Zacks Small-Cap Research

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# AMERCO Inc (UHAL-NASDAQ)

**UHAL: AMERCO announces a special $1.00 a share cash dividend.**

| | |
|---|---|
| **Current Recommendation** | **Outperform** |
| Prior Recommendation | Neutral |
| Date of Last Change | 06/26/13 |
| Current Price (12/05/13) | $221.59 |
| **Target Price** | **$250.00** |

## OUTLOOK

AMERCO is the parent company of U-Haul International, the world's largest consumer truck rental company. It is also the second largest self-storage operator 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.

Our recommendation is Outperform, with a price target of $250.

## SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$231.73** |
| **52-Week Low** | **$116.49** |
| **One-Year Return (%)** | **88.47** |
| **Beta** | **1.4** |
| **Average Daily Volume (sh)** | **28,859** |
| **Shares Outstanding (mil)** | **19.55** |
| **Market Capitalization ($mil)** | **$4,333** |
| **Short Interest Ratio (days)** | **1.4** |
| **Institutional Ownership (%)** | **29.1** |
| **Insider Ownership (%)** | **69.3** |
| **Annual Cash Dividend** | **$0.00** |
| **Dividend Yield (%)** | **0.00** |
| **5-Yr. Historical Growth Rates** | |
| **Sales (%)** | **7.8** |
| **Earnings Per Share (%)** | **135.0** |
| **Dividend (%)** | **N/A** |
| **P/E using TTM EPS** | **13.5** |
| **P/E using N4Q Estimate** | **13.0** |
| **P/E using 2015 Estimate** | **11.3** |

| | |
|---|---|
| **Risk Level** | **Average** |
| **Type of Stock** | **Large Blend** |
| **Industry** | **Trans-Eqp&Lsng** |

## ZACKS ESTIMATES

**Revenue**
(in millions of $)

| | Q1 (Jun) | Q2 (Sep) | Q3 (Dec) | Q4 (Mar) | Year (Mar) |
|---|---|---|---|---|---|
| **2012** | **643.0A** | **703.2A** | **633.1A** | **523.4A** | **2502.7A** |
| **2013** | **665.4A** | **741.3A** | **572.9A** | **564.3A** | **2543.9A** |
| **2014** | **746.8A** | **799.8A** | **637.0E** | **597.0E** | **2754.5E** |
| **2015** | **784.0E** | **869.0E** | **682.0E** | **644.0E** | **2955.0E** |

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

| | Q1 (Jun) | Q2 (Sep) | Q3 (Dec) | Q4 (Mar) | Year (Mar) |
|---|---|---|---|---|---|
| **2012** | **$3.86A** | **$5.20A** | **$1.65A** | **$1.29A** | **$12.00A** |
| **2013** | **$4.13A** | **$5.61A** | **$1.58A** | **$1.94A** | **$13.27A** |
| **2014** | **$5.78A** | **$7.06A** | **$2.59E** | **$1.65E** | **$17.08E** |
| **2015** | **$6.58E** | **$8.33E** | **$2.74E** | **$1.88E** | **$19.54E** |

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

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## RECENT NEWS

The AMERCO board has declared a special cash dividend of $1.00 a share, payable February 14, 2014 to holders of record on January 10, 2014.

The company has announced on several occasions that dividends depend on the cash flow required to refinance significant amounts of long term debt over the next two years. The current dividend policy is based on cash flow that is above the need fund operations, including fleet expansion and the acquisition of real estate for self storage facilities. Any self storage facility acquired or opened is also a truck rental facility which adds to the growth in the moving and storage operations.

On November 06, 2013 AMERCO reported its results for the second fiscal quarter of 2014, followed by a conference call on the 7th November.

Continued increases in transactions together with additional vehicles drove truck revenue up by 11.3%, all operating revenue increased by 7.9% and earnings per share jumped from $5.61 to $7.06. EBITDAL for the quarter was $15.26 a share, up from $14.65 a year ago. The company added another 45 independent dealers to the network in the second quarter.

Moving and storage revenue growth was in line with our expectations, as shown below.

| | | | | Actual | Actual | Actual | Estimated |
|---|---|---|---|---|---|---|---|
| **Revenue:** | **1Q13** | **2Q13** | **3Q13** | **4Q13** | **1Q14** | **2Q14** | **2Q14** |
| **Rentals** | $467 | $538 | $395 | $367 | $522 | $599 | $600 |
| **Moving & Storage** | $569 | $638 | $479 | $456 | $634 | $710 | $709 |
| | | | | | | | |
| **All Operating Revenue** | $665 | $741 | $573 | $564 | $747 | $800 | $799 |
| **Op. Expenses** | $283 | $310 | $290 | $287 | $310 | $351 | $325 |
| **Pre-Tax** | $127 | $172 | $54 | $49 | $179 | $217 | $215 |
| **Net for Common** | $81 | $109 | $31 | $38 | $113 | $138 | $135 |

Other revenue jumped from $28.7 million a year ago to $51.0 million in the last quarter. This revenue is driven by the company's U-Box PODS business. The amount of PODS revenue is now large enough that the company will probably break this out as a revenue segment within a few quarters.

The combined lease and interest expenses were $48.9 million in the latest quarter, versus $51.7 million a year ago. Stable, and low, interest rates are having a positive impact on financing the fleet and real estate expansions.

Expense ratios were close to year ago ratios since both quarters had similar weather patterns. The next two quarters are affected by bad weather in the NE United States

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U-Haul truck and rental revenue is being driven by increasing capital expenditures that are not being matched by the competition. More trucks available contribute to more transactions and the company's past investments in IT infrastructure have reduced the expenses needed to handle the transactions.

On August 29, 2013 the company held a virtual Analyst and Investor meeting. During the Q&A session several questions were asked that had been asked on several quarterly conference calls. We have decided to give our take on answers, that are not necessarily the same as managements responses.

First, management and the company's ESOP own 70% of the outstanding shares. Institutions own 29.1%. This is no longer a stock for individuals.

**Change the name to U-Haul:** Money managers know what AMERCO does so changing the name is unlikely to have a significant impact on the stock price.

**Stock split**: There are many stocks selling between $150 and $200 a share so AMERCO is not alone in this regard. There are a number of stocks selling for over $400 a share. Institutions buy stocks as a percentage of a portfolio, as a block. This is no longer a retail market. Having said that, an increase in shares would be an increase in liquidity, and this would reduce volatility. This would be a positive. However, reduced volatility means lower highs and higher lows.

There have been many companies that, in the past, implemented a stock split when the stock reached a certain price. This did not seem to have a significant improvement in the valuations of these companies as compared to their peers so, in our opinion, a stock split may not have a significant long term impact on the stock price.

**Formation of a REIT:** Although the operations of a company storage site are complex (all storage locations double as a truck rental site) and it may be impossible to allocate earnings to each operation it is possible to set up a REIT. If the Real Estate Division were to own all the real estate and it was leased to the storage and truck rental divisions the REIT would have income and the assets of the REIT would be the real estate.

But, look at it from the perspective of the current majority shareholders. To qualify as a REIT certain ownership criteria must be met. Some of the current shareholders would have to sell their stock, thus incurring significant tax liabilities. The income of AMERCO would go down and this could have an impact on the price of UHAL, and the wealth of the current stockholders.

**An annual dividend:** In fiscal 2016 and 2017 nearly $600 million of mortgage debt matures. Although we are sure that there would be no problems in negotiating new loan agreements it is better to have extra cash as a standby resource.

Driven by an increase in the number of trucks and continued increases in transactions per truck AMERCO reported an 11.7% gain in truck rental revenue year over year in the first quarter of fiscal 2014, as reported on August 9, 2013. The gain on a sequential basis was 42%, which is an all-time record for the increase in revenue. The company added 40 more dealerships in the first quarter.

Most of the other revenue items were in line with our projections except for the management fee for the SAC storage units, which declined. Other income increased from$4.9 million to $39.2 million.

Operating expenses as a percentage of rental revenues was close to our expectations, 59.3% versus our estimate of 59.6%. Profit margins on other rental revenue, which is very dependent on propane sales, declined as propane costs increased on a seasonal basis.

AMERCO announced its fourth quarter and full year results on June 05, 2013. Revenue from the truck rental business was, as in prior quarters, driven by transaction growth. Pricing was consistent with those a year ago (discounts change seasonally as well as with shortages on a regional basis) and there was modest growth in net fleet additions. Our estimates for Moving & Storage were close to those reported. U-Haul added 15 company owned rental locations, all at storage sites, and 900 net new dealer locations. This brings the dealer count up to 16,400. The quality of the trucks built by GM and Ford have improved over the past few years. This has had a positive impact on maintenance costs. However, in the 4Q13 maintenance cost did increase more than expected and this had an impact on operating margins.

Self storage sustained its high level of occupancy shown in prior two quarters.. Self storage pricing continues to improve as the occupancy rate effects discounting. Room count continues to increase. Self storage revenue increased by $6.1 million Y/Y and was slightly higher that third quarter results despite a small decline in occupancy.

Revenue from Oxford Life declined Y/Y and was below our estimate. Rep. West. results now represent the revenue and income generated from insuring U-Haul trucks (moves with transaction count) and self storage contents. This revenue should grow as more trucks and more storage units are rented.

Other revenue, net investment and interest income included $8 in a one-time gain from a maturing mortgage. Without this gain pretax income would have been very close to our estimate.

The fourth quarter is often a balancing quarter with projections, such as taxes, and actuals are reconciled. The tax rate in 4Q13 was 22.7% as compared to a more normal 37% and 30% a year ago.

The company announced a special cash dividend of $5 a share, payable on November 30, 2012 to stockholders of record as of November 19, 2012.

## 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 16,950 locations in all 50 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, 2013 the size of the rental truck fleet was approximately 112,000 trucks and 90,000 trailers, an increase of 6,000 trucks since March 31, 2012. The company consistently buys and sells trucks each year.

## 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 AMERCO Real Estate and the wholly-owned subsidiaries of U-Haul and AMERCO 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 independent Moving Help® service providers and thousands of independent Self-Storage Affiliates. The network of customer rated affiliates and service providers furnish pack and load help, cleaning help, self-storage and similar services, all over North America. The goal is to leverage AMERCO's web-based technology platform to increase service to consumers and businesses in the moving and storage market.

**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 2012 was approximately 1.6%.

**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 2012 was approximately 12.8%.

AMERCO rents its distinctive orange U-Haul trucks and trailers, as well as offers self-storage rooms through a network of over 1,450 company operated retail-moving centers and approximately 15,500 independent U-Haul dealers. The company also has an storage facility network with thousands of independent service providers participating in the eMove network. . As of now, the company's rental fleet consisted of more than 106,000 trucks, 83,000 trailers, and 33,000 towing devices. As a result, U-Haul operates over 423,000 storage rooms, comprising approximately 37.8 million square feet of storage space at more than 1,140 facilities throughout North America. U-Haul's owned and managed self-storage facility locations having 184,600 square feet of storage space, with individual storage units ranging in size from 6 square feet to 1,000 square feet.

The primary market for storage rooms is the storage of household goods. U-Haul serves millions of '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 16,950 locations in all 50 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.

eMove® is an online marketplace that connects consumers to independent Moving Help® service

providers and thousands of independent Self-Storage Affiliates. The network of customer rated affiliates and service providers furnish pack and load help, cleaning help, self-storage and similar services, all over North America. The goal is to leverage AMERCO's web-based technology platform to increase service to consumers and businesses in the moving and storage market.

U-Haul is now expanding its service to customers by offering U-Haul Car Share. Partnering with municipalities, U-Haul Car Share provides the most convenient on-street access to vehicles downtown. U-Haul 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-Haul Car Share takes care of fuel, insurance and maintenance costs.

AMERCO has two insurance subsidiaries, Repwest (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 Repwest has not and required additions to reserves. AMERCO had decided to scale back Repwest 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, 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. The debt was paid down by SAC in 2012.

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 2012 and 2013. 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. 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. As part of this strategy, Oxford is focused on growing its agency force and developing new product offerings.

## 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 2015 EBITDAL of $50.60 a share, we would expect a price of $250 a share.

AMERCO's common stock has reached valuations higher than ever before. As shown on page 8 the high price to EBITDAL ratio reached 4.02, during a period when the stock market averages reached record highs. Based on our latest forecasts, and assuming somewhat lower valuations, our target price is $250 a share.

| UHAL<br>FY March 31 | 2005A | 2006A | 2007A | 2008A | 2009A | 2010A | 2011A | 2012A | 2013A | 2014E | 2015E |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Op. Inc. | 167.00 | 288.85 | 247.69 | 203.70 | 121.05 | 193.55 | 377.70 | 416.00 | 493.25 | 559.20 | 686.36 |
| Depreciation & Amort. | 121.10 | 142.82 | 189.23 | 221.88 | 265.21 | 227.63 | 189.27 | 208.90 | 238.00 | 240.64 | 247.00 |
| Amort of policy | 28.51 | 24.26 | 17.14 | 13.18 | 12.39 | 2.34 | 9.49 | 13.80 | 17.38 | 17.74 | 16.00 |
| Total EBITDA $ millions | 316.61 | 455.93 | 454.06 | 438.76 | 398.66 | 423.52 | 576.46 | 638.70 | 748.62 | 817.58 | 949.36 |
| Stock Hi March to March | 48.23 | 101.20 | 106.55 | 90.00 | 72.00 | 108.00 | 108.62 | 126.14 | 178.70 | 220.00 | 250.00 |
| Stock Low | 21.60 | 42.75 | 66.22 | 60.00 | 35.00 | 35.00 | 45.17 | 60.14 | 75.41 | 110.00 | 160.00 |
| Lease expense | 151.35 | 142.78 | 149.04 | 133.93 | 152.42 | 156.95 | 150.81 | 131.22 | 117.45 | 98.83 | 109.00 |
| EBITDAL, millions | 467.97 | 598.71 | 603.10 | 572.69 | 551.08 | 580.47 | 727.26 | 769.92 | 866.07 | 916.41 | 1058.36 |
| EBITDAL per Share | 22.51 | 28.75 | 28.86 | 29.01 | 28.55 | 30.08 | 37.49 | 39.53 | 44.41 | 43.85 | 50.64 |
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013A | 2014E | 2015E |
| EBITDA to High | 3.17 | 4.62 | 4.90 | 4.05 | 3.49 | 4.92 | 3.66 | 3.85 | 4.65 | 5.26 | 5.15 |
| EBITDA to Low | 1.42 | 1.95 | 3.05 | 2.70 | 1.69 | 1.59 | 1.52 | 1.83 | 1.96 | 2.63 | 3.30 |
| EBITDAL to High | 2.14 | 3.52 | 3.69 | 3.10 | 2.52 | 3.59 | 2.90 | 3.19 | 4.02 | 4.69 | 4.62 |
| EBITDAL to low | 0.96 | 1.49 | 2.29 | 2.07 | 1.23 | 1.16 | 1.20 | 1.52 | 1.70 | 2.35 | 2.96 |

2013 & 2014 ratios are based on the current price and target price as of the date of the report.

| Comparables Table | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Company | Ticker | Price<br>12/6/13 | Mkt Cap.<br>million $ | P/E<br>Trailing | P/E<br>Forward | ROE(%)<br>L4Q | P/Sales<br>L4Q | EV/Rev. | P/BV | EV/EBITDA | PEG | Inst.<br>Hldgs~ |
| AMERCO* | UHAL | $221.59 | $4,333 | 13.54 | 11.57 | 21.89 | 1.61 | 2.02 | 2.96 | 5.88 | 1.30 | 29.1 |
| Avis Budget Group, Inc. | CAR | $36.63 | $3,930 | N/A | 13.42 | 28.47 | 0.50 | 1.97 | 4.82 | 15.89 | 1.19 | 100.0 |
| Cube Smart | CUBE | $15.71 | $2,190 | NM | 15.40 | 0.61 | 6.72 | 10.07 | 2.08 | 19.11 | 2.12 | 100.0 |
| Hertz Global Holdings Inc | HTZ | $24.75 | $11,110 | 35.46 | 11.79 | 11.85 | 1.04 | 2.58 | 3.89 | 14.73 | 0.55 | 100.0 |
| Public Storage Inc. | PSA | $154.00 | $26,500 | 32.75 | 19.42 | 11.79 | 13.16 | 15.29 | 4.98 | 22.07 | 2.96 | 79.3 |
| Sovran Self-Storage Inc. | SSS | $66.95 | $2,110 | 31.87 | 16.33 | 8.30 | 8.38 | 10.90 | 2.50 | 19.00 | 2.64 | 90.7 |
| Extra Space Storage Inc. | EXR | $42.46 | $4,720 | 36.07 | 17.99 | 9.49 | 9.29 | 12.56 | 3.09 | 20.97 | 3.17 | 94.7 |
| Zipcar Inc. | ZIP | Acquired by Avis, March 2013 | | | | | | | | | | |
| Mean | | | | | 15.13 | 13.20 | 5.81 | 7.91 | 3.47 | 16.81 | 1.99 | |
| Median | | | | | 15.40 | 11.79 | 6.72 | 10.07 | 3.09 | 19.00 | 2.12 | |
| *(Source: Yahoo Finance & Zacks Investment Research)* | | | | * Based on 10% CAGR of EPS. | | | ~ Inst. Holdinggs capped at 100% | | | | | |

## RISKS

- The current housing recovery could reverse and 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.

- 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.

## INSIDER TRADING AND OWNERSHIP

Insiders hold or control 70.0% of outstanding shares. Over the past six months, insiders have sold approximately 3,700 shares.

Institutions currently hold approximately 28.6% of the outstanding shares. The largest institutional holders include Dimensional Fund Advisors Inc..

# PROJECTED INCOME STATEMENT & BALANCE SHEET

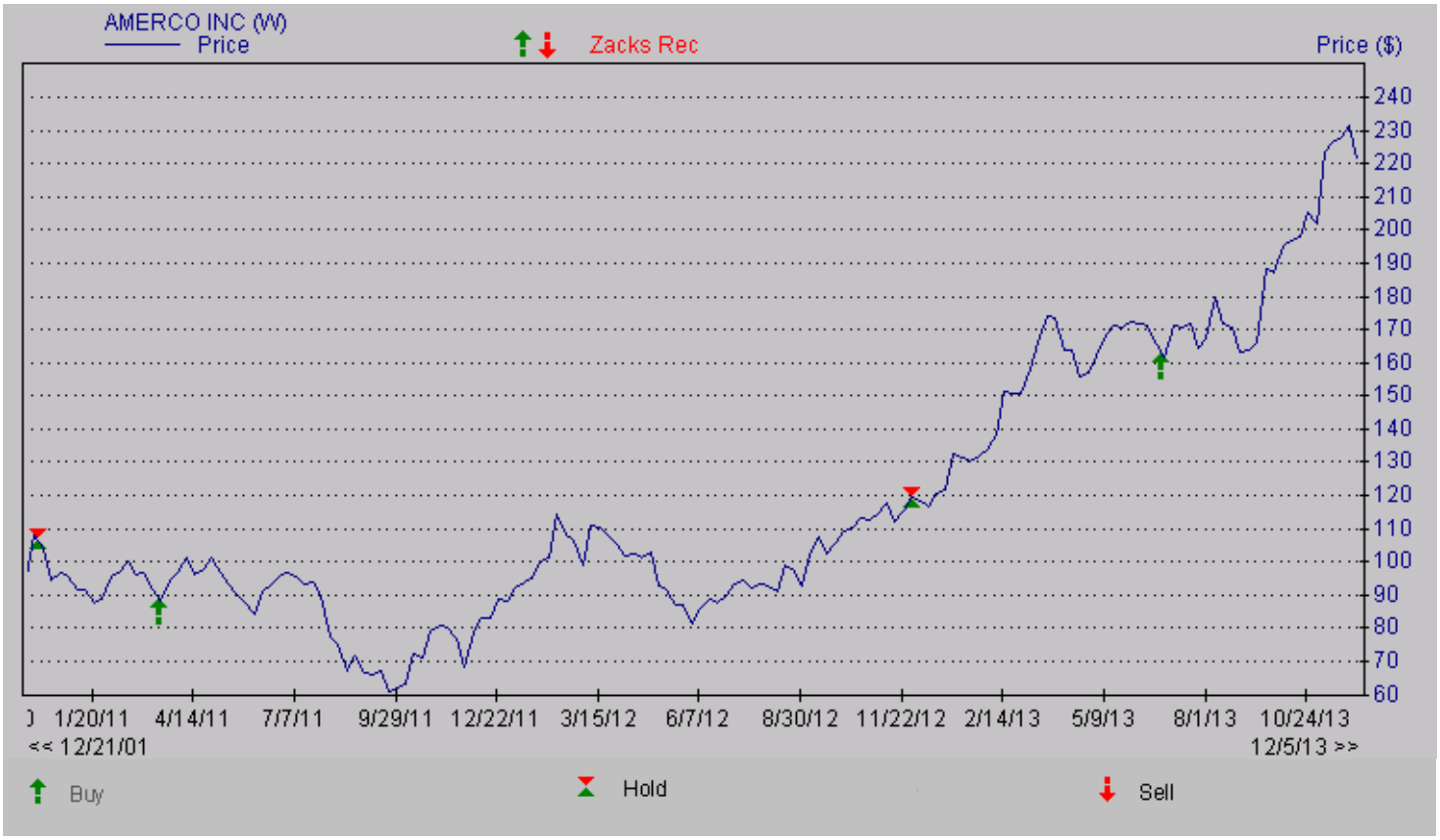
| AMERCO | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal year March 31st. | | | | | | | | | | | | | | | | | |
| data) | | | | | | | | | | | | | | | | | |
| **Consolidated statements of operations** | **2011A** | **2012A** | **1Q13** | **2Q13** | **3Q13** | **4Q13** | **2013A** | **1Q14** | **2Q14** | **3Q14** | **4Q14** | **2014E** | **1Q15** | **2Q15** | **3Q15** | **4Q15** | **2015E** |
| | | | | | | | | Act. | Act. | Est. | Est. | | Est. | Est. | Est. | Est. | |
| AMERCO Moving & Storage revenue | $1,895.4 | $2,049.6 | $573.8 | $643.0 | $484.6 | $464.3 | $2,165.7 | $639.6 | $715.2 | $547.0 | $515.0 | $2,416.8 | $683.0 | $762.0 | $575.0 | $536.0 | $2,556.0 |
| Other revenue | 22.1 | 23.3 | 4.9 | 4.9 | 6.1 | 8.5 | 24.4 | 39.2 | 5.3 | 5.0 | 5.0 | 20.5 | 10.0 | 10.0 | 10.0 | 10.0 | 20.0 |
| Insurance premiums | 237.7 | 310.2 | 53.7 | 56.6 | 53.1 | 49.1 | 212.5 | 49.0 | 39.4 | 60.0 | 52.0 | 208.3 | 56.0 | 62.0 | 62.0 | 63.0 | 239.0 |
| **All revenue** | **$2,241.3** | **$2,502.7** | **$665.4** | **$741.3** | **$572.9** | **$564.3** | **$2,543.9** | **$746.8** | **$799.8** | **$637.0** | **$597.0** | **$2,754.5** | **$784.0** | **$869.0** | **$682.0** | **$644.0** | **$2,955.0** |
| Operating expense | 1,026.58 | 1,093.19 | 283.39 | 310.21 | 290.29 | 286.68 | 1,170.57 | 309.50 | 350.54 | 330.00 | 320.00 | 1,310.04 | 321.44 | 345.00 | 350.00 | 340.00 | 1,356.44 |
| Cost of sales | 106.02 | 116.54 | 32.23 | 30.91 | 23.15 | 20.92 | 107.22 | 35.57 | 34.53 | 23.50 | 23.00 | 116.60 | 35.00 | 30.00 | 25.00 | 25.00 | 115.00 |
| Commissions | 190.98 | 212.19 | 61.11 | 68.56 | 51.13 | 47.32 | 228.12 | 68.63 | 78.38 | 54.00 | 49.80 | 250.81 | 67.20 | 77.40 | 57.00 | 51.60 | 253.20 |
| Lease expense | 150.81 | 131.22 | 32.80 | 29.59 | 27.58 | 27.49 | 117.45 | 27.01 | 25.82 | 23.00 | 23.00 | 98.83 | 25.00 | 27.00 | 27.00 | 30.00 | 109.00 |
| Benefits and losses | 190.43 | 310.84 | 46.08 | 45.67 | 38.93 | 41.26 | 171.94 | 42.63 | 37.99 | 38.00 | 42.00 | 160.63 | 42.00 | 42.00 | 45.00 | 43.00 | 172.00 |
| Amortization of policy costs | 9.49 | 13.80 | 2.81 | 3.09 | 3.39 | 8.09 | 17.38 | 3.68 | 6.06 | 4.00 | 4.00 | 17.74 | 4.00 | 4.00 | 4.00 | 4.00 | 16.00 |
| Net depreciation | 189.27 | 208.90 | 56.13 | 58.95 | 62.40 | 60.52 | 238.00 | 57.43 | 63.21 | 60.00 | 60.00 | 240.64 | 60.00 | 60.00 | 62.00 | 65.00 | 247.00 |
| AMERCO op. income | 377.70 | 416.00 | 150.88 | 194.32 | 76.01 | 72.04 | 493.25 | 202.38 | 203.31 | 104.50 | 75.20 | 559.20 | 229.36 | 283.60 | 112.00 | 85.40 | 686.36 |
| Interest expense | 88.38 | 90.37 | 23.49 | 22.11 | 22.08 | 23.02 | 90.70 | 23.33 | 23.12 | 24.00 | 24.00 | 94.45 | 25.00 | 25.00 | 27.00 | 27.00 | 104.00 |
| Non operating income | 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 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 36.66 | 0.00 | 0.00 | 36.66 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Pretax income** | 289.31 | 325.63 | 127.39 | 172.21 | 53.93 | 49.02 | 402.55 | 179.05 | 216.85 | 80.50 | 51.20 | 527.60 | 204.36 | 258.60 | 85.00 | 58.40 | 606.36 |
| Income taxes (benefit) | 105.74 | 120.27 | 46.82 | 62.79 | 23.02 | 11.15 | 143.78 | 66.08 | 78.86 | 29.79 | 18.94 | 193.67 | 75.61 | 95.68 | 31.45 | 21.61 | 224.35 |
| Tax rate | 36.55 | 36.93 | 36.75 | 36.46 | 42.69 | 22.74 | 35.72 | 36.91 | 36.37 | 37.00 | 37.00 | 36.71 | 37.00 | 37.00 | 37.00 | 37.00 | 37.00 |
| Net income | 183.58 | 205.36 | 80.57 | 109.42 | 30.91 | 37.87 | 258.77 | 112.97 | 137.99 | 50.72 | 32.26 | 333.93 | 128.75 | 162.92 | 53.55 | 36.79 | 382.01 |
| Preferred dividend | 12.44 | 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 |
| Extra items | (0.14) | 37.20 | 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 | 170.99 | 233.74 | 80.57 | 109.42 | 30.91 | 37.87 | 258.77 | 112.97 | 137.99 | 50.72 | 32.26 | 333.93 | 128.75 | 162.92 | 53.55 | 36.79 | 382.01 |
| Shares used for EPS Earnings Per Share | 19.40 | 19.48 | 19.50 | 19.51 | 19.52 | 19.50 | 19.50 | 19.55 | 19.55 | 19.55 | 19.55 | 19.55 | 19.55 | 19.55 | 19.55 | 19.55 | 19.55 |
| **Net EPS** | $8.82 | $12.00 | $4.13 | $5.61 | $1.58 | $1.94 | $13.27 | $5.78 | $7.06 | $2.59 | $1.65 | $17.08 | $6.58 | $8.33 | $2.74 | $1.88 | $19.54 |
| **EPS before Extra Items** | | | | | | | | | | | | | | | | | |
| **EBITDA/Share** | $29.71 | $32.79 | $10.76 | $13.14 | $7.26 | $7.21 | $38.39 | $13.48 | $13.94 | $8.62 | $7.12 | $41.81 | $15.00 | $17.78 | $9.10 | $7.90 | $48.55 |
| **EBITDAL/Share** | $37.49 | $39.53 | $12.44 | $14.65 | $8.68 | $8.62 | $44.41 | $14.86 | $15.26 | $9.79 | $8.29 | $46.86 | $16.28 | $19.16 | $10.48 | $9.43 | $54.12 |

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| AMERCO and Consolidated Subsidiaries<br>(Dollars in millions)<br>Fiscal year March 31. | 4Q09 | 4Q10 | 4Q11 | 4Q12 | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 1Q14 | 2Q14 |
|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | | |
| Cash and cash equivalents | 240.59 | 244.12 | 375.50 | 350.10 | 566.24 | 645.82 | 586.12 | 463.74 | 552.59 | 679.58 |
| Trade receivables | 213.85 | 199.74 | 205.37 | 297.97 | 274.59 | 264.56 | 226.34 | 261.79 | 284.52 | 237.24 |
| Inventories, net | 70.75 | 52.84 | 59.94 | 58.74 | 63.44 | 58.66 | 55.99 | 56.40 | 58.30 | 61.43 |
| Prepaid expenses | 54.20 | 53.38 | 57.62 | 41.86 | 41.59 | 41.44 | 55.15 | 57.45 | 43.38 | 55.13 |
| Gross PP&E ex SAC | 3347.49 | 3293.13 | 3435.98 | 3787.82 | 3951.46 | 4053.36 | 4159.14 | 4314.41 | 4535.78 | 4669.27 |
| SAC | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Less accumulated depreciation | 1333.56 | 1344.74 | 1341.41 | 1415.46 | 1449.10 | 1481.78 | 1525.19 | 1559.36 | 1597.92 | 1636.07 |
| Investments, total | 746.65 | 776.80 | 861.68 | 1032.42 | 1055.84 | 1198.03 | 1290.16 | 1337.10 | 1348.43 | 1327.04 |
| Other | 440.11 | 447.98 | 468.60 | 436.68 | 270.71 | 277.00 | 278.06 | 282.02 | 255.87 | 273.43 |
| Total Assets | $3,825.07 | $3,762.45 | $4,176.15 | $4,654.05 | $4,838.84 | $5,136.96 | $5,219.31 | $5,306.60 | $5,578.76 | $5,776.35 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| **Liabilities and Stockholders' Equity** | | | | | | | | | | |
| AMERCO's notes and loans | 0.00 | 0.00 | 1417.97 | 1507.98 | 0.00 | 1540.54 | 1556.89 | 1667.01 | 0.00 | 1737.28 |
| Policy benefits and losses | 779.31 | 825.06 | 927.38 | 1145.94 | 1121.20 | 1128.93 | 1122.17 | 1122.34 | 1122.94 | 1122.81 |
| Liabilities from investment contracts | 303.33 | 268.81 | 255.44 | 248.23 | 267.38 | 407.02 | 486.50 | 510.79 | 538.78 | 570.32 |
| Deferred income taxes | | | | | | | | | | |
| Other | 1546.49 | 1347.64 | 1397.84 | 1486.21 | 1540.54 | 1556.89 | 1667.01 | 1661.85 | 1737.28 | 1775.12 |
| Total Liabilities | 3107.44 | 2949.54 | 3183.13 | 3618.23 | 3724.18 | 3901.04 | 4028.81 | 4077.34 | 4232.47 | 4314.53 |
| Preferred stock | | | | | | | | | | |
| Common stock | 0.00 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 |
| Additional paid-in capital | 420.59 | 419.81 | 418.02 | 433.74 | 434.53 | 435.38 | 436.93 | 438.17 | 439.52 | 440.94 |
| Retained earnings | 915.86 | 969.02 | 1140.00 | 1317.06 | 1395.91 | 1505.33 | 1444.76 | 1482.63 | 1595.60 | 1733.59 |
| Other | -93.17 | -60.76 | -49.85 | -199.83 | -200.62 | -189.63 | -176.03 | -176.38 | 0.00 | -197.55 |
| Treasury stock | 525.65 | 525.65 | 525.65 | 525.65 | 525.65 | 525.65 | 525.65 | 525.65 | 525.65 | 525.65 |
| Total stockholders equity | $717.63 | $812.91 | $993.02 | $1,035.82 | $1,114.66 | $1,235.92 | $1,190.50 | $1,229.26 | $1,519.97 | $1,461.82 |
| Total liabilities and stockholders equity | $3,825.07 | $3,762.45 | $4,176.15 | $4,654.05 | $4,838.84 | $5,136.96 | $5,219.31 | $5,306.60 | $5,752.44 | $5,776.35 |

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