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Zacks Small-Cap Research

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AMERCO Inc. (UHAL-NASDAQ)

High fleet utilization contributes to well-above expectations 3rd fiscal quarter. Strong expansion of EBITDA to record level drives increase of target price.

By expecting the range of the EV-to-EBITDA valuation metric to expand to 7.9-to-9.8 over the next 12 months, a target price of $556 is indicated at the high end of the range.

Current Price (02/09/21)	$493.43
Valuation	**$556.00**

OUTLOOK

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

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

Going forward, management is focused on optimizing vehicle utilization and reactivating the company's fleet rotation program.

SUMMARY DATA

52-Week High	**$519.98**
52-Week Low	**$222.34**
One-Year Return (%)	**41.94**
Beta	**0.86**
Average Daily Volume (shrs.)	**36,434**
Shares Outstanding (million)	**19.61**
Market Capitalization ($mil.)	**$9,675**
Short Interest Ratio (days)	**3.39**
Institutional Ownership (%)	**36.22**
Insider Ownership (%)	**46.37**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**5.3**
Earnings Per Share (%)	**13.0**
Dividend (%)	**-9.0**
P/E using TTM EPS	**14.7**
P/E using FY 2021 Estimate	**15.2**
P/E using FY 2022 Estimate	**14.6**

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

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Jun)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2019	1,020 A	1,105 A	919 A	725 A	3,769 A
2020	1,079 A	1,150 A	928 A	822 A	3,979 A
2021	987 A	1,325 A	1,170 A	999 E	4,481 E
2022	1,136 A	1,352 E	1,143 E	993 E	4,625 E

Earnings per share

	Q1 (Jun)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2019	$6.53 A	$8.35 A	$4.01 A	$0.04 A	$18.93 A
2020	$6.76 A	$7.97 A	$1.58 A	$6.24 A	$22.55 A
2021	$4.47 A	$13.58 A	$9.33 A	$5.07 E	$32.46 E
2022	$7.95 E	$12.75 E	$8.00 E	$5.02 E	$33.72 E

Quarterly revenues may not equal annual revenues due to rounding.

Quarterly EPS may not equal annual EPS due to rounding.

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RECENT EVENTS

Operational Summary of Third Quarter of Fiscal 2021

During the third fiscal quarter, AMERCO continued to benefit from demand for in-town and one-way rentals, resulting in remarkable earnings leverage from the company's expanded capacity in retail locations and fleet additions. In addition, volume in the Corporate Account business (aka the last mile business) also increased. **Total revenues increased 26.1%** YOY while expenses only increased 4.6%. This earnings leverage on AMERCO's asset base produced **earnings per share that were well above expectations**, resulting in AMERCO's stock to rally 2.8%.

Under the company's growth strategy, management had steadily increased capacity over the last few years, positioning the self-moving equipment rental business well to **benefit from the surge in demand in a leveraged manner**. Management has consistently increased the number of retail locations, box trucks and trailers in the rental fleet. During fiscal 2020 alone, company- owned locations increased 4.2%, the truck fleet expanded 5.4% and the trailer fleet increased 5.8%.

Self-storage demand also improved. After several years of declines in the all-in blended occupancy rate, **the last two quarters have experienced increases in occupancy**. The average monthly number of occupied units increased by 53,800 units (i.e. +15%) in the second fiscal quarter and by 66,900 units (+20%) during the third fiscal quarter. In the third fiscal quarter, the average monthly occupancy rate was 73.4%, up from the 66.1% low recorded in the fourth quarter of fiscal 2020.

Looking forward, new truck purchases had been delayed not only by manufacturing delays at the automakers, but also by management's desire to preserve liquidity in face of the pandemic. In addition, there was a pause in self-storage construction. As a result, depreciation expense declined, boosting reported earnings. As the company accelerates the fleet normalization program and self-storage construction to catch up to plan, depreciation expense will hamper earnings growth.

On other hand, the payment of a $123 million tax refund is pending, and the recently filed fiscal 2020 tax return requests carry-backs of $258 million. The cash refunds will bolster the company's liquidity position and could certainly help fund the planned fleet normalization program and self-storage construction.

Third Quarter of Fiscal 2021 Financial Results

On February 3, 2021, AMERCO reported financial results for the third fiscal quarter ending December 31, 2020. **Revenues and earnings were well above our expectations**. **Total revenues increased 26.1%** YOY to approximately $1.170 billion, driven by a 30.0% increase (or an increase of $186.7 million) in **self-moving equipment rentals** and 37.0% increase (or $20.1 million) in **self-moving/self-storage products & services**. In the **self-storage area**, revenues increased 15.3% (or $16.3 million).

In the **self-moving equipment rental** business, **revenues increased across all metrics:** volume of transactions and average revenue per transaction for both in-town and one-way rentals of trucks and trailers, along with volume in the corporate account business. Furthermore, the **rate component** of average revenue per transaction was particularly strong.

In **self-moving/self-storage products & services**, the 37% revenue increase was due to increased sales of hitches, moving supplies and propane.

In the **self-storage** area, revenues increased 15.3% (or $16.3 million) as the average monthly number of occupied units increased by 20%, driven by occupancy gains at existing locations and an 10% increase in new capacity (4.1 million net rentable square feet) over the last 12 months.

Total costs and expenses increased only 4.6% (or $38.7 million). **Cost of sales** and commission expenses increased 29.5% and 30.6%, respectively, in line with the increase in sales activity in self-moving rentals and products & services business lines. Also, **depreciation expense** decreased $17.5 million (or 10.3%), primarily due to a slowdown in the expansion of the rental fleet as COVID-19 has delayed new truck production.

Earnings from operations increased 252% (or by $203.4 million) to $283.9 million compared to $80.6 million in the comparable quarter last year. Income tax expense increased 523% to $58.59 million.

For the third fiscal quarter, AMERCO reported a net income of $183.0 million (or **$9.33 per diluted share**) compared to $30.9 million (or $1.58 per diluted share) for the comparable third fiscal quarter last year. Shares outstanding have remained stable at 19,607,788 shares for a decade.

As of December 31, 2020, AMERCO has a **strong liquidity position** in the Moving and Storage operating segment of approximately $1.34 million (cash plus availability from existing loan facilities). **Working capital significantly improved** sequentially to over $5.8 billion.

Insurance Operations

On September 24, 2020, **AM Best upgraded** the financial rating of **Repwest Insurance** Company to **A**.

EXECUTIVE SUMMARY OF MANAGEMENT'S U-HAUL GROWTH STRATEGY

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

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

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

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

- **Growing the distribution network**
  - The number of company's retail locations has grown at a 5-year CAGR of 5.23%
- **Increasing the size of the fleet**
  - The truck fleet has grown at a 5-year CAGR of 5.45%
  - The trailer fleet has grown at a 5-year CAGR of 3.49%

- **Expanding the self-storage footprint**
    - The number of self-storage locations has grown at a 5-year CAGR of 6.39%
    - The number of rentable units has grown at a 5-year CAGR of 9.53%
    - The rentable square footage has grown at a 5-year CAGR of 8.58%

As a result, AMERCO's revenues have increased at a 5-year CAGR of 5.29%

Operationally, management strives to maximize **vehicle utilization** by adjusting the distribution of the truck and trailer fleets among the 2,065 company stores and approximately 20,100 independent stores. The company's earning leverage is highly dependent on equipment utilization as well as **pricing** and **volume**. The critical factor of vehicle utilization in the truck rental business hinges on the geographical distribution of the fleet after one-way rentals, since U-Haul does not back-haul equipment. Traditionally, pricing has been the method by which equipment can be relocated.

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

KEY POINTS

- AMERCO primarily provides **"do-it-yourself" moving and storage** and **supplies products and services**. The company also has Property and Casualty and Life Insurance subsidiaries.
- U-Haul is one of the most recognized names in North America and has a commanding share of the consumer **self-moving business**.
    - U-Haul has a network of more than **22,160 company-operated and independent locations** in all 50 United States and 10 Canadian provinces.
    - As of the end of the company's fiscal year (March 31, 2020), the size of U-Haul's rental fleet was approximately **176,000 trucks**,**127,000 trailers** and **41,000 towing devices**
    - U-Haul also provides **moving supplies** (boxes, tape etc.) and the service of selling and installing **trailer hitches**
    - The company has expanded into ancillary products/services
        - **U-Box** (portable moving and storage units)
        - **CollegeBoxes** (a packing, storage and shipping solution for college students)
        - **Moving Help (**an online marketplace connecting consumers to service providers who help with packing, unpacking, loading and unloading)
        - **Storage Affiliates** (through the WebSelfStorage platform enables independent self-storage operators to manage their facility and connect to customers on uhaul.com)
    - The company also supplies **propane** as alternative-fuel for vehicles and for backyard barbecues.
- U-Haul is also one of the leading companies in the **self-storage** industry
    - a complementary operation to the self-moving business
    - As of the end of the company's fiscal year (March 31, 2020),U-Haul operates almost **774,000 rentable storage units** consisting of approximately **66.7 million square feet of storage space** in all 50 United States and 10 Canadian provinces
    - Individual storage units range in size from 6 square feet to 1,000 square feet

- The self-storage business also provide value-added services, such as an electronic monitoring system (Max Security), access during extended hours and individually alarmed units.

- Property and Casualty Insurance - **Repwest Insurance**
  - Repwest underwrites components of the Safemove, Safetow, and Safestor protection packages to U-Haul customers
- Life Insurance - **Oxford Life Insurance**
  - Oxford underwrites life and health insurance products, primarily to the senior market
- AMERCO does not have a formal dividend policy; however, since December 2011, the Board has periodically declared the payment of special dividends.
- In mid-August, the management of AMERCO provides an Investor Presentation via live webcast.

AMERCO

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

OVERVIEW

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

AMERCO®





AMERCO Annual Report

Founded in 1945 as U-Haul Trailer Rental Company, the company began by renting trailers. Beginning in 1959, management broadened the scope of the company's operation by renting trucks on a one-way and in-town basis exclusively through independent U-Haul dealers. In 1969, U-Haul Trailer Rental Company was incorporated as Advanced Management Engineering Research Company (AMERCO) in Nevada. Since 1974, the company developed a network of U-Haul managed retail centers, through which it rents its trucks and trailers and sells moving & self-storage products and services to complement its independent dealer network.

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

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

AMERCO		
Segment Analysis (in $US '000, except percentages)	**FY 2020** **3/31/2020**	**% of** **Revenues**
Revenues		
Self-moving equipment rentals	2,692,413	67.7%
Self-storage revenues	418,741	10.5%
Self-moving/self-storage products & services	265,091	6.7%
Property management fees	30,406	0.8%
TOTAL MOVING & STORAGE		**85.6%**
Life insurance premiums	127,976	**3.2%**
P&C insurance premiums	66,053	**1.7%**
Net investment & interest income	137,829	**3.5%**
Other revenue	240,359	**6.0%**
TOTAL REVENUES	**3,978,868**	**100.0%**

The **Moving & Storage** segment, by far the company's largest and most significant segment, engages in the **rental of trucks, trailers**, specialty rental items, and **self-storage** spaces to the "do-it-yourself" mover and management of self-storage properties owned by others, as well as **sales of moving supplies**, towing accessories, and **propane**. Operations are conducted under the registered trade name U-Haul® throughout the United States and Canada. The company sells U-Haul brand boxes, tape and other moving and self-storage products and services to do-it-yourself moving and storage customers at all of its distribution outlets. Net revenue from the Moving & Storage segment in fiscal 2020 accounted for approximately **85.6% of total revenues**.

The **Property and Casualty Insurance** segment offers moving and storage contents insurance products, including **Safemove** and **Safetow policies** that provide moving customers with a damage waiver, cargo protection, and medical and life coverage; and **Safestor**, which protects storage customers from loss of their goods in storage. Repwest provides loss adjusting and claims handling for U-Haul through regional offices across North America. **Repwest** also underwrites components of the Safemove, Safetow, and Safestor protection packages to U-Haul customers. The business plan for Repwest includes offering property and casualty products for other U-Haul related programs. Net revenue from the P&C segment in fiscal 2020 accounted for approximately **1.7% of total revenues**.

The **Life Insurance** segment includes **Oxford Life Insurance Company**, which provides life and health insurance products, primarily to the senior market through the direct writing or reinsuring of life

insurance, Medicare supplement and annuity policies. Net revenue from the life insurance segment in fiscal 2020 accounted for approximately **3.2% of total revenues**.

MOVING & STORAGE OPERATIONS

Self-Moving

AMERCO rents its distinctive orange U-Haul trucks and trailers through a network of over **2,065 company operated retail-moving centers** and approximately **20,100 independent U-Haul dealers**. The company also has a storage facility network with thousands of independent service providers participating as Storage Affiliates. As of March 31, 2020, the company's **rental fleet** consisted of more than **176,000 trucks**, **127,000 trailers** and **41,000 towing devices**.



AMERCO Presentation August 2020

The company has at least six different truck models and eight major types of trailers. The truck chassis are engineered by domestic truck manufacturers and made to U-Haul's specifications. The chassis are delivered to one of seven U-Haul manufacturing centers to be fitted with a cargo box. These manufacturing centers also build the trailers from the "ground up." Eleven (11) manufacturing and assembly facilities are strategically located throughout the United States in order to efficiently provide vehicles regionally.

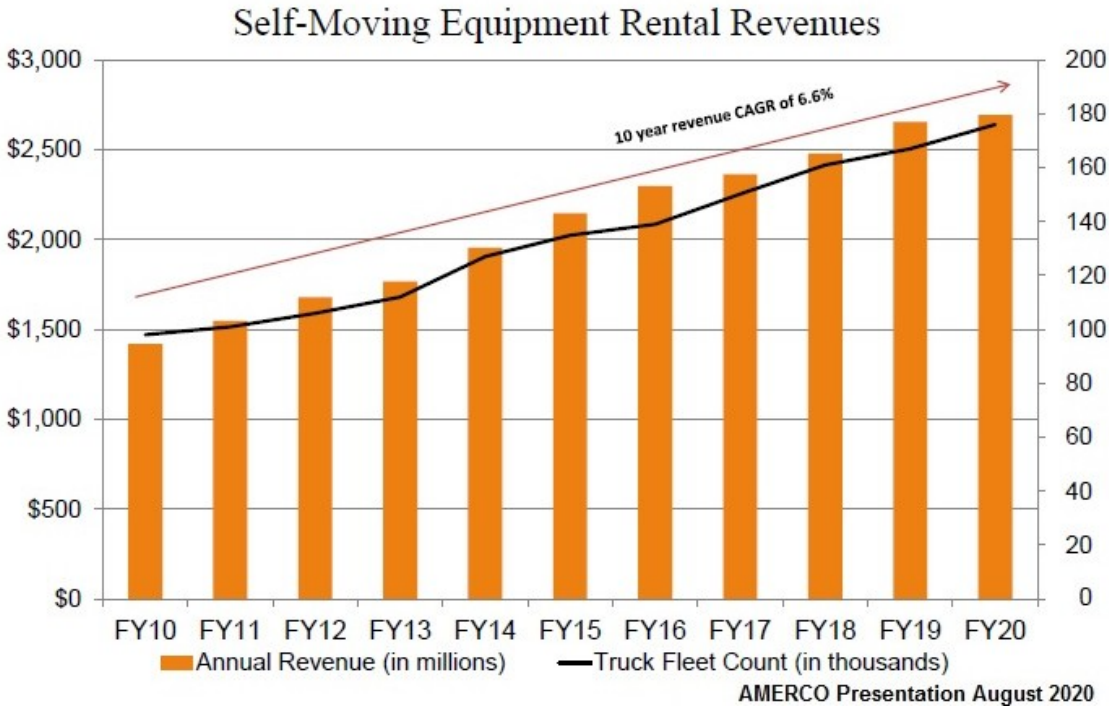
Commonality of features (gear boxes, rear axles, tires, etc.) and parts reduce maintenance expenses and improve the efficiency of the parts inventory. All engines are gasoline powered to potential fueling problems. The company provides almost all of the preventive maintenance on the fleet with the exception of warranty claims.

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

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

Independent dealers receive trucks on a consignment basis and are paid a commission based on gross revenue generated by the dealer. The independent dealers are not franchisees. U-Haul does

not franchise its name. Dealer contracts can be terminated upon 30 days written notice by either party.



AMERCO	Key Statistics					
Fiscal Year	Revenues ($ '000)	Trucks Fleet Size	Trailers Fleet Size	# of Company Stores	# of Independent Stores	# of Total Stores
FY 2010	2,002,005	98,000	77,000	1,400	14,900	16,300
YOY change	0.00%	-2.97%	1.32%	0.00%	3.47%	3.16%
FY 2011	2,241,275	101,000	82,000	1,400	15,000	16,400
YOY change	11.95%	3.06%	6.49%	0.00%	0.67%	0.61%
FY 2012	2,502,675	106,000	83,000	1,450	15,500	16,950
YOY change	11.66%	4.95%	1.22%	3.57%	3.33%	3.35%
FY 2013	2,558,587	112,000	90,000	1,490	16,400	17,890
YOY change	2.23%	5.66%	8.43%	2.76%	5.81%	5.55%
FY 2014	2,835,252	127,000	98,000	1,540	17,400	18,940
YOY change	10.81%	13.39%	8.89%	3.36%	6.10%	5.87%
FY 2015	3,074,531	135,000	107,000	1,600	18,200	19,800
YOY change	8.44%	6.30%	9.18%	3.90%	4.60%	4.54%
FY 2016	3,275,468	139,000	108,000	1,700	19,500	21,200
YOY change	6.54%	2.96%	0.93%	6.25%	7.14%	7.07%
FY 2017	3,421,767	150,000	112,000	1,750	20,000	21,750
YOY change	4.47%	7.91%	3.70%	2.94%	2.56%	2.59%
FY 2018	3,601,114	161,000	118,000	1,790	20,000	21,790
YOY change	5.24%	7.33%	5.36%	2.29%	0.00%	0.18%
FY 2019	3,768,707	167,000	120,000	1,981	20,000	21,981
YOY change	4.65%	3.73%	1.69%	10.67%	0.00%	0.88%
FY 2020	3,978,868	176,000	127,000	2,065	20,100	22,165
YOY change	5.58%	5.39%	5.83%	4.24%	0.50%	0.84%
5-year CAGR	5.29%	5.45%	3.49%	5.23%	2.01%	2.28%
10-year CAGR	7.11%	6.03%	5.13%	3.96%	3.04%	3.12%

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

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

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

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

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

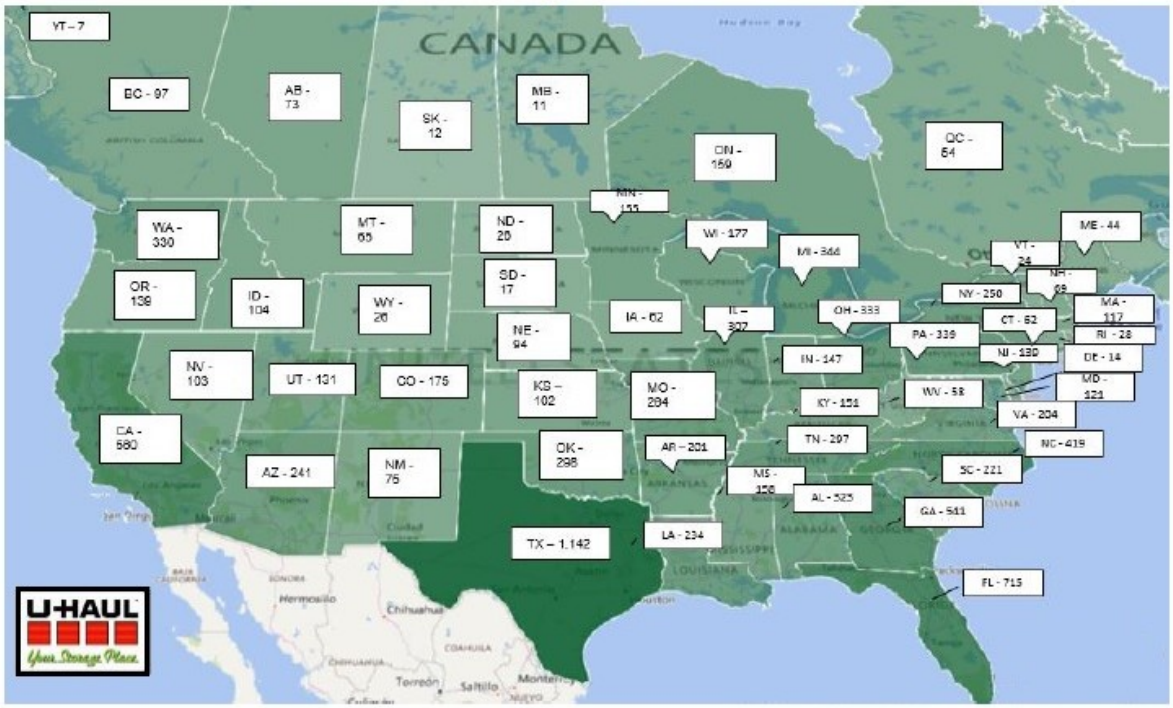
Consumer self-moving and self-storage are relatively single-digit, top-line growth industries (around 5% annually). However, both are highly fragmented industries; therefore, there are opportunities to gain market share. Both industries are less cyclical than most, since in bad times some people downgrade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

Storage

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

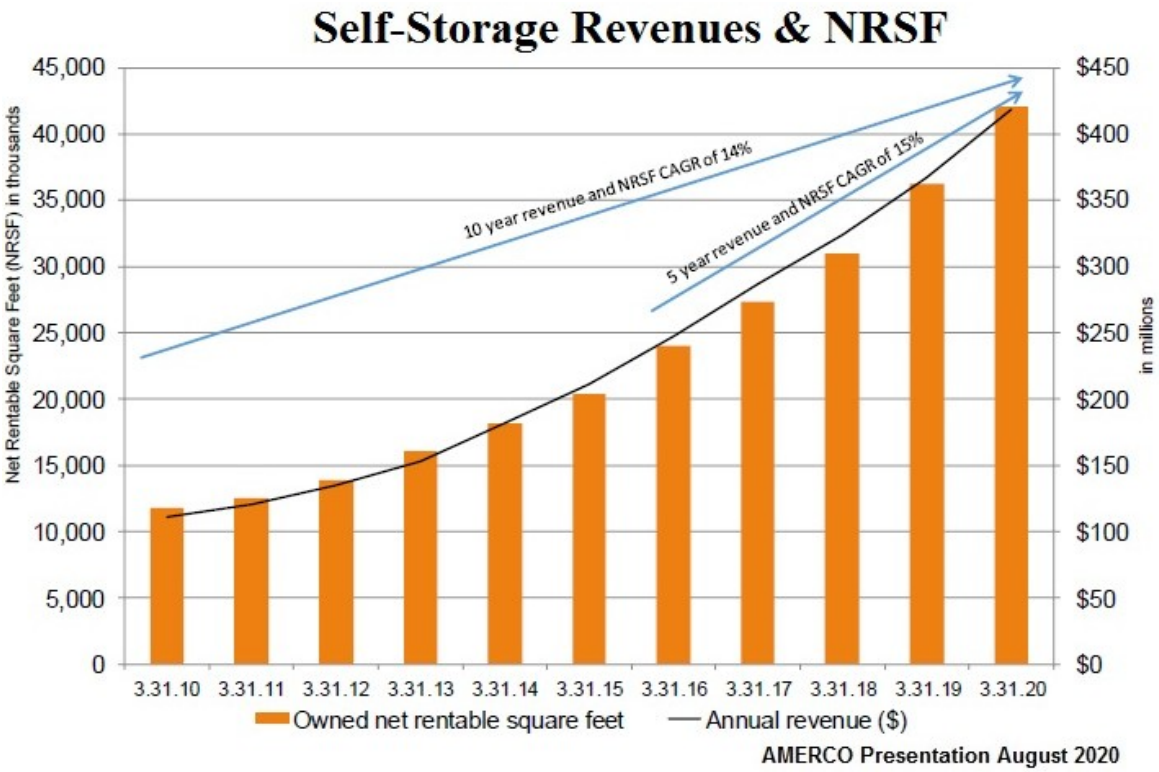
U-Haul operates almost **774,000 rentable storage units**, comprising approximately **66.7 million square feet** of storage space in all 50 United States and 10 Canadian provinces. The target market for the rental of storage units is for the storage of household goods. Individual storage units range in size from 6 square feet to 1,000 square feet. The company's provide **competitive self-storage services**, such as an electronic system that monitors the storage facility 24 hours a day (Max Security), access during extended hours and individually alarmed units. Many locations include climate controlled facilities, which is a growing trend in the self-storage industry.

Self-Storage Presence



AMERCO Presentation August 2020

Self-storage revenues have increased in the 13%-to-14% range over the last two fiscal years (13.4% in FY 2019 and 14.0% in FY 2020). The robust top-line growth was driven both by increased occupancy at existing locations (+12.0% in FY 2019 and 16.0% in FY 2020) and from the addition of new facilities. During fiscal 2019, approximately 5.3 million net rentable square feet was added, a 10.0% increase, and in fiscal 2020, net rentable square feet increased by 9.9%, which added approximately 5.8 million square feet.



AMERCO Presentation August 2020

AMERCO	Key Statistics			
Fiscal Year	Self-Storage Locations	Self-Storage Rentable rooms	Self-Storage (sq. ft.)	Company-owned Self-Storage Occupancy
FY 2010	1,100	402,000	35,500,000	75.2%
YOY change	0.92%	1.77%	1.43%	N/M
FY 2011	1,115	411,000	36,300,000	75.8%
YOY change	1.36%	2.24%	2.25%	N/M
FY 2012	1,140	423,000	37,800,000	76.9%
YOY change	2.24%	2.92%	4.13%	N/M
FY 2013	1,180	445,000	40,000,000	78.7%
YOY change	3.51%	5.20%	5.82%	N/M
FY 2014	1,220	467,000	42,100,000	80.5%
YOY change	3.39%	4.94%	5.25%	N/M
FY 2015	1,280	491,000	44,200,000	81.7%
YOY change	4.92%	5.14%	4.99%	N/M
FY 2016	1,360	536,000	47,900,000	80.1%
YOY change	6.25%	9.16%	8.37%	N/M
FY 2017	1,440	581,000	51,400,000	75.8%
YOY change	5.88%	8.40%	7.31%	N/M
FY 2018	1,519	632,000	55,200,000	71.6%
YOY change	5.49%	8.78%	7.39%	N/M
FY 2019	1,631	697,000	60,700,000	68.7%
YOY change	7.37%	10.28%	9.96%	N/M
FY 2020	1,745	774,000	66,700,000	67.7%
YOY change	6.99%	11.05%	9.88%	N/M
5-year CAGR	6.39%	9.53%	8.58%	N/M
10-year CAGR	4.72%	6.77%	6.51%	N/M

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

INSURANCE OPERATIONS

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

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

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

Oxford Life Insurance is rated A- by A.M. Best while **Repwest Insurance Company was upgraded to an A financial rating on September 24, 2020**. Oxford is a member of the Federal Home Loan Bank.

AMERCO

Insurance Company Operations

Amounts in Millions	(12 months)		
Insurance Company Results	FY20	FY19	FY18
Life insurance premiums	$ 128.0	$ 63.5	$ 154.7
Property & casualty ins. premiums	69.1	63.5	58.8
Net investment income	128.9	98.7	99.9
Other revenue	4.5	4.8	5.0
Total revenues	330.5	230.5	318.4
Operating expenses	55.2	48.8	54.8
Benefits and losses	174.8	100.3	185.3
Amortization of DAC	31.2	28.6	24.5
Total expenses	261.2	177.7	264.6
Earnings from operations	69.3	52.8	53.8
Income tax expense	(13.5)	(11.1)	(6.8)
Net earnings	$ 55.8	$ 41.7	$ 47.0
Net earnings - Life Ins.	21.9	20.1	24.1
Net earnings - P&C Ins.	33.9	21.7	22.9
Selected Balance Sheet Data as of:	12.31.19	12.31.18	12.31.17
Total assets - Life Ins.	$ 2,640.0	$ 2,370.5	$ 2,170.0
Total assets - P&C Ins.	485.7	471.3	465.4
GAAP equity - Life Ins.	417.4	311.7	332.9
GAAP equity - P&C Ins.	251.1	222.4	211.2

AMERCO Presentation August 2020

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

VALUATION

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

From an investment perspective, both types of operations are **generally valued on the metric of EV-to-EBITDA** (Enterprise Value-to-Earnings Before Interest, Taxes, Depreciation and Amortization). From the Industry Comparable table below, it is easily observable that self-storage operations are valued at a much higher EV-to-EBITDA basis (21.8 on average compared to only 5.8 for truck rental companies) due to the each industry's fundamental attributes described above. Due to the small sample size of public truck rental companies (since Penske and Enterprise are not publicly traded), the EV-to-EBITDA metric is distorted. If one expands the rental industry to include Equipment Rental & Leasing operations, the average EV-to-EBITDA ratio expands to 7.5.

Industry Comparables	**Ticker**	**% Chg YTD**	**P/E CFY**	**Price/ Book**	**Price/ Sales**	**EV/ EBITDA**
AMERCO	**UHAL**	8.7	15.2	2.0	2.2	8.7
S&P 500	**SPX**	4.2	25.4	4.0	2.7	14.2
TRUCK RENTAL COMPANIES						
RYDER SYSTEM INC	**R**	11.7	N/A	1.7	0.4	4.9
AVIS BUDGET GROUP	**CAR**	15.9	3.4	7.1	0.5	6.7
Industry Mean		**13.8**	**3.4**	**4.4**	**0.4**	**5.8**
SELF-STORAGE COMPANIES						
CUBESMART	**CUBE**	6.4	N/A	3.9	10.2	21.6
EXTRA SPACE STORAGE INC	**EXR**	1.1	43.7	6.4	11.5	23.5
LIFE STORAGE INC	**LSI**	5.7	N/A	2.5	9.0	22.5
NATIONAL STORAGE AFFILIATES TRUST	**NSA**	4.0	N/A	3.6	5.6	17.9
PUBLIC STORAGE INC	**PSA**	5.6	32.2	8.5	14.1	23.3
Industry Mean		**4.6**	**37.9**	**5.0**	**10.1**	**21.8**

Over the last ten years, AMERCO's stock has traded in an ever increasing EV-to-EBITDA range. For historical perspective, in 2011 the range was 2.2-to-3.9; by 2015 the range expanded to 6.0-to-7.6. In the last 12 months, the range was between 7.6 and 9.3. On average, the end-points of the range have increased by approximately by 0.54 each year over the last decade.

We believe there are several fundamental drivers that are causing the range end-points to increase, two of which relate to the company's operations. First, the base of operations is growing with the truck fleet increasing at a 10-year CAGR of 6.03%, the number of company stores having grown at 3.96% and self-storage square-footage having increased by a CAGR of 6.51%. Second, the rate of self-storage square-footage growth is accelerating with the last two years increasing by just under 10% in both FY 2019 and FY2019. As a result, the higher multiple self-storage operations are becoming a larger percentage of the company from a low base (10.5% of revenues in FY 2020) and further expanding the EV-to-EBITDA multiple.

Looking out 12 months, we expect the EV-to-EBITDA range to expand to 8.1-to-9.8. At the high end of the range, a **target price of $556** is indicated.

RISKS

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

INSIDER TRADING AND OWNERSHIP

Insiders hold or control about 46.4% of outstanding shares. Willow Grove Holdings LP (a Shoen family investment vehicle) beneficially owns 9,092,814 shares (or 42.5% of the shares outstanding). In addition, the Employee Stock Ownership Plan (ESOP) holds 1,003,040 shares (5.1%)

Institutions currently hold approximately 36.2% of the outstanding shares. The largest institutional holders include The Vanguard Group (3.8% of the shares outstanding), BlackRock Institutional Trust Company (3.5%), Wellington Management Company (3.1%), Abrams Capital (2.9%), and Dimensional Fund Advisors (2.4%).

BALANCE SHEET

AMERCO					
(in $US'000 except share data)	FY 2017	FY 201	FY 201	FY 2020	3Q FY 2021
Period ending	3/31/2017	3/31/2018	3/31/2019	3/31/2020	12/31/2020
ASSETS					
Cash and cash equivalents	697,806	759,388	673,701	494,352	1,398,840
Reinsurance recoverables & trade receivables	178,081	193,538	224,785	186,672	224,447
Inventories and parts	82,439	89,877	103,504	101,083	104,180
Prepaid expenses	124,728	165,692	174,100	562,904	450,889
Investm'ts, fixed maturities & mktable equities	1,663,768	1,919,860	2,235,397	2,492,738	2,606,953
Investments, other	367,830	399,064	300,736	360,373	447,902
Deferred policy acquisition costs	130,213	124,767	136,276	103,118	92,139
Other assets	97,525	244,782	78,354	71,956	44,261
Right of use assets - financing	-	-	-	1,080,353	920,321
Right of use assets - operating	-	-	-	106,631	97,186
Related party assets	86,168	33,276	30,889	34,784	34,963
Total Current Assets	**3,428,558**	**3,930,244**	**3,957,742**	**5,594,964**	**6,422,081**
Land	648,757	827,649	976,454	1,032,945	1,059,177
Buildings and improvements	2,618,265	3,140,713	4,003,726	4,663,461	4,996,900
Furniture and equipment	510,415	632,803	689,780	752,363	778,732
Rental trailers and other rental equipment	492,280	545,968	590,039	511,520	552,892
Rental trucks	4,091,598	4,390,750	4,762,028	3,595,933	3,629,888
(Accumulated depreciation)	(2,384,033)	(2,721,142)	(3,088,056)	(2,713,162)	(2,992,365)
TOTAL ASSETS	**9,405,840**	**10,746,985**	**11,891,713**	**13,438,024**	**14,447,305**
Accounts payable and accrued expenses	450,541	510,678	556,873	554,353	608,765
Deferred income taxes, net					
Total Current Liabilities	**450,541**	**510,678**	**556,873**	**554,353**	**608,765**
Notes, loans and finance/capital leases payable	3,262,880	3,513,076	4,163,323	4,621,291	4,678,227
Operating lease liabilities	-		-	106,443	97,224
Policy benefits & losses, claims & loss exp. payable	1,086,322	1,248,033	1,011,183	997,647	1,013,582
Liabilities from investment contracts	1,112,498	1,364,066	1,666,742	1,802,217	1,997,936
Other policyholders' funds and liabilities	10,150	10,040	15,047	10,190	34,867
Deferred income	28,696	34,276	35,186	31,620	37,005
Deferred income taxes, net	835,009	658,108	750,970	1,093,543	1,222,544
Non-Current Liabilities	**6,335,555**	**6,827,595**	**7,642,451**	**8,662,951**	**9,081,385**
TOTAL LIABILITIES	**6,786,096**	**7,338,277**	**8,199,324**	**9,217,304**	**9,690,150**
SHAREHOLDERS' EQUITY					
Common Stock	10,497	10,497	10,497	10,497	10,497
Additional paid-in capital	452,172	452,746	453,326	453,819	453,819
Accumulated other comprehensive income	(51,236)	(4,623)	(66,698)	34,652	85,910
Retained earnings	2,892,893	3,635,561	3,976,962	4,399,402	4,884,579
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	(6,932)	(7,823)	(4,048)	-	-
Total stockholders' equity	**2,619,744**	**3,408,708**	**3,692,389**	**4,220,720**	**4,757,155**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**9,405,840**	**10,746,985**	**11,891,713**	**13,438,024**	**14,447,305**
Shares outstanding	19,607,788	19,607,788	19,607,788	19,607,788	19,607,788

PROJECTED ANNUAL NCOME STATEMENTS

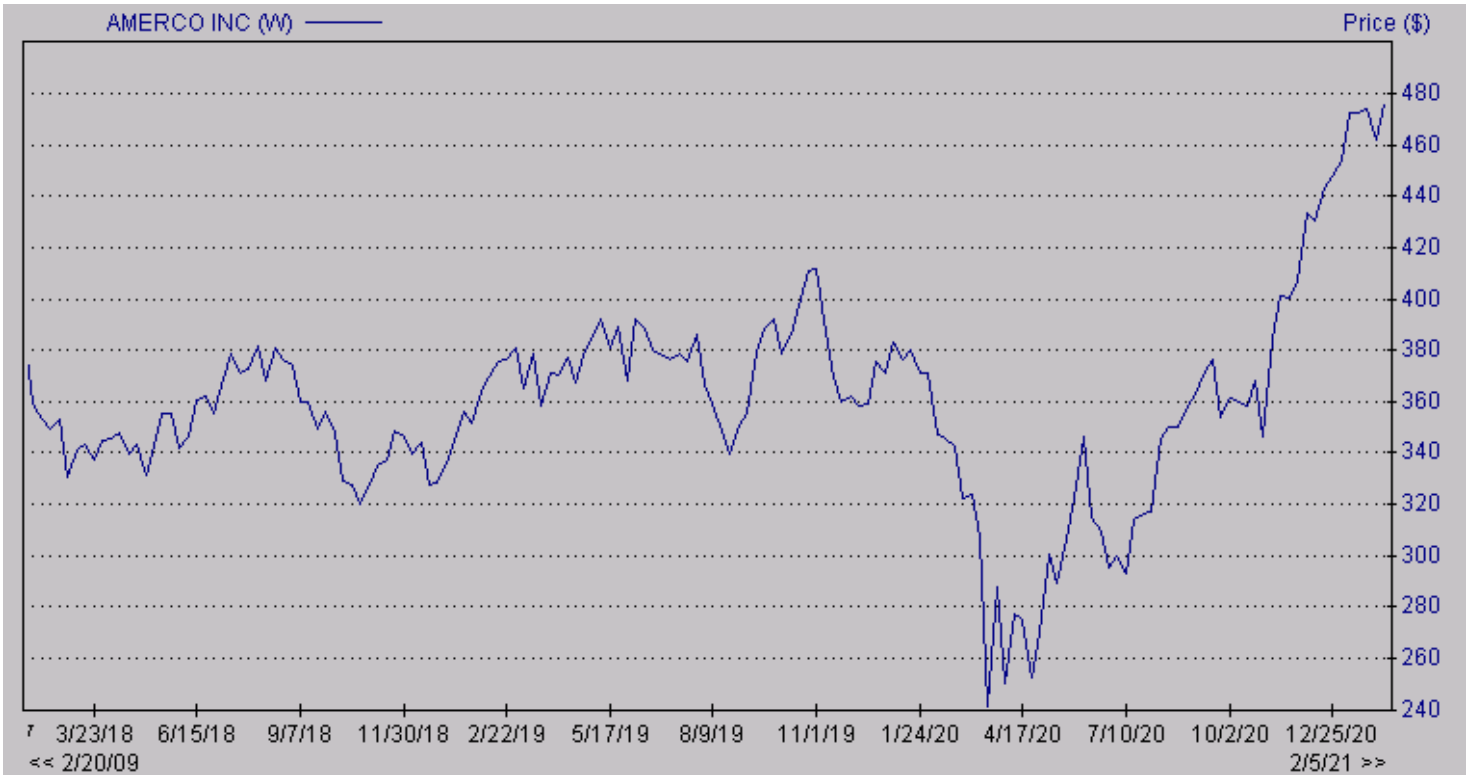
AMERCO

Income Statement (in $US '000, except share and per share data)	2016 3/31/2016	2017 3/31/2017	2018 3/31/2018	2019 3/31/2019	2020 3/31/2020	2021 E 3/31/2021
Revenues						
Self-moving equipment rentals	2,297,980	2,362,83	2,479,74	2,653,49	2,692,41	3,058,66
Self-storage revenues	247,944	286,886	323,903	367,276	418,741	472,697
Self-moving/self-storage prod. & svc.	251,541	253,073	261,557	264,146	265,091	337,829
Property management fees	26,533	29,075	29,602	29,148	30,406	31,056
Life insurance premiums	162,662	163,579	154,703	63,488	127,976	122,194
P&C insurance premiums	50,020	52,334	57,100	60,853	66,053	64,879
Net investment & interest income	86,617	102,276	110,473	110,934	137,829	119,895
Other revenue	152,171	171,711	184,034	219,365	240,359	274,066
Total Revenues	**3,275,468**	**3,421,767**	**3,601,114**	**3,768,707**	**3,978,868**	**4,481,285**
Expenses						
Operating expenses	1,470,047	1,568,083	1,807,056	1,981,180	2,117,148	2,085,587
Commission expenses	262,627	267,230	276,705	288,408	288,332	328,110
Cost of sales	144,990	152,485	160,489	162,142	164,018	204,867
Benefits and losses	167,436	182,710	185,311	100,277	174,836	188,160
Amort. of deferred policy acq. costs	23,272	26,218	24,514	28,556	31,219	27,833
Lease expense	49,780	37,343	33,960	33,158	26,882	27,993
Depreciation, net gains on disposals of ($	291,235	449,025	543,247	554,043	637,063	607,615
Net gains on disposal of real estate	(545)	(3,590)	(195,414)	(44)	(758)	4,293
Total Operating Expenses	**2,408,842**	**2,679,504**	**2,835,868**	**3,147,720**	**3,438,740**	**3,474,458**
Earnings from operations	**866,626**	**742,263**	**765,246**	**620,987**	**540,128**	**1,006,828**
Other components of net periodic benefit	-		(927)	(1,013)	(1,054)	(986)
Interest expense	(97,715)	(113,406)	(126,706	(142,445	(160,950)	(167,457)
Fees and amortization on early extinguish	-	(499)	-			
Total Other Income (Expenses)	**(97,715)**	**(113,905)**	**(127,633)**	**(143,458**	**(162,004**	**(168,443**
Pretax earnings	**768,911**	**628,358**	**637,613**	**477,529**	**378,124**	**838,384**
Income tax benefit (expense)	(279,910)	(229,934	152,970	(106,672)	63,924	(201,912)
Net Income	**489,001**	**398,424**	**790,583**	**370,857**	**442,048**	**636,472**
Basic and diluted loss per share	**24.95**	**20.34**	**40.36**	**18.93**	**22.55**	**32.46**
Wgted. Avg. Shares Out. - diluted	19,596,110	19,586,606	19,588,889	19,592,048	19,603,708	19,607,788

PROJECTED QUARTERLY INCOME STATEMENTS

AMERCO						
Income Statement		**1Q**	**2Q**	**3Q**	**4Q E**	**FY**
	FY 2020	**FY 202**	**FY 202**	**FY 202**	**FY 202**	**FY 202**
(in $US "000 except share and per share data)	**3/ 31/ 2020**	**6/ 30/ 2020**	**9/ 30/ 2020**	**12/ 31/ 2020**	**3/ 31/ 2021**	**3/ 31/ 2021**
Revenues						
Self-moving equipment rentals	2,692,413	654,285	931,03(	808,215	665,139	3,058,669
Self-storage revenues	418,741	108,95[	115,27[	123,024	125,445	472,69[
Self-moving/self-storage prod. & svc.	265,091	91,350	98,628	74,58[	73,265	337,829
Property management fees	30,406	7,347	7,84(	8,76[	7,10[	31,056
Life insurance premiums	127,976	30,908	31,057	29,99[	30,236	122,194
P&C insurance premiums	66,053	13,73[	15,869	19,93[	15,343	64,87[
Net investment & interest income	137,829	16,982	33,333	35,58(	34,000	119,895
Other revenue	240,359	63,676	91,878	69,88[	48,626	274,066
Total Revenues	**3,978,868**	**987,237**	**1,324,908**	**1,169,982**	**999,158**	**4,481,285**
Expenses						
Operating expenses	2,117,148	492,662	574,083	539,942	478,900	2,085,587
Commission expenses	288,332	69,175	99,365	86,89[	72,679	328,110
Cost of sales	164,018	52,831	60,933	45,75[	45,351	204,867
Benefits and losses	174,836	39,577	45,452	45,63[	57,500	188,160
Amort. of deferred policy acq. costs	31,219	6,888	5,55[	6,57[	8,82[	27,833
Lease expense	26,882	6,603	6,87(	7,52[	6,99[	27,993
Depreciation	637,063	165,67[	137,43[	152,602	151,904	607,61[
Net gains on disposal of real estate	(758)	(256)	3,425	1,12[	0	4,293
Total Operating Expenses	**3,438,740**	**833,151**	**933,11[**	**886,03[**	**822,15[**	**3,474,458**
Earnings from operations	**540,128**	**154,086**	**391,79(**	**283,94[**	**177,00[**	**1,006,828**
Other comp. net periodic benefit costs	(1,054)	(247)	(246)	(247)	(246)	(986)
Interest expense	(160,950)	(39,521)	(40,525)	(42,128	(45,283)	(167,457)
Fees & amort. early exting. of debt	-		-	-		
Total Other Income (Expenses)	**(162,004)**	**(39,768)**	**(40,771)**	**(42,375)**	**(45,529**	**(168,443)**
Pretax earnings	**378,124**	**114,318**	**351,01[**	**241,57[**	**131,47[**	**838,384**
Income tax benefit (expense)	63,924	(26,592)	(84,654)	(58,586	(32,080)	(201,912)
Net Income	**442,048**	**87,726**	**266,365**	**182,98[**	**99,396**	**636,472**
Basic and diluted loss per share	**22.55**	**$4.47**	**$13.58**	**$9.33**	**$5.07**	**32.46**
Wgted. Avg. Shares Out. - diluted	19,603,708	19,607,788	19,607,78[	19,607,78[	19,607,788	19,607,78[

HISTORICAL STOCK PRICE



Source: Zacks Investment Research

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