29.3% in FY2022. During FY 2022, pricing in the self-storage segment was robust (see graphic below), increasing on average to \$14.77 per occupied square foot from the \$13.19 to \$13.99 range during the prior six years.



AMERCO Annual Analyst & Investor Meeting - August 2022

The **slide deck** for the Annual Virtual Analyst & Investor Meeting provided images of **conversion projects** and **ground up projects** that have been completed recently. Many of the projects offer multiple services including self-moving equipment rentals, self-moving products and self-storage facilities.

The presentation can be viewed at https://www.amerco.com/news_article.aspx?id_pdf=2462831

Conversion Projects



Warren, MI



Sturgeon Bay, WI

AMERCO Annual Analyst & Investor Meeting - August 2022

Ground-Up Development



Rock Hill, SC



Colorado Springs, CO



Queen Creek, AZ

AMERCO Annual Analyst & Investor Meeting - August 2022

Financial Results for the First Quarter of Fiscal 2023

On August 3, 2022 after the market close, AMERCO reported financial results for the first fiscal quarter ending June 30, 2022. **Revenues were above our expectations. Total revenues increased 8.5% YOY** to approximately \$1.598 billion, driven by a 5.4% increase (or an increase of \$55.4 million) in **self-moving equipment rentals** and a 26.0% increase of revenue (or \$35.8 million) in the **self-storage area**. **Other revenue** (primarily the U-Box program) increased 28.2% (or \$29.9 million). Revenues in the **Self-moving/self-storage products & services** segment increased 4.3% (or \$4.47.5 million).

In the **self-moving equipment rental** business, average revenue per transaction for both in-town and one-way rentals of trucks and trailers increased. The number of retail locations, independent dealers, box trucks and towing devices has increased over the last 12 months.

In the **self-storage** area, revenues increased 26.0% as the average monthly number of occupied units increased by 19% (or 81,900 units), driven by occupancy gains at existing locations and an 11% increase in new capacity (5.0 million net rentable square feet) over the last 12 months.

AMERCO Company-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%	83.6%	82.6%	82.6%
FY 2023	84.5%				

In **self-moving/self-storage products & services**, the 4.3% revenue increase was due to increased sales of hitches, moving supplies and propane.

Total costs and expenses increased 13.1% (or \$128.0 million). **Cost of sales** and commission expenses increased 14.0% and 4.7%, respectively. Fleet repair & maintenance expenses, as well as personnel costs, have increased faster than revenues during the quarter. Repair costs increased since higher fleet activity coupled with a reduced level of new equipment coming into the fleet increased the need for preventative maintenance services. In addition, shipping costs associated with U-Box transactions increased. **Depreciation expense** (net of gains on sales) decreased by \$7.92 million (or 6.5%).

Management had planned to return to a **normalized rotation program** during fiscal 2022 with a capex budget of \$1.2 billion; however, truck manufacturers continued to incur supply disruptions. Entering fiscal 2023, initial gross equipment purchases of \$1.8 billion were budgeted; however, expectations have been lowered to slightly over \$1.5 billion due to delivery schedules being stretched out. Therefore, management believes it is unlikely for the company to acquire the desired amount of new trucks planned for the current fiscal year, and some portion will be deferred into next year. Management believes it may take perhaps as many as three years to normalize.

Earnings from operations decreased 0.6% (or by \$3.05 million) to \$491.2 million compared to \$494.2 million in first fiscal quarter of 2022. An income tax expense of \$107.1 million was recorded.

For the first quarter of fiscal 2023, AMERCO reported a net income of \$334.0 million (or **\$17.03 per diluted share**) compared to \$345.2 million (or \$17.60 per diluted share) in the comparable quarter last year. Shares outstanding have remained stable at 19,607,788 shares for a decade.

As of June 30, 2022, AMERCO has a **strong liquidity position** in the Moving and Storage operating segment of approximately \$3.087 billion (cash, cash equivalents and credit availability). **Working capital** increased 1.3% to approximately \$7.09 billion from the end of fiscal 2022.

In summary, AMERCO reported strong top-line (total revenues), but the bottom line (net income/EPS) was impacted by **rising costs**, primarily fleet repair & maintenance (due to a high mileage fleet), personnel costs (due to a combination of wage inflation and increased headcount) and higher shipping costs for U-Box. On the conference call, management indicated that the **customer base has increased** over the last two years and that this expanded base is expected to be retained going forward. In addition, the **strong pricing dynamic is currently still in place**.

Two of management's **challenges** are:

- 1) to **manage through the higher cost environment** through cost control tactics and
- 2) to **deal with the delays of self-moving equipment** (mainly truck) **deliveries** by the OEMs.

Special Dividends

AMERCO's most recent special dividend was declared on August 19, 2022. The **special cash dividend of \$0.50** was paid on September 20, 2022 to holders of record on September 6, 2022.

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	06/21/18	07/05/18	\$0.50
11/19/12	11/30/12	\$5.00	09/10/18	09/24/18	\$0.50
01/10/14	02/14/14	\$1.00	12/20/18	01/07/19	\$0.50
03/06/15	03/17/15	\$1.00	03/21/19	04/04/19	\$0.50
06/19/15	07/01/15	\$1.00	09/09/19	09/23/19	\$0.50
09/16/15	10/02/15	\$3.00	12/19/19	01/06/20	\$0.50
04/05/16	04/21/16	\$1.00	08/20/20	09/07/20	\$0.50
10/20/16	11/03/16	\$1.00	12/09/20	12/21/20	\$2.00
02/23/17	03/09/17	\$1.00	06/24/21	07/08/21	\$0.50
07/20/17	08/03/17	\$1.00	09/07/21	09/21/21	\$0.50
12/21/17	01/05/18	\$0.50	04/18/22	04/29/22	\$0.50
03/23/18	04/06/18	\$0.50	09/06/22	09/20/22	\$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.

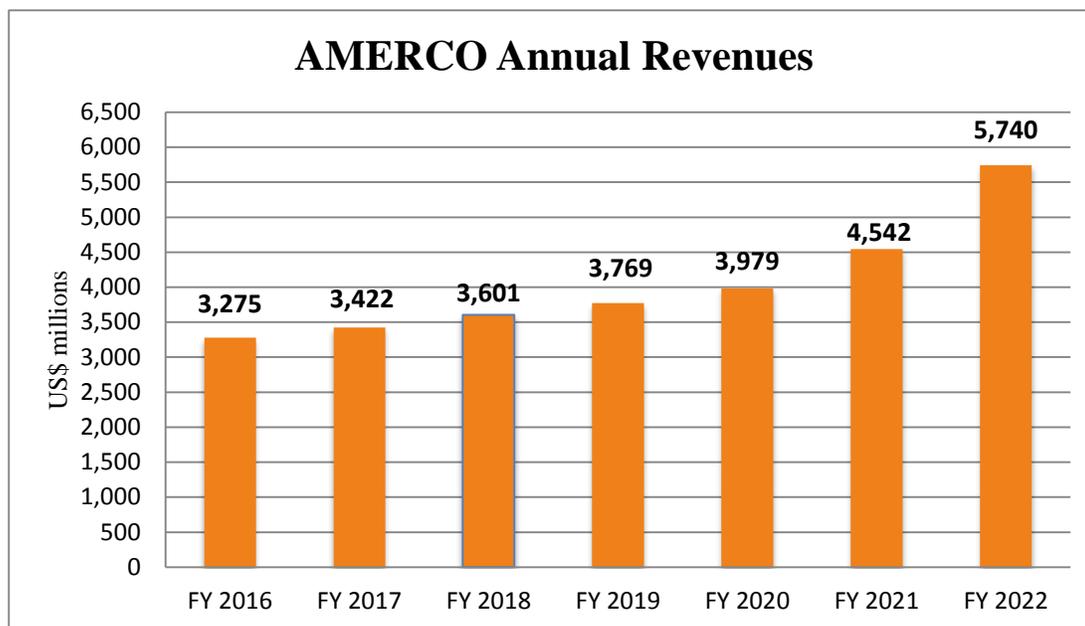
AMERCO also owns holds **two insurance companies**: a property & casualty company (Repwest Insurance) that offers rental coverage to customers (through Safemove, Safetow and Safestor policies) and a life insurance company (Oxford Life Insurance), initially held for insuring employees, but later expanded 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 3.71%
- **Increasing the size of the fleet**
 - The truck fleet has grown at a 5-year CAGR of 4.40%
 - The trailer fleet has grown at a 5-year CAGR of 2.71%

- **Expanding the self-storage footprint**
 - The number of self-storage locations has grown at a 5-year CAGR of 5.07%
 - The number of rentable units has grown at a 5-year CAGR of 8.56%
 - The rentable square footage has grown at a 5-year CAGR of 7.88%

As a result, **AMERCO's revenues have increased at a 5-year CAGR of 10.90%.**



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.

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, 2022), the size of U-Haul’s rental fleet was just over **186,000 trucks, 128,000 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, 2022), U-Haul operated almost **876,000 rentable storage units** consisting of approximately **75.1 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	FY 2022	% of
(in \$US '000, except percentages)	3/31/2022	Revenues
Revenues		
Self-moving equipment rentals	3,958,807	69.0%
Self-storage revenues	617,120	10.8%
Self-moving/self-storage products & services	351,447	6.1%
Property management fees	35,194	0.6%
TOTAL MOVING & STORAGE		86.5%
Life insurance premiums	111,027	1.9%
P&C insurance premiums	86,518	1.5%
Net investment & interest income	148,261	2.6%
Other revenue	431,373	7.5%
TOTAL REVENUES	5,739,747	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 2022 accounted for approximately **86.5% 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 2022 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 2022 accounted for approximately **1.9% 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, 2022, the company's **rental fleet** consisted of more than **186,000 trucks**, **128,000 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

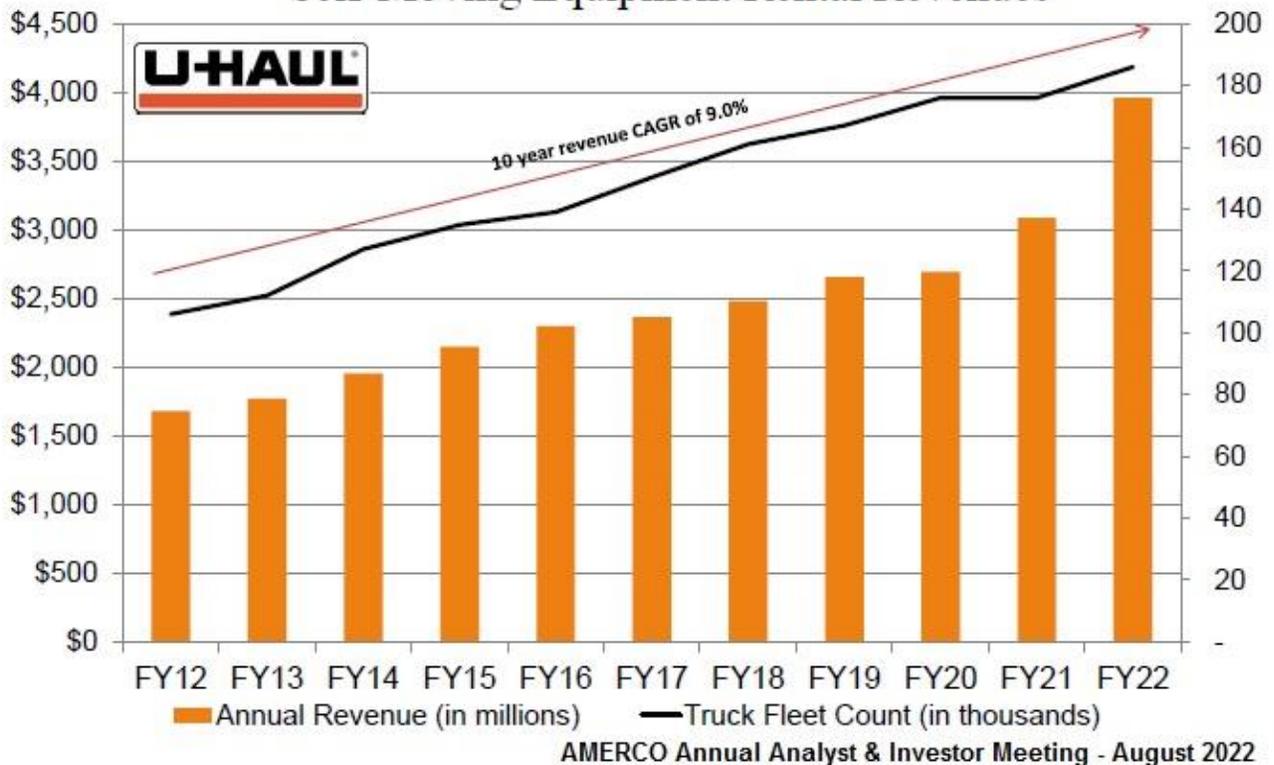
Key Statistics (Self-Moving)

Fiscal Year	Total Company			# of Company Stores	# of Independent Stores	# of Total Stores
	Revenues (\$ '000)	Trucks Fleet Size	Trailers Fleet Size			
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%
FY 2022	5,739,747	186,000	128,000	2,100	21,100	23,200
YOY change	26.37%	5.68%	1.59%	0.00%	0.00%	0.00%
5-year CAGR	10.90%	4.40%	2.71%	3.71%	1.08%	1.30%
10-year CAGR	8.65%	5.78%	4.43%	3.77%	3.13%	3.19%

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.

Self-Moving Equipment Rental Revenues



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.

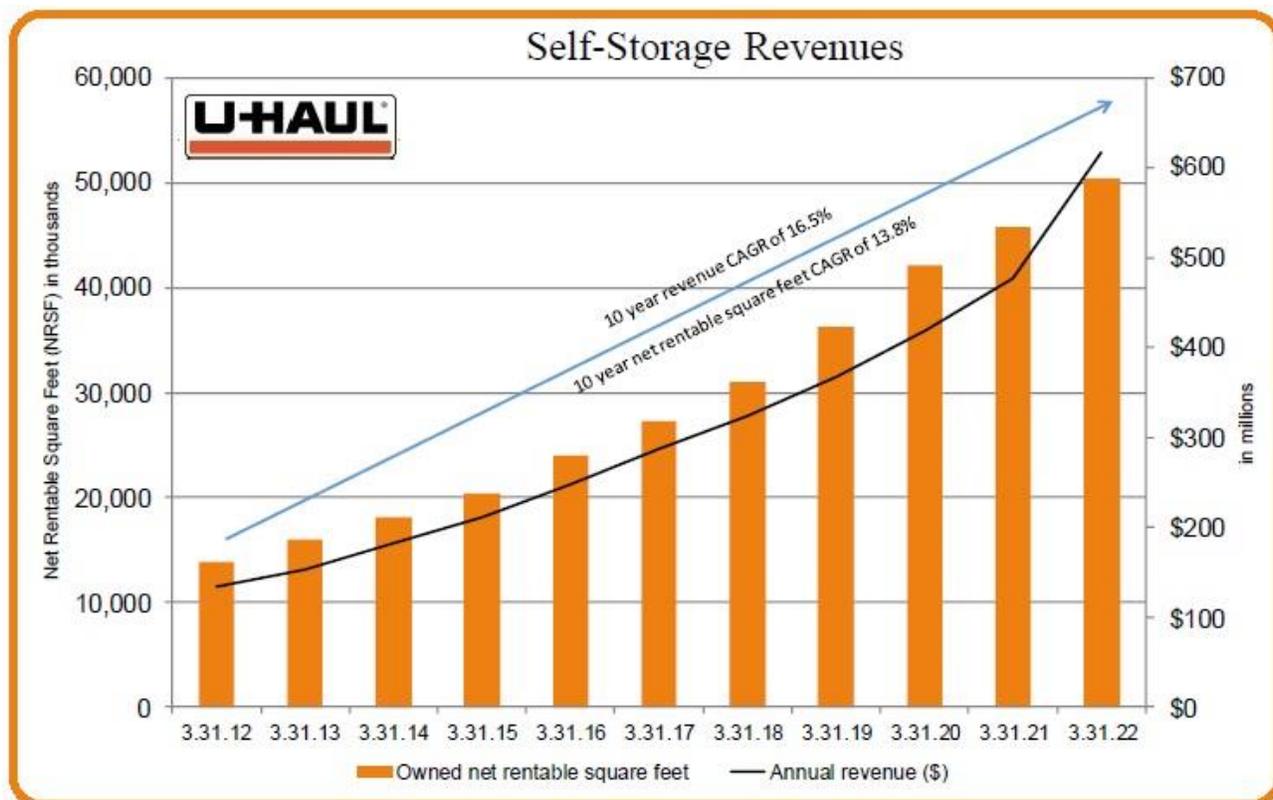
Consumer self-moving and self-storage are relatively single-digit, top-line growth industries (around 5% annually). However, both are highly fragmented industries; therefore, there are opportunities to gain market share. Both industries are less cyclical than most, since in bad times some people downgrade 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 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).

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 **876,000 rentable storage units**, comprising approximately **75.1 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.



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Self-storage revenues increased in the 13%-to-14% range between FY 2019 through FY 2022 (13.4% in FY 2019 and 14.0% in both FY 2020 and FY 2021), but **rose dramatically by 29.3% during FY2022**. The robust top-line growth was driven both by increased occupancy at existing locations 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. Most recently in fiscal 2022, net rentable square feet **increased by 6.5%**, which added approximately 4.6 million square feet (see table below).

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
FY 2022	1,844	876,000	75,100,000	82.6%
YOY change	3.36%	7.88%	6.52%	N/M
5-year CAGR	5.07%	8.56%	7.88%	N/M
10-year CAGR	4.93%	7.55%	7.11%	N/M

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 cyclicity, 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 has been between 5.6 and 8.8. 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 5.78%, the number of company stores having grown at 3.77% and self-storage square-footage having increased by a CAGR of 7.11%. Second, the rate of self-storage square-footage growth is accelerating with the last two pre-COVID years increasing by

just below 10% in both FY2019 (+9.96%) and FY2020 (9.88%) and by around 6% in the most recent two fiscal years (5.70% in FY2021 and 6.52% in FY2022). As a result, the higher valuation multiple on self-storage operations is becoming a driver to expand the company's EV-to-EBITDA multiple.

<i>Industry Comparables</i>	Ticker	% Chg YTD	P/E CFY	Price/ Book	Price/ Sales	EV/ EBITDA
AMERCO	UHAL	-31.1	8.3	1.6	1.7	5.6
S&P 500	SPX	-23.0	17.0	4.5	2.8	19.6
TRUCK RENTAL COMPANIES						
RYDER SYSTEM INC	R	-18.9	N/A	1.3	0.3	3.4
AVIS BUDGET GROUP	CAR	-33.3	6.0	7.1	0.7	4.5
Industry Mean		-26.1	6.0	4.2	0.5	3.9
SELF-STORAGE COMPANIES						
CUBESMART	CUBE	-29.3	N/A	3.3	11.8	20.2
EXTRA SPACE STORAGE INC	EXR	-23.8	26.7	7.2	13.8	21.1
LIFE STORAGE INC	LSI	-27.4	N/A	2.7	10.5	21.3
NATIONAL STORAGE AFFILIATES TRUST	NSA	-38.9	N/A	2.6	7.0	15.4
PUBLIC STORAGE INC	PSA	-21.2	27.1	9.4	13.8	16.5
Industry Mean		-28.1	26.9	5.0	11.4	18.9

Looking out 12 months, our valuation model projects the EV-to-EBITDA range to be 8.4-to-10.4. However, due to the dramatic multiple contraction in the truck rental space over the last seven months, now only the low-end of the expected range is likely to be achieved; an EV-to-EBITDA multiple of 7.5 indicates a **target price of \$675**.

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.

BALANCE SHEET

AMERCO					
(in \$US '000 except share data)					
	FY 2019	FY 2020	FY 2021	FY 2022	1Q FY 2023
Period ending	3/31/2019	3/31/2020	3/31/2021	3/31/2022	6/30/2022
ASSETS					
Cash and cash equivalents	673,701	494,352	1,194,012	2,704,137	3,098,271
Reinsurance recoverables & trade receivables	224,785	186,672	224,426	229,343	219,574
Inventories and parts	103,504	101,083	105,577	158,888	164,579
Prepaid expenses	174,100	562,904	469,144	236,915	231,714
Investm'ts, fixed maturities & mktable equities	2,235,397	2,492,738	2,695,656	2,893,399	2,669,986
Investments, other	300,736	360,373	489,759	543,755	557,124
Deferred policy acquisition costs	136,276	103,118	89,749	103,828	129,568
Other assets	78,354	71,956	47,730	60,409	53,477
Right of use assets - financing	-	1,080,353	877,038	620,824	568,223
Right of use assets - operating	-	106,631	92,505	74,382	72,538
Related party assets	30,889	34,784	35,395	47,851	45,190
Total Current Assets	3,957,742	5,594,964	6,320,991	7,673,731	7,810,244
Land	976,454	1,032,945	1,075,813	1,283,142	1,354,587
Buildings and improvements	4,003,726	4,663,461	5,073,017	5,974,639	6,154,373
Furniture and equipment	689,780	752,363	786,505	846,132	858,094
Rental trailers and other rental equipment	590,039	511,520	477,921	615,679	671,880
Rental trucks	4,762,028	3,595,933	3,909,724	4,638,814	4,873,554
(Accumulated depreciation)	(3,088,056)	(2,713,162)	(2,992,365)	(3,732,556)	(3,891,128)
TOTAL ASSETS	11,891,713	13,438,024	14,651,606	17,299,581	17,831,604
Accounts payable and accrued expenses	556,873	554,353	645,575	677,785	722,617
Total Current Liabilities	556,873	554,353	645,575	677,785	722,617
Notes, loans and finance/capital leases payable	4,163,323	4,621,291	4,668,907	6,022,497	6,232,564
Operating lease liabilities	-	106,443	92,510	74,197	72,277
Policy benefits & losses, claims & loss exp. payable	1,011,183	997,647	997,701	978,254	988,030
Liabilities from investment contracts	1,666,742	1,802,217	2,161,530	2,336,238	2,374,250
Other policyholders' funds and liabilities	15,047	10,190	12,420	10,812	11,999
Deferred income	35,186	31,620	42,592	49,157	63,647
Deferred income taxes, net	750,970	1,093,543	1,178,489	1,265,358	1,292,369
Non-Current Liabilities	7,642,451	8,662,951	9,154,149	10,736,513	11,035,136
TOTAL LIABILITIES	8,199,324	9,217,304	9,799,724	11,414,298	11,757,753
SHAREHOLDERS' EQUITY				641,636	985,091
Common Stock	10,497	10,497	10,497	10,497	10,497
Additional paid-in capital	453,326	453,819	453,819	453,819	453,819
Accumulated other comprehensive income	(66,698)	34,652	106,857	46,384	(89,246)
Retained earnings	3,976,962	4,399,402	4,958,359	6,052,233	6,376,431
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	(4,048)	-	-	-	-
Total stockholders' equity	3,692,389	4,220,720	4,851,882	5,885,283	6,073,851
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	11,891,713	13,438,024	14,651,606	17,299,581	17,831,604
Shares outstanding	19,607,788	19,607,788	19,607,788	19,607,788	19,607,788

PROJECTED ANNUAL INCOME STATEMENTS

AMERCO						
Income Statement	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023 E
(in \$US '000, except share and per share data)	3/31/2018	3/31/2019	3/31/2020	3/31/2021	3/31/2022	3/31/2023
Revenues						
Self-moving equipment rentals	2,479,742	2,653,497	2,692,413	3,083,317	3,958,807	4,249,107
Self-storage revenues	323,903	367,276	418,741	477,262	617,120	787,228
Self-moving/self-storage prod. & svc.	261,557	264,146	265,091	344,929	351,447	362,077
Property management fees	29,602	29,148	30,406	31,603	35,194	39,093
Life insurance premiums	154,703	63,488	127,976	121,609	111,027	100,668
P&C insurance premiums	57,100	60,853	66,053	68,779	86,518	100,212
Net investment & interest income	110,473	110,934	137,829	122,938	148,261	158,971
Other revenue	184,034	219,365	240,359	291,548	431,373	552,320
Total Revenues	3,601,114	3,768,707	3,978,868	4,541,985	5,739,747	6,349,677
Expenses						
Operating expenses	1,807,056	1,981,180	2,117,148	2,187,684	2,676,541	3,135,162
Commission expenses	276,705	288,408	288,332	329,609	429,581	453,403
Cost of sales	160,489	162,142	164,018	214,059	259,585	289,382
Benefits and losses	185,311	100,277	174,836	179,512	186,647	187,350
Amort. of deferred policy acq. costs	24,514	28,556	31,219	28,293	33,854	31,014
Lease expense	33,960	33,158	26,882	28,470	29,910	31,033
Depreciation	543,247	554,043	637,063	609,930	482,752	451,336
Net gains on disposal of real estate	(195,414)	(44)	(758)	3,281	(4,120)	3,807
Total Operating Expenses	2,835,868	3,147,720	3,438,740	3,580,838	4,094,750	4,582,486
Earnings from operations	765,246	620,987	540,128	961,147	1,644,997	1,767,191
Other components of net periodic benefit	(927)	(1,013)	(1,054)	(987)	(1,120)	(1,216)
Interest expense	(126,706)	(142,445)	(160,950)	(163,502)	(167,424)	(212,812)
Fees and amortization on early extinguish	-	-	-	-	(956)	0
Total Other Income (Expenses)	(127,633)	(143,458)	(162,004)	(164,489)	(169,500)	(214,028)
Pretax earnings	637,613	477,529	378,124	796,658	1,475,497	1,553,163
Income tax benefit (expense)	152,970	(106,672)	63,924	(185,802)	(352,211)	(372,342)
Net Income	790,583	370,857	442,048	610,856	1,123,286	1,180,821
Basic and diluted loss per share	40.36	18.93	22.55	31.15	57.29	60.22
Wgtd. Avg. Shares Out. - diluted	19,588,889	19,592,048	19,603,708	19,607,788	19,607,788	19,607,788

PROJECTED QUARTERLY INCOME STATEMENTS

AMERCO						
Income Statement	FY	1Q	2Q E	3Q E	4Q E	Estimate
(in \$US '000 except share and per share data)	FY 2022	FY 2023				
	3/31/2022	6/30/2022	9/30/2022	12/31/2022	3/31/2023	3/31/2023
Revenues						
Self-moving equipment rentals	3,958,807	1,090,775	1,336,533	1,096,799	725,000	4,249,107
Self-storage revenues	617,120	173,177	196,461	204,063	213,527	787,228
Self-moving/self-storage prod. & svc.	351,447	109,351	94,496	77,287	80,943	362,077
Property management fees	35,194	9,139	9,797	10,809	9,349	39,093
Life insurance premiums	111,027	25,781	25,792	24,611	24,485	100,668
P&C insurance premiums	86,518	19,972	25,681	29,316	25,243	100,212
Net investment & interest income	148,261	33,573	40,238	39,470	45,690	158,971
Other revenue	431,373	136,072	182,500	128,634	105,115	552,320
Total Revenues	5,739,747	1,597,840	1,911,498	1,610,988	1,229,352	6,349,677
Expenses						
Operating expenses	2,676,541	733,167	935,573	795,282	671,140	3,135,162
Commission expenses	429,581	118,493	140,829	116,207	77,874	453,403
Cost of sales	259,585	79,671	75,007	63,836	70,868	289,382
Benefits and losses	186,647	44,100	47,750	47,750	47,750	187,350
Amort. of deferred policy acq. costs	33,854	7,672	7,781	7,781	7,781	31,014
Lease expense	29,910	7,475	7,853	7,853	7,853	31,033
Depreciation	482,752	113,796	113,315	112,834	111,391	451,336
Net loss (gain) on disposal of R/E	(4,120)	2,307	500	500	500	3,807
Total Operating Expenses	4,094,750	1,106,681	1,328,608	1,152,042	995,155	4,582,486
Earnings from operations	1,644,997	491,159	582,890	458,946	234,197	1,767,191
Other comp. net periodic benefit costs	(1,120)	(304)	(304)	(304)	(304)	(1,216)
Interest expense	(167,424)	(49,799)	(51,501)	(53,203)	(58,309)	(212,812)
Fees & amort. early exting. of debt	(956)	-	-	-	-	0
Total Other Income (Expenses)	(169,500)	(50,103)	(51,805)	(53,507)	(58,613)	(214,028)
Pretax earnings	1,475,497	441,056	531,085	405,439	175,584	1,553,163
Income tax benefit (expense)	(352,211)	(107,054)	(126,688)	(96,715)	(41,885)	(372,342)
Net Income	1,123,286	334,002	404,397	308,723	133,699	1,180,821
Basic and diluted loss per share	\$57.29	\$17.03	\$20.62	\$15.74	\$6.82	\$60.22
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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