Zacks Equity Research

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111 North Canal Street, Chicago, IL 60606

# AMERCO Inc (UHAL-NASDAQ)

**Record earnings. Reaping the benefits of leverage.**

| | |
|---|---|
| **Current Recommendation** | **Outperform** |
| Prior Recommendation | Neutral |
| Date of Last Change | 08/14/2006 |
| Current Price (08/04/10) | $69.50 |
| **Six- Month Target Price** | **$80.00** |

## OUTLOOK

AMERCO is the parent company of U-Haul International, the largest consumer truck rental company in the world. It is also the second largest self-storage company in North America. The impact of the decline in housing and a decrease in apartment occupancy rates appears to have ended. We expect continued improvements in operating parameters. Based on a low valuation of EBITDAL we continue to rate the stock Outperform with a price target of $80.00 a share.

## SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$69.50** |
| **52-Week Low** | **$35.64** |
| **One-Year Return (%)** | **52.3** |
| **Beta** | **1.16** |
| **Average Daily Volume (sh)** | **56,792** |
| **Shares Outstanding (mil)** | **19.39** |
| **Market Capitalization ($mil)** | **$872** |
| **Short Interest Ratio (days)** | **12.86** |
| **Institutional Ownership (%)** | **27.1** |
| **Insider Ownership (%)** | **64.5** |
| **Annual Cash Dividend** | **$0.00** |
| **Dividend Yield (%)** | **0.00** |
| **5-Yr. Historical Growth Rates** | |
| **Sales (%)** | **-0.9** |
| **Earnings Per Share (%)** | **-40.7** |
| **Dividend (%)** | **N/A** |
| **P/E using TTM EPS** | **38.4** |
| **P/E using N4Q Estimate** | **10.8** |
| **P/E using 2012 Estimate** | **9.0** |
| **Zacks Rank** | **3** |

| | |
|---|---|
| **Risk Level** | **Above Avg,** |
| **Type of Stock** | **Mid-Value** |
| **Industry** | **Trans-Eqp&Lsng** |
| **Zacks Rank in Industry** | **2 of 15** |

## ZACKS ESTIMATES

**Revenue**
(in millions of $)

| | Q1 (Jun) | Q2 (Sep) | Q3 (Dec) | Q4 (Mar) | Year (Mar) |
|---|---|---|---|---|---|
| 2009 | 542.8A | 591.5A | 442.6A | 415.4A | 1992.3A |
| 2010 | 520.7A | 573.9A | 463.6A | 443.8A | 2002.0A |
| 2011 | 585.9A | 625.0E | 481.5E | 466.5E | 2158.9E |
| 2012 | 601.8E | 636.8E | 487.3E | 463.2E | 2189.0E |

**Earnings per Share**
(EPS is operating earnings before non recurring items)

| | Q1 (Jun) | Q2 (Sep) | Q3 (Dec) | Q4 (Mar) | Year (Mar) |
|---|---|---|---|---|---|
| 2009 | $1.37A | $2.10A | -$1.46A | -$1.99A | $0.02A |
| 2010 | $1.01A | $2.14A | $0.02A | -$0.42A | $2.75A |
| 2011 | $3.26A | $3.71E | $0.20E | -$0.37E | $6.82E |
| 2012 | $3.97E | $4.09E | $0.92E | -$0.12E | $8.87E |

Zacks Projected EPS Growth Rate - Next 5 Years % **10**

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## RECENT NEWS

**First quarter 2011 earnings: What difference a year makes.**

Truck rental revenue was $419.5 million, up 12.5% year over year and the company reported record earnings of $3.26 a share. Revenue was well ahead of our estimates. Operating expenses and cost of sales were well controlled and were close to our estimates. Transactions increased in both one-way and In-Town markets although business is still highly competitive. The increase in revenue was two thirds from gains in transactions and the rest from an improved mix (one way rentals grew faster than about town rentals) and reduced discounting. Management thought that U-Haul had a better balance of trucks at points of demand that in prior quarters.

Maintenance expenses declined as older trucks were sold off (at a $7.2 million profit this quarter) The fleet count was about the same as at year end as new trucks offset the sale of old trucks.

Oxford Life Insurance introduced new products in calendar year 2009 which have gained traction, boosting insurance revenue by 33% year over year in the third quarter and new life insurance products were introduced late in the fiscal year that should have a significant impact in 2011 calendar year.

The self storage operations are adding rooms at existing locations and some new locations were added. Room count increased from 398 a year ago to 403. Occupancy was essentially unchanged at 77.4%. E-Move, an operation where U-Haul acts as a booking agent for other self storage operators, continues to expand. E-Move now lists 4,600 locations, including 1,091 owned by AMERCO, and over 100 million square feet of storage. The number of affiliates has increased by over 25% over year ago levels.

AMERCO has entered the portable storage market. This is a highly fragmented business, very easy to get into and most players are not profitable. Some have been acquired by the large moving companies like Allied Van Lines. U-Haul now has about 4,000 containers for rent, as compared to PODS with 138,000 and Smart Move with 5,000. Many local operators have fewer containers. The U-Haul containers are 35% to 50% the size of the PODS container and do not need any specialized equipment to stack and move.

By using existing facilities and standard fork lift equipment AMERCO`s cost structure should allow them to be profitable on a relatively small scale. The company estimates that the market for that section of mobile storage is about $400 million.

**Second Quarter Outlook:**

The seasonal factors usually cause a 10% gain from first quarter truck rental revenue. This would be a 7% gain year to year. Net sales should also increase. We expect self storage and casualty insurance company revenue and income to remain at first quarter levels. We expect all revenue to increase just less than 9%, with Oxford Life showing the greatest growth.

**New Facility Introduction**

On May 6, 2009 U-Haul announced in a press release, that it is introducing the latest in Sustainability initiatives: U-Haul Reuse Centers. The Reuse Program was developed to provide a redistribution network for unwanted, gently used household goods, furniture, sporting equipment, bikes and clothing that were formerly destined for landfills.  This program provides U-Haul another opportunity to pioneer a system

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that will advance the self-storage industry as holding itself responsible for bettering the environment in future. Corporate citizenship is U-Haul Company's commitment to being accountable to the communities in which we live and serve. With nearly 1,100 self-storage facilities conveniently located in North American communities, U-Haul is an innovative leader in the field of shared storage--providing shared spaces which enable local residents to live comfortably in more compact homes and apartments with substantially reduced living expenses, while at the same time being able to store their possessions at another location.

**U Car Share**

U Car Share and Salt Lake City will be celebrating the launch of U Car Share vehicles on Wednesday, December 16, 2009, at 11:30 a.m. at the U Car Share stall on 225 S. Main Street. Car sharing meets the needs of anyone who needs a car occasionally, while being sensitive to the surrounding community and environment. Car sharing reduces the demand for parking and results in greater sustainability while enabling individuals to remain mobile.

U Car Share allows members access to cars 24/7, thus eliminating the need to own a car. Members pay only for what they use, in one low hourly rate starting at $4.95 per hour (plus mileage starting at $0.49 per mile). U Car Share takes care of fuel, insurance and maintenance costs. Hourly rates that include 180 miles free per reservation range from $8.50-$11.50 per hour, depending on the vehicle.

Anyone 18 years or older with at least two years of driving experience may qualify for membership in U

Car Share. The latest launch of U Car Share vehicles throughout Salt Lake City will ensure easy access at twelve city locations.

U Car Share will be providing the following 12 EPA SmartWay certified vehicles: one Ford Escape Hybrid, four Ford Focuses, four Mazda 3s, one Ford F-150 (not SmartWay Certified but great for utility) and two Toyota Priuses. The vehicles will be located conveniently in labeled parking stalls. All of the vehicles, except for the F-150, qualify for the Salt Lake City Green Vehicle Parking Permit Program and will have the green sticker on the vehicle. With this latest addition of 12 vehicles and four being added at the University of Utah and the already existing 12 car share vehicles along the TRAX brings the total to 28 U Car Share vehicles.

Members will be able to access the vehicle with a U Car Share membership card. They will be able to log on to **ucarshare.com** at any time and reserve any vehicle of their choice. Members can reserve cars for as little as an hour, at any time of day. Gas and insurance are all included in one low hourly rate starting at $4.95 per hour (plus mileage starting at $0.49 per mile). Daily and hourly rates with included miles are available, as well.

"Helping to create greater sustainability through shared-use vehicles is another way of showing our commitment to our community," exclaimed Michael Kemp, president, U-Haul Company of Utah. "We are excited to be working with Salt Lake City on this project and being able to make a difference in our community."

For a limited time, the one time membership fee is reduced to only $5.00 for all residents (a $20 value). Log on to **ucarshare.com** today and enter promotion code **CITYSHARE** when signing up. (This promo code will expire on January 15, 2010.)

Research shows that car sharing is great for the environment. Every shared car on the road can replace up to 15 personally owned vehicles. This means that fewer cars will need to be manufactured, fewer cars will be on the road and the community's carbon footprint will be reduced. Car sharing is fast becoming a critical element of the transportation network in many cities and universities, enabling residents, students and businesses to get rid of their cars while still meeting their transportation needs.

U Car Share is committed to the community and will work with Salt Lake City to see that the program is successful and looks forward to the growth of car sharing.

U Car Share is also available in: Portland, Maine; Virginia Tech, Blacksburg, Va.; Madison, Wis.; Berkeley, Calif., Portland, Ore., Weston, Mass.; Eugene, Ore., Regis College, Weston, Mass., and the University of Utah, Salt Lake City.

For more information about U Car Share, log on to ucarshare.com.

## KEY POINTS

- U-Haul is one of the most recognized names in the world and has a commanding share of the consumer self-moving business.
- Today, U-Haul, with a network of more than 15,950 locations in all 49 United States and 10 Canadian provinces, is the first choice of do-it-yourself movers.
- The company also supplies alternative-fuel for vehicles and backyard barbecues as one of the nation's largest retailers of propane.
- At March 31, 2009 the size of the rental truck fleet was approximately 101,000 trucks, an increase of 5,000 trucks since March 31, 2008.

## OVERVIEW

AMERCO is North America's largest "do-it-yourself" moving and storage operator, which operates through its subsidiary, U-Haul International, Inc. (U-Haul) as well as AMERCO Real Estate Company, Republic Western Insurance Company (or RepWest), and Oxford Life Insurance Company (or Oxford). 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, formerly known as U-Haul Trailer Rental Company, was founded in 1945 and is based in Reno, Nevada. Since 1945, the company had rented trailers, and starting in 1959, it rented trucks on a one-way and in-town basis exclusively through independent U-Haul dealers. Since 1974, the company developed a network of U-Haul managed retail centers, through which it rents its trucks and trailers and sell moving and self-storage products and services to complement its independent dealer network.

**Moving and Storage** operations include AMERCO, U-Haul, and Real Estate and the wholly-owned subsidiaries of U-Haul and Real Estate. The 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 and through its eMove Website.

eMove is an online marketplace that connects consumers to over 3,900 independent Moving Help service providers and over 4,200 independent Self-Storage Affiliates. The company's network of customer-rated affiliates provides pack and load help, cleaning help, self-storage and similar services, all

over North America. Its goal is to further utilize its web-based technology platform to increase service to consumers and businesses in the moving and storage market. eMove also offers a storage affiliate program that enables independent self-storage facilities by connecting into a centralized 1-800 and Internet reservation system and for a fee, receive an array of services, including Web-based management software, Secured Online Affiliated Rentals (S.O.A.R), co-branded rental trucks, savings on insurance, credit card processing and moving help.

**Property and Casualty Insurance** segment offers moving and storage contents insurance products, including Safemove policy that provides 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 this segment for fiscal 2009 was approximately 1.8%.

**Life Insurance** segment that includes Oxford Life Insurance Company 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. Additionally, Oxford administers the self-insured employee health and dental plans for Arizona employees of the company. Net revenue from this segment for fiscal 2009 was approximately 6.8%.

**SAC Holding II** segment (which includes SAC Holding II Corporation and its subsidiaries) owns self-storage properties that are managed by U-Haul under property management agreements and acts as independent U-Haul rental equipment dealers. AMERCO, through its subsidiaries, has contractual interests in certain SAC Holding II properties entitling AMERCO to potential future income based on the financial performance of these properties. AMERCO was considered the primary beneficiary of these contractual interests prior to November 2007. Net revenue from this segment for fiscal 2008 was approximately 0.8%. Fiscal 2008 includes 7 months of activity for SAC Holding II, which was deconsolidated effective October 31, 2007.

AMERCO rents its distinctive orange U-Haul trucks and trailers, as well as offers self-storage rooms through a network of over 1,400 company operated retail-moving centers and approximately 14,400 independent U-Haul dealers. The company also has an independent storage facility network with approximately 4,200 active affiliates. As of now, the company's rental fleet consisted of more than 101,000 trucks, 76,000 trailers, and 34,400 towing devices. As a result, U-Haul operates over 395,000 storage rooms, comprising approximately 35.0 million square feet of storage space at more than 1,090 facilities throughout North America. U-Haul's owned and managed self-storage facility locations having 171,500 square feet of storage space, with individual storage units ranging from 6 square feet to 1,000 square feet in size.

The primary market for storage rooms is the storage of household goods. U-Haul serves more than 11 million 'do-it-yourself' household moving customers annually. A logical extension of do-it-yourself-moving is self-storage. A large number of renters use a rental truck or trailer to move goods in or out of the storage facilities. Based on managed locations, U-Haul is the second largest self-storage company in the USA, behind Public Storage . All of U-Haul's storage centers (including those managed but not owned) are truck rental dealers.

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, Coke (the Cola), 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. Today, U-Haul, with a network of more than 15,950 locations in all 49 United States and 10 Canadian provinces, is the first choice of do-it-yourself movers. These locations include climate controlled facilities, which is a growing trend in the self-storage industry. Climate controlled facilities are more expensive to rent and cost more to build and maintain. This tends to favor the larger operators versus the smaller ones with only a few locations. The company also supplies alternative-fuel for vehicles and backyard barbecues as one of the nation's largest retailers of propane. U-Haul has developed and sells a broad range of hitches for towing boats etc. This business has been developed to include bicycle carriers. U-Haul is one of the largest sellers of propane in North America.

The company has seven different truck models and five major types of trailers. The truck 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." Manufacturing centers may be situated in areas of net migration to provide vehicles that will move into other areas. This is particularly so in Southern California.

The trucks are made to U-Haul's specifications. As many parts as possible are common across similar trucks. The same engines (all gasoline to avoid potential problems in mixing fuels), the same gear boxes and rear axles are used for many of the trucks to reduce parts inventory and maintenance expenses. Only two types of tires are used across 80% of the fleet. Except for warranty claims, the company does nearly all of its own maintenance on a preventive maintenance basis where possible.

As well as owned and dealer storage locations, U-Haul has an eMove web site to expand UHaul's footprint while still protecting the U-Haul brand name. eMove, a real time web based service, provides U-Haul with fee for service revenue.

U-Move is a moving help service whereby movers can hire people for packing help, unpacking help, loading help, unloading help, cleaning help and driving help. U-Move has completed over 100,000 moves (with 50,000 customer reviews). U-Haul receives15% of the transaction.

U-Store is a real time storage facility reservation system whereby customers can find and rent a storage facility run by over 3,800 independent storage affiliates (Airline and hotel reservations are not real time, the customer has to wait for a confirmation). U-Haul receives a fee for each reservation.

U-Haul is now expanding its service to customers by offering U Car Share. Partnering with the city of Portland, U Car Share provides the most convenient on-street access to vehicles downtown. U Car Share allows multiple users to share one vehicle, thus reducing an individual's environmental impact and allowing members to save thousands of dollars a year. U Car Share takes care of fuel, insurance and maintenance costs.

AMERCO has two insurance subsidiaries, Republic Western (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 these were one proprietor gas station owners that were not able to obtain low priced insurance). However, over the years they branched out into other lines of insurance. Oxford Life has usually been profitable, but Republic Western has not and required additions to reserves. AMERCO had decided to scale back Republic Western and the casualty business is now restricted to insure U-Haul risks only. Oxford Life is now focused on Medicare supplement, Annuities and Life insurance. It is a small company but profitable.

A number of years ago AMERCO, on advice of its prior auditors, formed a relationship through Mark Schoen called SAC that provided off-balance sheet ownership of self-storage rental properties. AMERCO sold real estate to SAC in return for debt and managed the storage properties for a fee. In Feb. 2002, the auditors advised the company that SAC would have to be consolidated with AMERCO for accounting purposes. This had a material impact on AMERCO's financial ratios and resulted in a reduction in its

credit rating. At the same time, AMERCO was negotiating a $400 million credit facility. The net result was a liquidity squeeze. On June 20, 2003, the company filed a voluntary petition for relief under Chap. 11 of the Bankruptcy code. This was an unusual bankruptcy in that it was a reorganization of liabilities and not a distressed sale of assets. The company promised to pay all of the debt holders in full, with accrued interest, which was greeted by skepticism by many in the financial community. However, nine months later, the company had kept its promise.

It is not possible to accurately measure the impact of the reorganization on the interest rate paid since AMERCO uses lease rates, interest rates, depreciation values, and resale values to balance buying trucks with borrowed funds or leasing them. Even during bankruptcy, the company had no problem in financing trucks with short term leases at market rates. During this period, the company was investigated by the SEC, the IRS, and the Dept. of Labor (the DOL due to the purchase of stock in the ESOP). In all cases, the company prevailed and these investigations were dropped without sanctions. In fact, the company received a tax rebate where the IRS was asking for penalties.

AMERCO is also working towards increasing its storage occupancy at existing sites, adding new eMove Storage Affiliates and building new locations. The company expects occupancy gains in its current portfolio of locations to be realized in fiscal 2009. However, the company also fears that the increased storage revenue recognized in fiscal 2008 due to pricing may not continue. Although AMERCO (U-Haul) has been relatively immune from recessions in the past, the depth of the decline in housing plus a decrease in apartment occupancy rates are expected to have a slight impact on self-moving revenue. Declining prices will reduce the sales of propane, which is a significant part of net sales. As such, the company is continuing to evaluate new moving and storage opportunities in the market place, including the introduction of portable storage in selected markets.

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. Oxford is pursuing its goals of expanding its presence in the senior market through the sales of its Medicare supplement, life and annuity policies. As part of this strategy, Oxford is focused on growing its agency force and developing new product offerings.

Although free cash flow was hit by rise in capital expenditure that resulted in a negative free cash flow of $297.6 million in fiscal 2007 and a negative $240.9 million in fiscal 2008, the company managed to have a positive operating cash flow  $275.0 million in fiscal 2009.

## INDUSTRY OUTLOOK

### Longer term POSITIVE

Consumer self moving and self-storage are relatively low growth industries (less than 5% annually). However, both are highly fragmented industries, and so 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.

## INDUSTRY POSITION

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 (UHAL) 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. (CAR) and Penske Truck Leasing. Enterprise rent-a-car has started a small truck service, but this appears to be aimed at the light local delivery business (the trucks have lift gates which is a potential hazard for unwary users). Penske is very efficient (and profitable) but is not expanding as far as we know. Budget is buying new trucks to replace older ones, but its fleet may be shrinking. Meanwhile, the self-storage market is large and highly fragmented. The company competes primarily with Public Storage Inc. (PSA), Extra Space Storage, Inc. (EXR), and Sovran Self-Storage Inc. (SSS). Public Storage does not have a large fleet, and neither does Enterprise. However, both of these companies could become significant over time.

On the other hand, the highly competitive insurance industry includes 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 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

The stock has usually been valued on EBITDAL (EBITDA plus lease expense) per share, selling between two and three times EBITDAL. Based on our estimates for the next four quarters EBITDAL of $36.49 a share, we would expect a price range of $55 to $91. We expect a valuation at the mid-end to high end of the range.

We are maintaining our rating as a **OUTPERFORM** and increasing our price target to $80.00

**Comparables Table**

| Company | Ticker | Price | Mkt Cap. | P/E | P/E | ROE(%) | P/Sales | EV/Rev. | P/BV | EV/EBITDA | PEG |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **8/5/10** | million $ | Trailing | Forward | L4Q | L4Q | | | | |
| AMERCO* | **UHAL** | $69.50 | $1,349 | 13.92 | 9.26 | 4.5 | 0.65 | 0.53 | 1.56 | 51.19 | 1.02 |
| Avis Budget Group, Inc. | CAR | $10.92 | $1,120 | N/M | 9.02 | N/M | 0.25 | 1.49 | 5.62 | 14.02 | N/A |
| Public Storage Inc. | PSA | $101.07 | $17,170 | 33.59 | 19 | 8.6 | 10.62 | 12.59 | 3.26 | 19.09 | 6.1 |
| Sovran Self-Storage Inc. | SSS | $38.24 | $1,050 | 48.84 | 14.82 | 3.79 | 5.69 | 8.17 | 1.68 | 14.66 | 2.1 |
| U-Store-It Trust | YSI | $8.11 | $758 | N/M | N/M | N/M | 3.52 | 6.52 | 1.09 | 14.15 | N/A |
| Extra Space Storage Inc. | EXR | $15.78 | $1,380 | 63.37 | 17.15 | 2.46 | 4.86 | 8.9 | 1.58 | 16.82 | 4.2 |
| Mean | | | | | 13.85 | 4.84 | 4.27 | 6.37 | 2.46 | 21.66 | 3.34 |
| Median | | | | | 14.82 | 4.15 | 4.19 | 7.35 | 1.63 | 15.74 | 3.14 |

*(Source: Yahoo Finance & Zacks Investment Research)* * Based on 10% CAGR of EPS.

## RISKS

- The current housing recovery could reverse lead to reduced consumer and commercial spending. Although U-Haul is not as traditionally cyclical stock but declines in consumer spending may result in price war, which would have a negative impact on the company's gross profit. Competitor rates continued to have a negative influence on U-Haul's revenues. While revenue per transaction statistics over the last two quarters indicate a softening trend and price decline, competitive rate pressures still impact U-Haul's result. Competitors' actions combined with the current economic stress affecting U-Haul's customers could dampen the company's revenues in the near term.
- AMERCO's business is subject to many economic factors that are not included in our forecasts. These include the impact of high fuel costs, a significant economic downturn or a significant decline in housing starts.
- Since revenue (and therefore earnings) is affected by seasonal changes in the weather, it is assumed that past weather conditions are continued over the time frame of estimates unless otherwise stated.
- Moving and storage revenue is still under some pricing pressure, which is expected to continue. In fiscal 2008, occupancy rate was 84.0%, compared to 86.6% in fiscal 2007.
- U-Haul has been purchasing its rental trucks from a limited number of manufacturers such as Ford Motor Company and General Motors Corporation. Both Ford and General Motors are currently cutting production and have also closed some of their facilities and have started focusing on light-vehicles and car segments compared to their earlier focus on heavy vehicles. This is going to negatively affect U-Haul's top-line growth.
- To meet the needs of customers, U-Haul maintains a large fleet of rental equipment. Its rental truck fleet rotation program is funded internally through operations and externally from debt and lease financing. Given a worsening financial market, the company's fleet rotation program can be adversely affected.
- 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, the sale of used rental equipment market is currently not in good shape and may have a material adverse effect on the company's financial results, leading to increases in depreciation expense and losses on the sale of equipment and decreases in cash flows from the sales of equipment.
- The company's cash flow from operating activities has declined from $350.7 million in fiscal 2007 to $329.3 million in fiscal 2008 and to $275.0 million in fiscal 2009.

## INSIDER TRADING AND OWNERSHIP

Insiders hold or control 70.0% of outstanding shares. Over the past six months, insiders have sold approximately 520 shares.

Institutions currently hold approximately 25.0% of the outstanding shares. The largest institutional holders include Dimensional Fund Advisors Inc, Keeley Asset Management Corp., River Road Asset Management, LLC, and Barclays Global Investors UK Holdings Ltd. Net institutional holders sold 96,096 shares during the previous quarter.

The short ratio is approximately 12.6 days, indicating selling pressure on the stock. However, the short interest is declining.

# PROJECTED INCOME STATEMENT & BALANCE SHEET

| **AMERCO** | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal year March 31st. | | | | | | | | | | | | | | | | | | | | |
| Consolidated statements of operations | **2008** | **1Q09** | **2Q09** | **3Q09** | **4Q09** | **2009** | **1Q10** | **2Q10** | **3Q10** | **4Q10** | **2010** | **1Q11** | **2Q11** | **3Q11** | **4Q11** | **2011** | **1Q12** | **2Q12** | **3Q12** | **4Q12** | **2012** |
| (Dollars in millions, except per share data) | Act | | | | | Act | | | | | Act. | Act. | Est. | Est. | Est. | Est. | Est. | Est. | Est. | Est. | Est. |
| AMERCO revenue | 1832.6 | $484.9 | $530.2 | $383.8 | $357.4 | $1,756.2 | $462.2 | $514.6 | $395.8 | $377.9 | $1,750.5 | $515.5 | $564.0 | $414.5 | $396.5 | $1,890.5 | $533.3 | $577.8 | $421.3 | $397.2 | $1,929.5 |
| Other revenue | 30.7 | 4.7 | 4.7 | 6.1 | 7.7 | 23.2 | 0.0 | 4.5 | 5.5 | 7.2 | 21.6 | 4.5 | 5.0 | 5.0 | 8.0 | 22.5 | 5.5 | 5.0 | 5.0 | 5.0 | 20.5 |
| Insurance premiums | 140.4 | 33.0 | 34.5 | 35.5 | 34.9 | 137.9 | 33.8 | 35.8 | 46.8 | 45.5 | 162.0 | 44.0 | 36.0 | 48.0 | 48.0 | 176.0 | 43.0 | 37.0 | 47.0 | 47.0 | 174.0 |
| **All revenue** | **$2,049.3** | **$542.8** | **$591.5** | **$442.6** | **$415.4** | **$1,992.3** | **$520.7** | **$573.9** | **$463.6** | **$443.8** | **$2,002.0** | **$585.9** | **$625.0** | **$481.5** | **$466.5** | **$2,158.9** | **$601.8** | **$636.8** | **$487.3** | **$463.2** | **$2,189.0** |
| Operating expense | 1077.7 | 259.27 | 274.29 | 259.24 | 254.44 | 1,047.24 | 258.50 | 273.73 | 244.70 | 245.12 | 1,022.05 | 253.13 | 275.00 | 245.00 | 255.00 | 1,028.13 | 255.00 | 280.00 | 240.00 | 250.00 | 1,025.00 |
| Cost of sales | 120.2 | 34.99 | 32.64 | 23.23 | 23.53 | 114.39 | 30.45 | 28.36 | 20.80 | 24.44 | 104.05 | 31.67 | 33.00 | 21.60 | 24.00 | 110.27 | 30.00 | 30.00 | 22.00 | 22.00 | 104.00 |
| Commissions | 178.49 | 47.97 | 54.08 | 36.66 | 32.59 | 171.30 | 44.41 | 51.10 | 37.97 | 35.62 | 169.10 | 52.17 | 57.50 | 40.80 | 37.80 | 188.27 | 52.35 | 56.86 | 41.62 | 38.18 | 189.00 |
| Lease expense | 133.9 | 34.57 | 38.52 | 38.72 | 40.62 | 152.42 | 39.27 | 40.03 | 38.45 | 39.21 | 156.95 | 38.67 | 41.03 | 39.45 | 40.21 | 159.34 | 40.00 | 40.00 | 42.00 | 42.00 | 164.00 |
| Benefits and losses | 111.2 | 27.32 | 27.67 | 27.31 | 25.96 | 108.26 | 27.69 | 25.81 | 33.96 | 33.65 | 121.11 | 35.42 | 30.00 | 43.20 | 43.20 | 151.82 | 27.00 | 27.00 | 27.00 | 27.00 | 108.00 |
| Amortization of policy costs | 13.2 | 2.09 | 2.34 | 2.74 | 5.23 | 12.39 | 1.92 | 2.30 | 2.15 | 1.20 | 7.57 | 2.19 | 2.50 | 2.50 | 2.50 | 9.69 | 2.50 | 2.50 | 2.50 | 2.50 | 10.00 |
| Net depreciation | 221.9 | 64.94 | 66.43 | 68.68 | 65.17 | 265.21 | 59.22 | 56.79 | 57.03 | 54.60 | 227.63 | 44.59 | 48.00 | 55.00 | 50.00 | 197.59 | 50.00 | 52.00 | 55.00 | 55.00 | 212.00 |
| AMERCO op. income | 203.7 | 71.66 | 95.52 | (14.00) | (32.14) | 121.05 | 59.20 | 95.82 | 28.57 | 9.97 | 193.55 | 128.11 | 137.97 | 33.95 | 13.80 | 313.83 | 144.91 | 148.44 | 57.18 | 26.47 | 377.01 |
| Interest expense | 101.4 | 23.84 | 24.93 | 26.00 | 23.70 | 98.47 | 23.22 | 23.94 | 23.52 | 22.67 | 93.35 | 21.46 | 23.00 | 23.00 | 20.00 | 87.46 | 22.00 | 22.00 | 25.00 | 25.00 | 94.00 |
| Non operating income | 0.0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other income | 0.0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Pretax income** | 2301.7 | 47.82 | 70.59 | (40.00) | (55.83) | 22.58 | 35.98 | 71.88 | 5.05 | (12.71) | 100.20 | 106.65 | 114.97 | 10.95 | (6.21) | 226.37 | 122.91 | 126.44 | 32.18 | 1.47 | 283.01 |
| Income taxes (benefit) | 34.5 | 17.99 | 26.77 | (15.05) | (20.54) | 9.17 | 13.54 | 27.19 | 1.52 | (7.69) | 34.57 | 40.14 | 40.24 | 3.83 | (2.17) | 82.05 | 43.02 | 44.26 | 11.26 | 0.52 | 99.05 |
| Tax rate | 1.5 | 37.63 | 37.92 | 37.62 | 36.79 | 40.61 | 37.65 | 37.83 | 30.10 | 60.49 | 34.50 | 37.64 | 35.00 | 35.00 | 35.00 | 36.24 | 35.00 | 35.00 | 35.00 | 35.00 | 35.00 |
| Net income | 2267.2 | 29.83 | 43.82 | (24.95) | (35.29) | 13.41 | 22.76 | 44.69 | 3.53 | (5.02) | 65.96 | 66.50 | 74.73 | 7.12 | (4.03) | 144.32 | 79.89 | 82.19 | 20.92 | 0.96 | 183.96 |
| Preferred dividend | 12.7 | 3.24 | 3.24 | 3.24 | 3.24 | 0.00 | 3.24 | 3.24 | 3.21 | 3.20 | 0.00 | 3.19 | 3.20 | 3.20 | 3.20 | 0.00 | 3.20 | 3.20 | 3.20 | 3.20 | 12.80 |
| Extra items | 0.0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net for common | 2254.2 | 26.58 | 40.58 | (28.19) | (38.53) | 0.45 | 19.52 | 41.45 | 0.33 | (8.22) | 53.07 | 63.31 | 71.53 | 3.92 | (7.23) | 131.53 | 76.69 | 78.99 | 17.72 | (2.24) | 171.16 |
| Shares used for EPS | 19.7 | 19.34 | 19.35 | 19.35 | 19.36 | 19.30 | 19.37 | 19.38 | 19.39 | 19.40 | 19.30 | 19.41 | 19.30 | 19.30 | 19.30 | 19.30 | 19.30 | 19.30 | 19.30 | 19.30 | 19.30 |
| Earnings Per Share | | | | | | | | | | | | | | | | | | | | | |
| **Net EPS** | $114.19 | $1.37 | $2.10 | ($1.46) | ($1.99) | $0.02 | $1.01 | $2.14 | $0.02 | ($0.42) | $2.75 | $3.26 | $3.71 | $0.20 | ($0.37) | $6.82 | $3.97 | $4.09 | $0.92 | ($0.12) | $8.87 |
| **EPS before Extra Items** | | | | | | | | | | | | | | | | | | | | | |
| **EBITDA/Share** | $22.23 | $7.17 | $8.49 | $2.97 | $1.98 | $20.66 | $6.21 | $7.99 | $4.52 | $3.39 | $22.21 | $9.01 | $9.77 | $4.74 | $3.43 | $27.00 | $10.23 | $10.52 | $5.94 | $4.35 | $31.04 |
| **EBITDAL/Share** | $29.01 | $8.96 | $10.48 | $4.97 | $4.07 | $28.55 | $8.24 | $10.06 | $6.51 | $5.41 | $30.35 | $11.00 | $11.89 | $6.78 | $5.52 | $35.26 | $12.30 | $12.59 | $8.12 | $6.53 | $39.53 |

Quarterly data is as reported. Annual date is adjusted for changes in presentation

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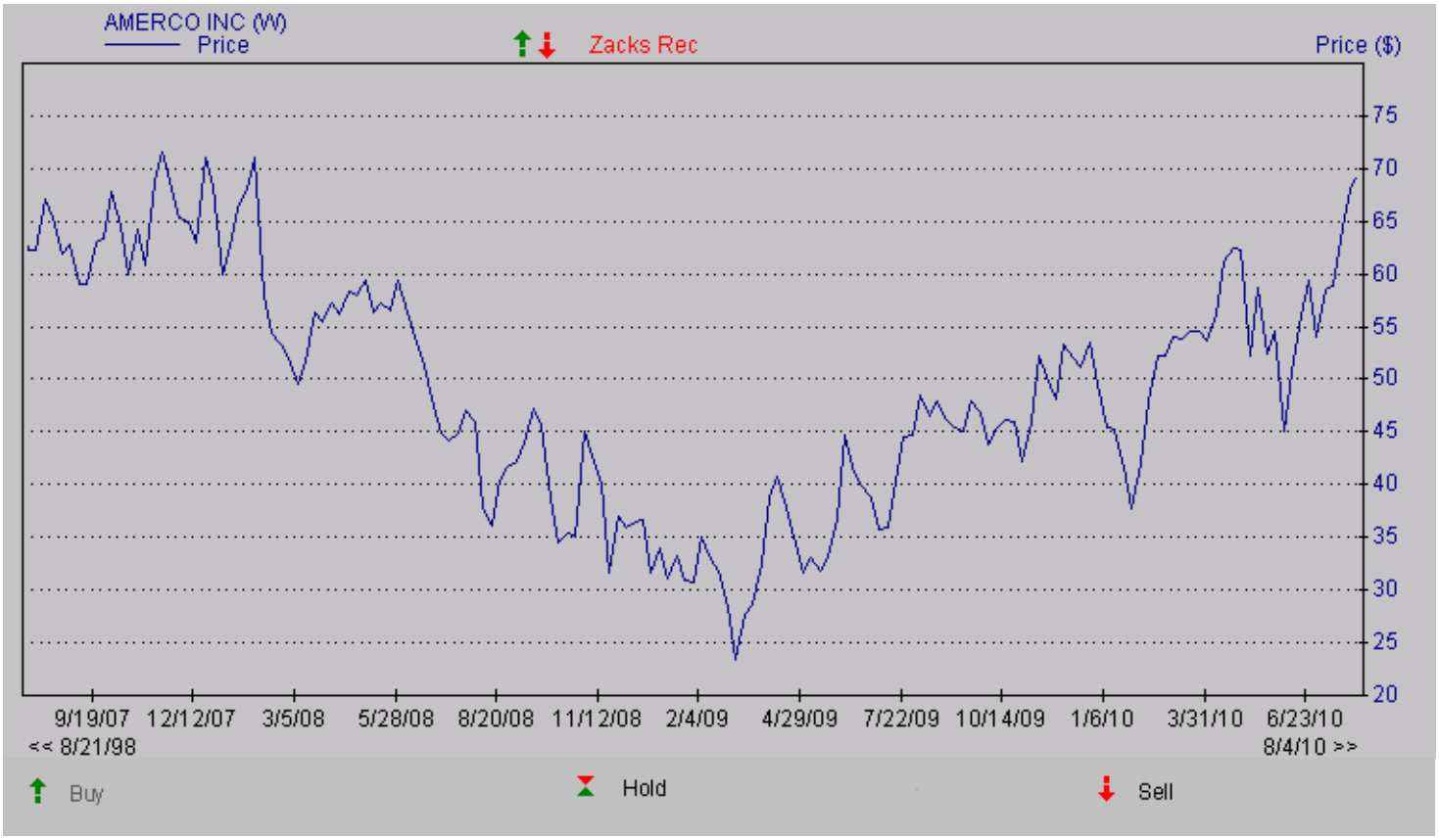
| AMERCO and Consolidated Subsidiaries | | | |
|---|---|---|---|
| (Dollars in millions) | | | |
| | **4Q09** | **4Q10** | **1Q11** |
| **ASSETS** | | | |
| Cash and cash equivalents | 240.59 | 244.12 | 289.34 |
| Trade receivables | 213.85 | 199.74 | 213.66 |
| Inventories, net | 70.75 | 52.84 | 55.63 |
| Prepaid expenses | 54.20 | 53.38 | 55.71 |
| Gross PP&E ex SAC | 3347.49 | 3293.13 | 3345.95 |
| SAC | 0.00 | 0.00 | 0.00 |
| Less accumulated depreciation | 1333.56 | 1344.74 | 1349.53 |
| Investments, total | 746.65 | 776.80 | 786.29 |
| Other | 440.11 | 447.98 | 443.59 |
| Total Assets | $3,825.07 | $3,762.45 | $3,879.54 |
| | | | |
| | | | |
| **Liabilities and Stockholders' Equity** | | | |
| AMERCO's notes and loans | 0.00 | 0.00 | 0.00 |
| SAC notes, non-recourse to AMERCO | 0.00 | 0.00 | 0.00 |
| Policy benefits and losses | 779.31 | 825.06 | 834.24 |
| Liabilities frominvestment contracts | 303.33 | 268.81 | 263.14 |
| Deferred income taxes | | | |
| Other | 1546.49 | 1347.64 | 1338.64 |
| Total Liabilities | 3107.44 | 2949.54 | 3014.43 |
| Preferred stock | | | |
| Common stock | 0.00 | 10.50 | 10.50 |
| Additional paid-in capital | 420.59 | 419.81 | 418.90 |
| Retained earnings | 915.86 | 969.02 | 1032.33 |
| Other | -93.17 | -60.76 | -70.97 |
| Treasury stock | 525.65 | 525.65 | 525.65 |
| Total stockholders equity | $717.63 | $812.91 | $865.11 |
| Total liabilities and stockholders equity | $3,825.07 | $3,762.45 | $3,879.54 |
| | | | |
| Source: Company reports and Zacks Equity Research estimates | | | |

## HISTORICAL ZACKS RECOMMENDATIONS




## DISCLOSURES

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