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# Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

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## AMERCO Inc.

(NASDAQ: UHAL)

AMERCO changes name to **U-Haul Holding Company**; announces 9-for-1 stock dividend of new dividend-paying Series N non-voting common stock to all existing holders. Also, the Board of Directors announced a new Dividend Policy.

Utilizing comparable valuation of a blend of truck rental and self-storage companies, an EV-to-EBITDA-based target price of \$698 is indicated at a first quartile valuation level of 7.1.

Current Price (10/25/22) \$577.80  
Valuation **\$698.00**

## 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 (%) -19.82  
Beta 0.91  
Average Daily Volume (shrs.) 47,885

Shares Outstanding (million) 19.608  
Market Capitalization (\$mil.) \$11.329  
Short Interest Ratio (days) 4.89  
Institutional Ownership (%) 37.10  
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/M

P/E using TTM EPS 10.2  
P/E using FY 2023 Estimate 9.6  
P/E using FY 2024 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)
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 (Jun)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (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.

## SPECIAL RECENT EVENTS

On October 24<sup>th</sup> and 25<sup>th</sup>, 2022, AMERCO announced **three significant corporate actions**: a **corporate name change**, the issuance of non-voting common stock to existing shareholders via a **stock dividend** and a new **dividend policy**. Over the last few years, analysts and investors on the quarterly earnings conference calls have urged management to **increase the visibility of the company** to portfolio managers, analysts, long-term shareholders and retail investors by better conveying the company's main business (U-Haul) through a corporate name change. In addition, it has been conveyed that the Board of Directors be urged to initiate a consistent quarterly dividend that predictably rewards shareholders with a payout that reflects the company's cash generating operations and long-term outlook. These recommendations were based on the premise that **increased awareness** would **enhance the liquidity** of the company's stock and broaden the shareholder base by **attracting potential investors** to participate in the company's prospects of long-term growth.

In April 2022, the Board of Directors created an Independent Special Committee to address these recommendations. After evaluating a variety of corporate actions, the Committee approved and authorized the corporate name change and the stock dividend under the authority delegated to it by the Board of Directors. The Board of Directors, itself, adopted the dividend policy for the new non-voting common shares.

The company's **stock reacted very positively** to the announcements by **rallying 8.0%** from \$534.85 to \$577.80 over the two days.

### Corporate Name Change

In order to attract new stockholders, Committee approved a name change to **U-Haul Holding Company** so that current shareholders and potential investors will have the awareness that the company holds one of the most recognized brands in North America. The name change will occur **by the end of 2022 calendar year**.

### Creation of Series N Non-Voting Common Stock

The Independent Special Committee authorized the **creation of Series N Non-Voting Common Stock**, which will be distributed through a stock dividend **to existing shareholders of record** at the close of business on **November 3, 2022**. The new Non-Voting Common Stock is expected to be distributed at the close of trading on November 9, 2022. Trading of the non-voting shares is anticipated to begin on November 10, 2022 under the **ticker UHALB**. An application to list the new Non-Voting Common Stock under that ticker symbol has been submitted to the Nasdaq Global Select Market. The ticker symbol of the **voting common stock** will continue to be **UHAL**.

The new series of non-voting stock is intended to preserve the current voting structure of the company so that management's long-term operational orientation can be retained. The stock dividend has almost the same effect as a 10-for-1 stock split with every holder of current voting shares subsequently holding ten (10) shares, of which one (1) will be voting and nine (9) will be non-voting. The proportional ownership will remain the same. On the dividend front, holders of non-voting shares will be entitled to receive the same dividends or distributions in the future at no less a rate than voting shares on a per share basis.

### Dividend Policy on Series N Non-Voting Common Stock

On October 25, 2022, the company announced that the Board of Directors adopted a **dividend policy** for the newly-created Series N Non-Voting Common Stock. The Board's policy is to declare and pay quarterly cash dividends on the Series N Non-Voting Common Stock of \$0.04 per share,

beginning with the third quarter of fiscal year 2023. Special quarterly dividends for voting shares will create additional dividend rights for non-voting stock only to the extent the special dividend exceeds the quarterly n-n voting dividend.

## 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 (18.7 on average compared to only 4.3 for truck rental companies) due to 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.

<i><b>Industry Comparables</b></i>	<b>Ticker</b>	<b>% Chg YTD</b>	<b>P/E CFY</b>	<b>Price/ Book</b>	<b>Price/ Sales</b>	<b>EV/ EBITDA</b>
<b>AMERCO</b>	<b>UHAL</b>	-20.4	9.6	1.9	1.9	5.9
S&P 500	<b>SPX</b>	-19.5	17.1	3.8	2.3	19.6
<b>TRUCK RENTAL COMPANIES</b>						
RYDER SYSTEM INC	<b>R</b>	-9.5	N/A	1.3	0.4	3.5
AVIS BUDGET GROUP	<b>CAR</b>	11.3	9.6	7.1	1.1	5.2
<b>Industry Mean</b>		<b>0.9</b>	<b>9.6</b>	<b>4.2</b>	<b>0.7</b>	<b>4.3</b>
<b>SELF-STORAGE COMPANIES</b>						
CUBESMART	<b>CUBE</b>	-30.8	30.4	3.0	9.0	19.1
EXTRA SPACE STORAGE INC	<b>EXR</b>	-23.5	25.5	6.9	13.2	20.4
LIFE STORAGE INC	<b>LSI</b>	-30.7	21.5	2.4	9.5	19.8
NATIONAL STORAGE AFFILIATES TRUST	<b>NSA</b>	-40.6	33.3	2.4	6.5	14.8
PUBLIC STORAGE INC	<b>PSA</b>	-19.9	26.0	9.2	13.5	19.2
<b>Industry Mean</b>		<b>-29.1</b>	<b>27.3</b>	<b>4.8</b>	<b>10.3</b>	<b>18.7</b>

Utilizing comparable valuation of a blend of truck rental and self-storage companies, an EV-to-EBITDA-based **target price of \$698** is indicated at a first quartile valuation level of 7.1

## 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
<b>ASSETS</b>					
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
<b>Total Current Assets</b>	<b>3,957,742</b>	<b>5,594,964</b>	<b>6,320,991</b>	<b>7,673,731</b>	<b>7,810,244</b>
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)
<b>TOTAL ASSETS</b>	<b>11,891,713</b>	<b>13,438,024</b>	<b>14,651,606</b>	<b>17,299,581</b>	<b>17,831,604</b>
Accounts payable and accrued expenses	556,873	554,353	645,575	677,785	722,617
<b>Total Current Liabilities</b>	<b>556,873</b>	<b>554,353</b>	<b>645,575</b>	<b>677,785</b>	<b>722,617</b>
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
<b>Non-Current Liabilities</b>	<b>7,642,451</b>	<b>8,662,951</b>	<b>9,154,149</b>	<b>10,736,513</b>	<b>11,035,136</b>
<b>TOTAL LIABILITIES</b>	<b>8,199,324</b>	<b>9,217,304</b>	<b>9,799,724</b>	<b>11,414,298</b>	<b>11,757,753</b>
<b>SHAREHOLDERS' EQUITY</b>				<b>641,636</b>	<b>985,091</b>
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)	-	-	-	-
<b>Total stockholders' equity</b>	<b>3,692,389</b>	<b>4,220,720</b>	<b>4,851,882</b>	<b>5,885,283</b>	<b>6,073,851</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>11,891,713</b>	<b>13,438,024</b>	<b>14,651,606</b>	<b>17,299,581</b>	<b>17,831,604</b>
Shares outstanding	19,607,788	19,607,788	19,607,788	19,607,788	19,607,788

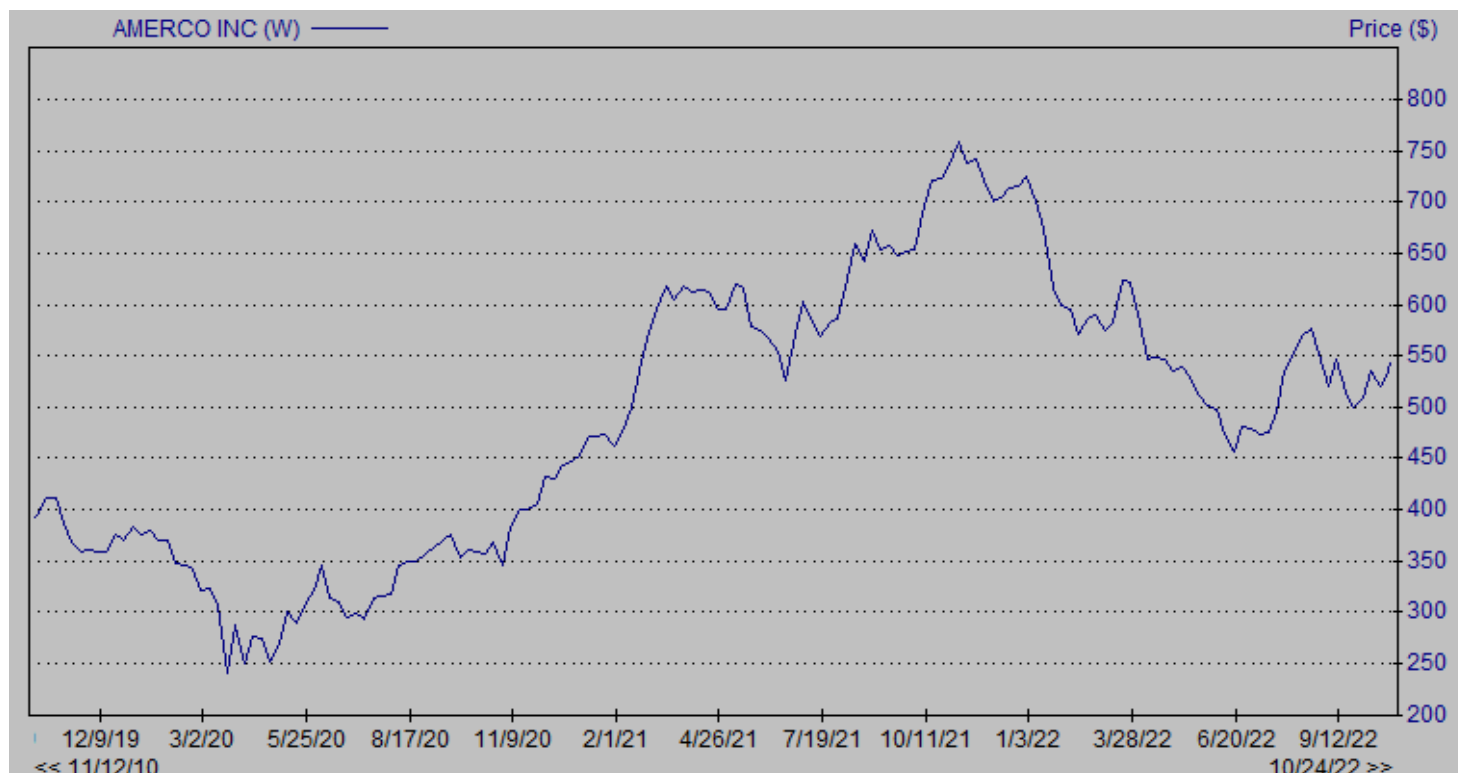
## PROJECTED ANNUAL INCOME STATEMENTS

<b>AMERCO</b>						
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
<b>Revenues</b>						
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
<b>Total Revenues</b>	<b>3,601,114</b>	<b>3,768,707</b>	<b>3,978,868</b>	<b>4,541,985</b>	<b>5,739,747</b>	<b>6,349,677</b>
<b>Expenses</b>						
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
<b>Total Operating Expenses</b>	<b>2,835,868</b>	<b>3,147,720</b>	<b>3,438,740</b>	<b>3,580,838</b>	<b>4,094,750</b>	<b>4,582,486</b>
<b>Earnings from operations</b>	<b>765,246</b>	<b>620,987</b>	<b>540,128</b>	<b>961,147</b>	<b>1,644,997</b>	<b>1,767,191</b>
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
<b>Total Other Income (Expenses)</b>	<b>(127,633)</b>	<b>(143,458)</b>	<b>(162,004)</b>	<b>(164,489)</b>	<b>(169,500)</b>	<b>(214,028)</b>
<b>Pretax earnings</b>	<b>637,613</b>	<b>477,529</b>	<b>378,124</b>	<b>796,658</b>	<b>1,475,497</b>	<b>1,553,163</b>
Income tax benefit (expense)	152,970	(106,672)	63,924	(185,802)	(352,211)	(372,342)
<b>Net Income</b>	<b>790,583</b>	<b>370,857</b>	<b>442,048</b>	<b>610,856</b>	<b>1,123,286</b>	<b>1,180,821</b>
Basic and diluted loss per share	<b>40.36</b>	<b>18.93</b>	<b>22.55</b>	<b>31.15</b>	<b>57.29</b>	<b>60.22</b>
Wgted. 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

<b>AMERCO</b>						
<b>Income Statement</b>	<b>FY</b>	<b>1Q</b>	<b>2Q E</b>	<b>3Q E</b>	<b>4Q E</b>	<b>Estimate</b>
(in \$US '000 except share and per share data)	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2023</b>	<b>FY 2023</b>	<b>FY 2023</b>	<b>FY 2023</b>
	<b>3/31/2022</b>	<b>6/30/2022</b>	<b>9/30/2022</b>	<b>12/31/2022</b>	<b>3/31/2023</b>	<b>3/31/2023</b>
<b>Revenues</b>						
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
<b>Total Revenues</b>	<b>5,739,747</b>	<b>1,597,840</b>	<b>1,911,498</b>	<b>1,610,988</b>	<b>1,229,352</b>	<b>6,349,677</b>
<b>Expenses</b>						
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
<b>Total Operating Expenses</b>	<b>4,094,750</b>	<b>1,106,681</b>	<b>1,328,608</b>	<b>1,152,042</b>	<b>995,155</b>	<b>4,582,486</b>
<b>Earnings from operations</b>	<b>1,644,997</b>	<b>491,159</b>	<b>582,890</b>	<b>458,946</b>	<b>234,197</b>	<b>1,767,191</b>
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
<b>Total Other Income (Expenses)</b>	<b>(169,500)</b>	<b>(50,103)</b>	<b>(51,805)</b>	<b>(53,507)</b>	<b>(58,613)</b>	<b>(214,028)</b>
<b>Pretax earnings</b>	<b>1,475,497</b>	<b>441,056</b>	<b>531,085</b>	<b>405,439</b>	<b>175,584</b>	<b>1,553,163</b>
Income tax benefit (expense)	(352,211)	(107,054)	(126,688)	(96,715)	(41,885)	(372,342)
<b>Net Income</b>	<b>1,123,286</b>	<b>334,002</b>	<b>404,397</b>	<b>308,723</b>	<b>133,699</b>	<b>1,180,821</b>
<b>Basic and diluted loss per share</b>	<b>\$57.29</b>	<b>\$17.03</b>	<b>\$20.62</b>	<b>\$15.74</b>	<b>\$6.82</b>	<b>\$60.22</b>
Wgtd. 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

## DISCLOSURES

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