Robert Dunn **Michael Wolleben**

Hidden Opportunities

Valuing possible breakups by providing sum-of-the-parts analysis.

- ✓ Amerco (NASDAQ: UHAL), the parent company of U-Haul, North America's largest do-it-yourself (DIY) moving company, operates three reportable segments: (1) Moving & Storage (93% of sales and 96.5% of EBITDA in F2021), which rents trucks, trailers, and towing equipment as well as owns/operates a large portfolio of self-storage space; (2) Property & Casualty Insurance (2% of sales and 2% of EBITDA), comprised primarily of Repwest Insurance, which provides insurance for U-Haul customers and equipment; and (3) Life Insurance (5% of revenue and 1.5% of EBITDA in F2021), which serves the senior citizen market via its Oxford subsidiary.

- ✓ UHAL is the dominant player in the DIY moving market, with durable competitive advantages in proximity, availability, and price. In our estimation, at ~5.0x F2023E EV/EBITDA and ~9.0x F2023E EPS, UHAL is undervalued relative to the sum value of its parts, particularly the high-margin/low-incremental-capex Storage portion of its core business. In that context, we would also highlight the stark shift in management's tone during the company's most recent earnings call, which suggested a seemingly greater willingness to explore potential avenues for unlocking incremental value from its self-storage business (e.g., via a REIT conversion or a spin-off, among others) as well as potentially to pursue ancillary measures, such as the institution of a regular dividend, a stock split, share repurchases, and/or a change in the corporate moniker to U-Haul.

- ✓ Considering our financial projections as well as peer and M&A valuations, value of $902 per share and $18 per share can be assigned to UHAL's Moving & Storage and Insurance businesses. Accounting for projected net debt of ~$155 per share yields a base-case sum-of-the-parts value of roughly $765 per share (with bull/bear cases of $907 per share and $624 per share, respectively).

- ✓ Potential catalysts include the monetization/separation of assets, earnings growth, more granular financial disclosures, and/or the implementation of a regular dividend, stock split, or share repurchase program. Potential risks include management execution, competition/pricing pressure, and/or a recession.

Amerco

(NASDAQ: UHAL)

Date (5/11/22)

Price $520.96/share

Market capitalization ~$10.6B

Moving & Storage: $902/share

Moving: $323/share

Storage: $579/share

Insurance: $18/share

Repwest: $7/share

Oxford: $11/share

Corporate/Net Debt: ($155/share)

SOTP: $765 per share

(See the prior report dated 6/1/2018 and updates from 8/14/2018, 3/27/2020, 5/28/2020, 8/6/2020, 11/5/2020, 2/4/21 and 8/5/2021 for more info.)

NOTE: This publication could be considered as advocating for corporate restructurings. Authors select companies for this report based on the potential for a future value-unlocking transaction. In many cases, these companies have or could come under activist investor pressure, media scrutiny, or general market speculation that a spin-off or asset sale is possible.

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The Background

Amerco (NASDAQ: UHAL), headquartered in Phoenix, AZ, dates back to 1945, when Leonard and Anna Shoen essentially created the do-it-yourself (DIY) moving market with the founding of The U-Haul Trailer Rental Co. Upon returning home from World War II, Mr. Shoen decided to move his family from Los Angeles, CA to Portland, OR, an endeavor that proved difficult given the lack of rental trailing equipment available for one-way, inter-city moves. By the end of 1945, U-Haul had about 30 trailers in use throughout the Pacific Northwest (i.e., Portland, Seattle, and Vancouver). By the end of 1959, U-Haul had almost 43,000 trailers available (and was in the process of introducing trucks) via a network of independent dealers throughout most of the U.S. and in Canada. In 1969, Mr. Shoen established the parent company of U-Haul as the American Family Corporation, and in 1974 he began building out a network of company-owned sites, which helped spur its entry into the self-storage and insurance businesses. The company went public in 1994 and currently reports three operating segments (see Background #1): (1) Moving & Storage (93% of revenue and 96.5% of EBITDA in F2021), which includes the core U-Haul equipment rental business as well as its self-storage real estate operations; (2) Property & Casualty Insurance (2% of revenue and 2% of EBITDA), which is primarily comprised of Repwest; and (3) Life Insurance (5% of revenue and 1.5% of EBITDA in F2021), via its Oxford subsidiary. (Note: Although the company reports three segments, we attempt to separate and evaluate Amerco's business as four segments: truck rental, self-storage real estate, and the two insurance businesses.)

Background #1 Amerco: Consolidated Selected Financial Items, F2015–F2023E
($ in millions, except per share amounts; fiscal years ending March)

	F2015	F2016	F2017	F2018	F2019	F2020	F2021	F2022E	F2023E
Revenue:									
Moving & Storage	$2,800.4	$2,984.5	$3,113.0	$3,290.7	$3,545.8	$3,657.8	$4,231.7	$5,007.6	$5,246.1
Repwest	$59.3	$64.8	$69.0	$74.6	$75.8	$89.1	$86.7	$93.9	$94.9
Oxford	$219.7	$231.2	$245.6	$243.9	$154.7	$241.5	$232.6	$238.1	$241.5
Eliminations	($4.8)	($5.1)	($5.8)	($8.0)	($7.7)	($9.4)	($9.1)	($12.5)	($12.5)
Total	**$3,074.5**	**$3,275.5**	**$3,421.8**	**$3,601.1**	**$3,768.7**	**$3,978.9**	**$4,542.0**	**$5,327.2**	**$5,569.9**
Operating income:									
Moving & Storage	$610.4	$813.1	$688.9	$712.7	$569.2	$472.0	$906.9	$1,688.7	$1,617.0
Repwest	$23.5	$24.5	$27.2	$25.9	$27.4	$42.9	$32.5	$35.2	$33.2
Oxford	$29.8	$29.8	$27.6	$28.0	$25.5	$26.4	$22.9	$20.2	$24.1
Eliminations	($0.6)	($0.8)	($1.5)	($1.3)	($1.1)	($1.1)	($1.1)	($2.5)	($2.5)
Total	**$663.0**	**$866.6**	**$742.3**	**$765.2**	**$621.0**	**$540.1**	**$961.1**	**$1,741.6**	**$1,671.9**
EBITDA:									
Moving & Storage	$888.6	$1,104.4	$1,137.9	$1,255.9	$1,123.3	$1,109.0	$1,516.8	$2,164.4	$2,062.9
Repwest	$23.5	$24.5	$27.2	$25.9	$27.4	$42.9	$32.5	$35.2	$33.2
Oxford	$29.8	$29.8	$27.6	$28.0	$25.5	$26.4	$22.9	$20.2	$24.1
Eliminations	($0.6)	($0.8)	($1.5)	($1.3)	($1.1)	($1.1)	($1.1)	($2.5)	($2.5)
Total	**$941.2**	**$1,157.9**	**$1,191.3**	**$1,308.5**	**$1,175.0**	**$1,177.2**	**$1,571.1**	**$2,217.4**	**$2,117.8**
EPS (as reported)	$18.21	$24.95	$20.34	$40.36	$18.93	$22.55	$31.15	$60.04	$57.58
Adjusted EPS	**$20.17**	**$24.95**	**$19.55**	**$14.86**	**$18.93**	**$15.10**	**$31.15**	**$60.04**	**$57.58**

Source: Company reports, Bloomberg, and Institutional Research Group estimates.

For a degree of context on the following discussion, we would remind readers that we previously recommended shares of UHAL between May 2018 and October 2021 (over which time the shares appreciated ~126.5% compared with a 68% gain in the S&P 500 and a 40.5% rise in the Russell 2000). At the time we closed our coverage, shares were trading roughly in line with our fair value estimate, but, per our custom, we committed to continue monitoring the shares for an opportunity to re-recommend if valuation shifted or if incremental progress was made toward potential strategic alternatives (for further details, see our close coverage update from 10/22/21).

In the interim (i.e., October 2021 to May 2022), we contend that both of the aforementioned conditions have, at least in part, begun to materialize at UHAL: (1) the shares have declined ~28% (versus a ~12% drop in the S&P and a 23% swoon in the Russell) to a near 52-week low and currently trade at ~5.0x F2023E EBITDA and ~9.0x 2023E EPS; and (2) management's commentary regarding its willingness to explore potential avenues for unlocking the value of its self-storage/real estate assets (as well as other ancillary options) has, in our estimation, anecdotally but markedly shifted (toward these options being more realistic possibilities).

Specifically, we would highlight that on the 3Q F2022 conference call, an investor observed that the market capitalization of similarly sized self-storage competitors, such as Life Storage (NYSE: LSI), were roughly equivalent to UHAL even though UHAL's own self-storage business accounts for just ~10% of total sales, and further asked what management could/would do to "close" this perceived "value gap" (implicitly suggesting that little value is currently being placed on the company's core truck rental business). In response, Amerco's chief executive Joe Shoen, who along with brother Mark controls more than 40% of shares, replied, "Your question is a good question. It's a question that is regularly discussed at the Board level, and we're trying to figure out how to do that. And hopefully, we'll have some news for you before the year is out, but we'll see….my time gets spent almost entirely on just driving up the business and these other questions are a little bit more this long-term strategy. It's a little bit more what we work at the Board level. So I don't consider myself an expert on what's going to determine our market cap. But we're moving it. We're going to – I like moving and I'm a shareholder like you are so I'd like to see our market cap up." To be sure, this was not the first time in recent years that an investor has given UHAL this type of feedback, along with a recommendation for ancillary actions, including, in what we view as the order of likelihood, the institution of a regular dividend (of "at least several dollars per share on a quarterly basis"), a stock split ("5-for-1"), share repurchases, and a change in the corporate moniker to the well-recognized U-Haul brand. Anecdotally, however, we discern management's response as representing a marked departure from previous public comments, which, in our view, consistently indicated a decidedly more tepid/dismissive stance regarding potential strategic options. Moreover, with respect to the aforementioned ancillary recommendations, which an investor described as "just very easy, prudent steps" to "create some more value for all of us as well as your family," while adding that "the time is right", management's 3Q F2022 commentary was similarly more conciliatory, with Mr. Shoen professing, "Well, I'm hearing you here, and you may be penetrating my – sometimes competitive feedback works. So I'm taking this seriously. Okay?"

While arguably less significant (as well as being less predictable from a timing perspective), we would also note that, considering the company has been acquiring properties in prime areas of major metropolitan markets since the mid-1970s, Amerco could potentially unlock a degree of incremental value via the opportunistic monetization of its real estate portfolio for re-development. To that end, in F2018, Amerco realized a pre-tax gain of $191 million from the sale of a portion of the company's facility in the Chelsea area of New York City (on 23rd Street and 11th Avenue). The property that was sold was held on the balance sheet with a book value of $5 million; thus, the transaction was structured as an IRS Section 1031 "like-kind" exchange (to minimize tax leakage). The deal, which included some so-called "air rights," was with Related Companies (private), the developer of the nearby Hudson Yards project, which was planning a 22-story mixed-use development at the site. Lastly, while U-Haul and Repwest are clearly complementary, the Oxford life insurance business is operated as a standalone financial asset and could be a potential source of optionality.

Moving & Storage

The Moving & Storage segment, which accounted for 93% of consolidated sales in F2021 and 96.5% of EBITDA, is comprised of two primary subdivisions: (1) Moving, which rents a fleet of ~350,000 pieces of equipment, including trucks (176,000), trailers (126,000), and towing equipment (46,000) as well as providing branded services and products, including packing and moving supplies, to do-it-yourself movers via a network of more than 23,000 company-owned (~2,100) and independently operated (~21,000) retail locations throughout the U.S. and Canada. The company also operates one the largest propane refilling networks in North America with over 1,200 locations. (2) Storage, which operates ~70.5 million square feet of self-storage space across ~1,785 locations in all 50 U.S. states and 10 Canadian provinces. (See Background #2.) (Note: The company currently discloses only consolidated results for its Moving & Storage segment, but, using the more granular reporting approach employed prior to F2015 as a framework, we attempt to separate and evaluate this segment in two separate pieces.)

Background #2 Amerco: Moving & Storage Segment, Selected Items, F2015-F2023E

($ in millions; fiscal years ending March)

	F2015	F2016	F2017	F2018	F2019	F2020	F2021	F2022E	F2023E
Revenue:									
Self-moving equipment rental	$2,150.0	$2,301.6	$2,366.5	$2,484.0	$2,656.3	$2,696.5	$3,086.8	$3,614.9	$3,758.9
Self-storage revenue	$211.1	$247.9	$286.9	$323.9	$367.3	$418.7	$477.3	$599.2	$674.0
Products & Services	$244.2	$251.5	$253.1	$261.6	$264.1	$265.1	$344.9	$353.6	$362.4
Property management	$25.3	$26.5	$29.1	$29.6	$29.1	$30.4	$31.6	$33.2	$33.8
Net investment and interest income	$13.6	$8.8	$9.7	$12.2	$13.9	$10.6	$2.3	$2.5	$2.5
Other revenue	$156.2	$148.1	$167.8	$179.4	$215.1	$236.4	$288.8	$404.3	$414.4
Total	**$2,800.4**	**$2,984.5**	**$3,113.0**	**$3,290.7**	**$3,545.8**	**$3,657.8**	**$4,231.7**	**$5,007.6**	**$5,246.1**
Operating income	**$610.4**	**$813.1**	**$688.9**	**$712.7**	**$569.2**	**$472.0**	**$906.9**	**$1,688.7**	**$1,617.0**
Depreciation, net of disposals	$278.2	$291.2	$449.0	$543.2	$554.0	$637.1	$609.9	$475.7	$445.9
EBITDA	**$888.6**	**$1,104.4**	**$1,137.9**	**$1,255.9**	**$1,123.3**	**$1,109.0**	**$1,516.8**	**$2,164.4**	**$2,062.9**
Operating margin	21.8%	27.2%	22.1%	21.7%	16.1%	12.9%	21.4%	33.7%	30.8%
EBITDA margin	31.7%	37.0%	36.6%	38.2%	31.7%	30.3%	35.8%	43.2%	39.3%
Operating statistics:									
Moving									
Company owned locations	1,600	1,700	1,750	1,790	1,981	2,065	2,100	2,150	2,250
Independently owned locations	18,200	19,500	20,000	20,000	20,022	20,100	21,100	22,000	22,250
Total	**19,800**	**21,200**	**21,750**	**21,790**	**22,003**	**22,165**	**23,200**	**24,150**	**24,500**
Trucks	135,000	139,000	150,000	161,000	167,000	176,000	176,000	182,333	184,975
Trailers	107,000	108,000	112,000	118,000	120,000	127,000	126,000	144,900	147,000
Towing	38,000	38,000	40,000	42,000	43,000	41,000	46,000	47,696	48,388
Total	**280,000**	**285,000**	**302,000**	**321,000**	**330,000**	**344,000**	**348,000**	**374,929**	**380,363**
Storage									
Total locations	1,280	1,360	1,440	1,519	1,581	1,745	1,781	1,827	1,857
Total square footage	44,200	47,900	51,400	55,200	60,700	66,700	70,500	75,132	78,787
Owned									
Room count	232	275	318	366	428	503	539	585	615
Square footage	20,318	23,951	27,305	30,974	36,237	42,082	45,746	49,140	52,275
Average monthly occupancy	81.7%	80.1%	75.8%	71.6%	68.7%	67.7%	71.8%	82.0%	85.0%
Avg. monthly occupied sq. footage	16,021	18,231	20,386	22,177	24,862	28,946	33,700	40,295	44,434

Source: Company reports, Bloomberg, and Institutional Research Group estimates.

Moving

U-Haul, the largest do-it-yourself moving outfit in North America, operates a fleet of roughly 176,000 trucks, ranging from 10 feet to 26 feet in length (along with cargo vans and pickup trucks), primarily manufactured by Ford (NYSE: F) and General Motors (NYSE: GM), as well as an additional 172,000 trailers and pieces of towing equipment, via a network of almost 23,000 company-owned and independently operated retail locations. (Independent U-Haul dealers are provided with equipment by the company and receive a commission, generally around 21% of gross revenue, to act as the agent on rental transactions.) Within its Moving business, U-Haul has two basic types of rental transactions: (1) intra-city, where equipment is picked up and dropped off at the same location (or city); and (2) one-way (or inter-city), where the equipment is picked up at one location (or city) and returned at another. Rental reservations can be made online, through its mobile app, or over the phone, and the customer can also purchase or rent other items/services, such as boxes, packing supplies, moving pads, dollies, self-storage space, and labor, as well as insurance (for equipment and/or belongings).

While estimates vary, we believe that UHAL has a significant (i.e., 40%-50%) share of the do-it-yourself moving market, which excludes for-hire professional movers, with its next two largest competitors, namely Budget Truck Rental (now part of Avis Budget [NASDAQ: CAR]) and Penske Truck Leasing (part of Penske Automotive Group [NYSE: PAG]), being significantly smaller. Per public filings, Budget Truck Rental has ~20,000 vehicles being rented through a network of 850 company-owned (385) and independently operated (465) locations, while Penske Truck Leasing's so-called "consumer business" conducts rentals via a network of ~2,350 company-owned (390) and independently operated (1,950) locations (and a combined commercial and consumer fleet of ~98,000). (Note: Granular sales figures for the aforementioned competitors are not publicly disclosed, but in 2014 CAR indicated that its truck rental business generated $364 million in revenue from a fleet of 22,000 vehicles and a network of 1,550 locations, which marked a decline from the $373 million of sales generated in 2013, when the company's network consisted of 23,000 vehicles and 11,650 locations.) The remaining market share belongs to local and regional players as well as the non-core offerings of transportation concerns such as Enterprise (private), Ryder (NYSE: R), and ArcBest (NASDAQ: ARCB).

In our view, U-Haul has consistently exploited its first-mover advantage to build durable competitive superiority in what we discern are, at least from a customer's perspective, the main differentiating factors, namely the proximity of rental locations, the availability of equipment, and price. On the first two factors, U-Haul is many times the size of its next largest competitors, from both a retail location and fleet size perspective. (For context, UHAL's North American retail footprint is more than 35% larger than that of Starbucks [NASDAQ: SBUX].) With respect to pricing, we think the company's ability to allocate costs across its vast network and leverage technology to optimize asset utilization as well as to bundle high-margin ancillary products/services, such as packing materials, generally allow it to be the lowest-cost competitor in a given market (or for a particular transaction). On the technology front, in addition to the convenience of UHAL's online and mobile booking capabilities, we think the company's pricing and inventory control systems, which, among other things, help UHAL avoid/mitigate costly gluts of equipment in popular metropolitan centers, are a key advantage versus its competitors. (Note: our view on the strength of UHAL's competitive position is informed by several internal surveys we conducted using a broad sample of intra-city and inter-city rentals [e.g., Madison to Chicago, Boise to Missoula, New York to Boston, among others] demonstrating that UHAL is consistently either the only available, the most convenient, or the cheapest professional option in most markets.)

As mentioned previously, UHAL currently reports only consolidated results for its Moving & Storage segment, but prior to F2015 the company provided a degree of incremental granularity on its U-Haul and Real Estate businesses in the "Notes To Consolidated Financial Statements" section (pages F-42 thru F-44) of its 10-K filings. By our calculation, in F2011-F2014, the company's core U-Haul equipment Rental business generated compound annual top-line growth of ~9%, with operating margins in the mid-to-high teens. For F2014, the company posted top-line growth of 12.5% to ~$2.4 billion, with operating income and EBITDA of ~$413 million and ~$656 million, respectively (see Background #3).

Background #3 Amerco: Estimated Contribution of UHAL's Moving Business, F2011-F2014
($ in millions; fiscal years ending March)

	F2011	F2012	F2013	F2014
Total revenue	**$1,835.4**	**$1,998.3**	**$2,101.4**	**$2,365.0**
Operating income	**$242.0**	**$306.2**	**$319.6**	**$413.4**
Depreciation, net of disposals	$177.1	$195.5	$224.4	$242.7
EBITDA	**$419.1**	**$501.7**	**$544.0**	**$656.1**
Operating margin	13.2%	15.3%	15.2%	17.5%
EBITDA margin	**22.8%**	**25.1%**	**25.9%**	**27.7%**
Capital spending, net	**($228.5)**	**($355.9)**	**($309.4)**	**($421.1)**
Sales of PP&E	($407.5)	($524.3)	($524.4)	($688.6)
Purchases of PP&E	$179.0	$168.4	$215.0	$267.6
Total locations	16,400	16,950	17,890	18,940
Total equipment fleet	216,000	222,000	236,000	245,440

Source: Company reports, Bloomberg, and Institutional Research Group estimates.

With this framework in mind, we estimate the standalone Moving business generated a top-line CAGR of almost 6.5% in F2015-F2021, with an average operating margin in the low-teens (albeit with some lumpiness due to repair & maintenance, personnel, medical, IT, litigation, and depreciation expenses as well as asset utilization and gains on the sale of equipment). We think it important to note that UHAL's management team does not operate the business on a quarterly (or even yearly) basis; in their words, their "philosophy on growing earnings while maintaining a conservative balance sheet at times can lead to temporary dips in our earnings, which is part of our longer investment horizon."

In F2020 (March-ending), a period that encompassed the bulk of the COVID-19 pandemic-related shutdowns, we estimate the company's Moving business generated sales growth of 1.7% to $3.1 billion, with a ~38% decline in operating income to $173 million and a ~3.5% decline in EBITDA to $769 million. In F2021, we estimate the Moving business generated a top-line increase of ~16% to $3.6 billion, with operating income roughly tripling to $520 million and EBITDA advancing ~42% to $1.09 billion.

While management eschews forward-looking guidance, the company anecdotally indicated that its plans for net rental capex of ~$495 million in F2022 will likely result in modest fleet growth and that management's main focus is likely to remain on improving asset utilization. For our part, we think it reasonable to project average annual revenue growth of ~10% in F2022-F2023 with a somewhat more normalized margin profile, implying F2023E revenue, operating income, and EBITDA of $4.372 billion, $874.5 million, and $1.291 billion, respectively (see Background #4).

Background #4 Amerco: Estimated Contribution of UHAL's Moving Business, F2015-F2023E

($ in millions; fiscal years ending March)

	F2015	F2016	F2017	F2018	F2019	F2020	F2021	F2022E	F2023E
Revenue:									
Self-moving equipment rental	$2,150.0	$2,301.6	$2,366.5	$2,484.0	$2,656.3	$2,696.5	$3,086.8	$3,614.9	$3,758.9
Products & Services	$244.2	$251.5	$253.1	$261.6	$264.1	$265.1	$344.9	$353.6	$362.4
Net investment and interest income	$13.6	$8.8	$9.7	$12.2	$13.9	$10.6	$2.3	$2.5	$2.5
Other	$93.7	$88.9	$100.7	$107.7	$129.0	$141.9	$173.3	$242.6	$248.7
Total	**$2,501.5**	**$2,650.8**	**$2,729.9**	**$2,865.4**	**$3,063.4**	**$3,114.1**	**$3,607.3**	**$4,213.5**	**$4,372.5**
Operating income	**$356.3**	**$529.5**	**$382.5**	**$393.7**	**$279.8**	**$172.9**	**$519.7**	**$1,053.4**	**$874.5**
Depreciation, net of disposals	$260.1	$272.3	$419.8	$507.9	$518.0	$595.7	$570.3	$444.8	$416.9
EBITDA	**$616.4**	**$801.8**	**$802.3**	**$901.7**	**$797.8**	**$768.6**	**$1,090.0**	**$1,498.2**	**$1,291.4**
Operating margin	14.2%	20.0%	14.0%	13.7%	9.1%	5.6%	14.4%	25.0%	20.0%
EBITDA margin	**24.6%**	**30.2%**	**29.4%**	**31.5%**	**26.0%**	**24.7%**	**30.2%**	**35.6%**	**29.5%**
Operating statistics:									
Total locations	19,800	21,200	21,750	21,790	22,003	22,165	23,200	24,150	24,500
Total equipment fleet	280,000	285,000	302,000	321,000	330,000	344,000	348,000	374,929	380,363

Source: Company reports, Bloomberg, and Institutional Research Group estimates.

Storage

UHAL owns and/or operates ~70.5 million square feet of self-storage space at ~1,785 locations found throughout all 50 U.S. states and 10 Canadian provinces. (About 49 million of UHAL's square footage is company-owned, while the remainder is managed for third parties at a flat fee of around 6%.) Since F2015, UHAL has grown its total square footage at a compound annual rate of ~8%, or by some 26.5 million square feet (with owned square footage rising at an ~14.5% CAGR, or by about 25.4 million square feet). For context, on a standalone basis, U-Haul Self-Storage would be the third largest self-storage operator behind Public Storage (NYSE: PSA) and Extra Space Storage (NYSE: EXR), and ahead of other competitors, including Life Storage (NYSE: LSI) and Cube Smart (NYSE: CUBE). While the ~$39.5 billion U.S. market has consolidated somewhat in recent years, the storage sector remains highly fragmented, with the top 10 players having only about 25% of the total industry's square footage.

Management primarily utilizes several avenues to expand its self-storage footprint, including the conversion of previously underutilized real estate assets (e.g., former retail locations), the expansion of existing facilities, and/or the construction of new facilities. Management indicates that newly developed and/or converted facilities typically take two to three years to achieve cash flow positivity (although in certain locations that time frame can be as little as 12-18 months in the current environment). In that context, the company indicates that in the "stabilized" portion of its portfolio, defined as those locations that have been at 80% occupancy or better for the last two years, average occupancy is 95.7%. (As well, these so-called "stabilized" locations comprise ~80% of the overall portfolio.) At times, the company will make "one-off" purchases of existing storage sites, but these opportunities, given UHAL's disciplined approach, tend to be fewer, as competition in the acquisition market remains intense, with REIT players routinely paying 15x-25x forward earnings and/or capitalization rates routinely well below 6%.

As illustrated in Background #5, in F2011-F2014, years when the company provided more granular financial disclosures, we estimate the Storage business generated a top-line CAGR of 13.5%, with operating margins in the mid-80%s. For F2014, the company posted top-line growth of 14% to $200.5 million, with operating income and EBITDA of ~$172 million and ~$188 million, respectively.

Background #5 Amerco: Estimated Contribution of UHAL's Self-Storage Business, F2011-F2014
($ in millions; fiscal years ending March)

	F2011	F2012	F2013	F2014
Total revenue	**$137.2**	**$152.6**	**$175.6**	**$200.5**
Operating income	**$115.6**	**$129.6**	**$151.1**	**$171.6**
Depreciation, net of disposals	$12.1	$13.4	$13.6	$16.9
EBITDA	**$127.8**	**$143.1**	**$164.7**	**$188.4**
Operating margin	84.2%	85.0%	86.1%	85.6%
EBITDA margin	**93.1%**	**93.8%**	**93.8%**	**94.0%**
Capital spending, net	**($71.5)**	**($65.0)**	**($125.9)**	**($308.3)**
Sales of PP&E	($72.9)	($65.5)	($131.6)	($310.8)
Purchases of PP&E	$1.4	$0.5	$5.7	$2.5
Total square feet	36,300	37,800	40,000	42,100
Owned square feet	12,534	13,889	16,034	18,164
Occupancy	75.3%	74.9%	74.8%	80.5%
Occupied sq. ft (owned)	9,437	10,401	11,999	14,148

Source: Company reports, Bloomberg, and Institutional Research Group estimates.

With the preceding framework in mind, we estimate the standalone Storage segment generated a top-line CAGR of slightly more than 13% in F2015-F2021, with operating margins of 55%-85% (see Background #6). Notably, our margin assumptions reflect management's commentary regarding the near-term drag on occupancy (and overall profitability) from the company's robust footprint expansion in recent years, particularly considering that the mix of facility additions has skewed heavily toward conversions and developments as opposed to the purchase of existing facilities. (Again, management is notably willing to sacrifice near-term profitability for longer-term success.)

Background #6 Amerco: Estimated Contribution of UHAL's Self-Storage Business, F2015-F2023E
($ in millions; fiscal years ending March)

	F2015	F2016	F2017	F2018	F2019	F2020	F2021	F2022E	F2023E
Revenue:									
Self-storage revenue	$211.1	$247.9	$286.9	$323.9	$367.3	$418.7	$477.3	$599.2	$674.0
Property management	$25.3	$26.5	$29.1	$29.6	$29.1	$30.4	$31.6	$33.2	$33.8
Other	$62.5	$59.2	$67.1	$71.8	$86.0	$94.6	$115.5	$161.7	$165.8
Total	**$298.9**	**$333.7**	**$383.1**	**$425.3**	**$482.4**	**$543.7**	**$624.4**	**$794.1**	**$873.6**
Operating income	**$254.1**	**$283.7**	**$306.4**	**$319.0**	**$289.5**	**$299.0**	**$387.1**	**$635.3**	**$742.5**
Depreciation, net of disposals	$18.1	$18.9	$29.2	$35.3	$36.0	$41.4	$39.6	$30.9	$29.0
EBITDA	**$272.2**	**$302.6**	**$335.6**	**$354.3**	**$325.5**	**$340.5**	**$426.8**	**$666.2**	**$771.5**
Operating margin	85.0%	85.0%	80.0%	75.0%	60.0%	55.0%	62.0%	80.0%	85.0%
EBITDA margin	91.0%	90.7%	87.6%	83.3%	67.5%	62.6%	68.3%	83.9%	88.3%
Operating statistics:									
Total									
Total locations	1,280	1,360	1,440	1,519	1,581	1,745	1,781	1,827	1,857
Total square footage	44,200	47,900	51,400	55,200	60,700	66,700	70,500	75,132	78,787
Owned									
Room count	232	275	318	366	428	503	539	585	615
Square footage	20,318	23,951	27,305	30,974	36,237	42,082	45,746	49,140	52,275
Average monthly occupancy	81.7%	80.1%	75.8%	71.6%	68.7%	67.7%	71.8%	82.0%	85.0%
Avg. monthly occupied sq. footage	16,021	18,231	20,386	22,177	24,862	28,946	33,700	40,295	44,434

Source: Company reports, Bloomberg, and Institutional Research Group estimates.

In F2020 (March-ending), we estimate the company's Storage business generated sales of $544 million (up ~13%), with operating income and EBITDA of $299 million and $340.5 million, respectively. In F2021, we estimate segment sales increased ~15% to ~$624.5 million, with operating income and EBITDA advancing ~29.5% and 25.5%, respectively, to $387 million and $426.8 million, reflecting a ~600 basis point improvement in occupancy to 71.8% (as development slowed somewhat during the COVID-19 pandemic, and properties developed in previous years reached stabilization). Again, while the company provides no specific guidance, management commentary suggests that the Storage business is likely to remain an area of growth for UHAL in coming years (given its high margins and low incremental capital requirements); in that regard, the company currently has ~7.2 million square feet of self-storage space in its development pipeline across ~146 locations, of which roughly 100 are currently owned by UHAL but have not begun construction and the remainder are in escrow (with a potential total purchase price of ~$227 million). Anecdotally, management also indicates that the current environment remains conducive to increases in the company's average annual rental rates per square foot. For our part, we expect average annual revenue growth of ~18.5% in F2022-F2023 with a relatively steady margin profile, implying F2023 revenue, operating income, and EBITDA of $874 million, $742.5 million, and $771.5 million, respectively (see Background #6).

Insurance

Amerco has two distinct insurance businesses: (1) Repwest, which provides property & casualty insurance for U-Haul customers and equipment; and (2) Oxford, which provides life and health insurance, primarily to the senior citizen market. In F2021, the businesses combined to contribute about 7% of consolidated sales and about 3.5% of EBITDA (see Background #7). The combined book value of UHAL's insurance operation was $736.5 million at the end of 3Q F2022.

Over the longer term, management is committed to keeping each division keenly focused on its respective niche and "on a short leash" in terms of access to capital. To that end, we expect the segment to remain a small but profitable piece of the overall business (although we acknowledge the possibility of periodic volatility given the inherent nature of the insurance business). Although the synergies between U-Haul and Repwest are obvious, Oxford is operated as a standalone financial asset (and could be a potential source of optionality).

Background #7 Amerco: Insurance Segment, Selected Items, 2015-2023E
($ in millions; fiscal years ending March)

	F2015	F2016	F2017	F2018	F2019	F2020	F2021	F2022E	F2023E
Repwest									
Property & casualty premiums	$46.5	$50.0	$52.3	$58.8	$63.5	$69.1	$70.3	$77.3	$78.1
Net investment & interest income	$12.8	$14.8	$16.7	$15.8	$12.3	$19.9	$16.5	$16.6	$16.8
Total sales	**$59.3**	**$64.8**	**$69.0**	**$74.6**	**$75.8**	**$89.1**	**$86.7**	**$93.9**	**$94.9**
Operating income	**$23.5**	**$24.5**	**$27.2**	**$25.9**	**$27.4**	**$42.9**	**$32.5**	**$35.2**	**$33.2**
Operating margin	39.6%	37.9%	39.4%	34.7%	36.1%	48.1%	37.5%	37.5%	35.0%
Book value	$169.3	$160.6	$180.9	$211.2	$222.4	$251.1	$262.6	$285.4	$285.4

	F2015	F2016	F2017	F2018	F2019	F2020	F2021	F2022E	F2023E
Oxford									
Life insurance premiums	$156.1	$162.7	$163.6	$154.7	$63.5	$128.0	$121.6	$122.8	$124.1
Net investment & interest income	$59.1	$64.0	$77.5	$84.2	$86.4	$109.0	$107.7	$108.8	$109.9
Other	$4.5	$4.6	$4.5	$5.0	$4.8	$4.5	$3.3	$6.5	$7.5
Total sales	**$219.7**	**$231.2**	**$245.6**	**$243.9**	**$154.7**	**$241.5**	**$232.6**	**$238.1**	**$241.5**
Operating income	**$29.8**	**$29.8**	**$27.6**	**$28.0**	**$25.5**	**$26.4**	**$22.9**	**$20.2**	**$24.1**
Operating margin	13.5%	12.9%	11.3%	11.5%	16.5%	10.9%	9.8%	8.5%	10.0%
Book value	$274.2	$271.7	$296.1	$332.9	$311.7	$417.4	$479.2	$451.1	$451.1

Source: Company reports, Bloomberg, and Institutional Research Group estimates.

Balance Sheet & Cash Flow

At the end of F2021, UHAL had net debt of ~$3.07 billion, including $2.327 billion of cash and $5.398 billion of debt (see Background #8). At year-end, we expect the net leverage ratio to be under 1.5x. (While management is likely to maintain a relatively conservative approach to its balance sheet, we think a case could be made that the company is under-levered given the considerable amount of its earnings and cash flow that comes from real estate. In our view, management's conservative approach to leverage is informed by the memory of its 2003 Chapter 11 filing, which was primarily due to an accounting restatement that tripped covenants, rather than being caused by operational issues. The company emerged from bankruptcy quickly, repaid all creditors in full, and the equity was left intact.)

Background #8 Amerco: Balance Sheet Snapshot
($ in millions; fiscal years ending March)

	Interest rate	Maturity	F2019	F2020	F2021	3Q F2022
Cash			**$673.7**	**$494.4**	**$1,194.0**	**$2,327.5**
Debt:						
Real estate loan (amortizing term)	1.61%	2023	$102.9	$92.9	$82.9	$51.9
Senior mortgages	2.70%-5.5%	2022-2042	$1,741.7	$2,029.9	$2,125.3	$2,199.1
Real estate loans (revolving credit)	1.34%-3.14%	2023-2025	$429.4	$519.0	$535.0	$535.0
Fleet loans (amortizing term)	1.61%-4.66%	2022-2028	$263.2	$224.1	$176.3	$136.8
Fleet loans (revolving credit)	1.25%-2.36%	2024-2026	$530.0	$567.0	$535.0	$550.0
Finance leases (rental equipment)	1.92%-5.04%	2022-2026	$1,042.7	$734.9	$513.6	$384.5
Finance liability (rental equipment)	1.60%-4.22%	2024-2029	-	$398.8	$644.4	$886.3
Private placement	2.43%-2.78%	2029-2033	-	-	-	$600.0
Other (notes, loans, leases)	1.50%-8.0%	2022-2049	$82.4	$84.5	$86.1	$87.8
Debt issuance costs	-	-	($28.9)	($29.8)	($29.7)	($33.5)
Total debt	-	-	**$4,163.3**	**$4,621.3**	**$4,668.9**	**$5,397.9**
Net debt	-	-	**$3,489.6**	**$4,126.9**	**$3,474.9**	**$3,070.4**
Leverage ratio	-	-	3.5x	3.9x	3.0x	2.4x
Leverage ratio, net	-	-	**3.0x**	**3.5x**	**2.2x**	**1.4x**
Assets	-	-	$11,891.7	$13,438.0	$14,651.6	$16,588.1
Shareholders' equity	-	-	**$3,692.4**	**$4,220.7**	**$4,851.9**	**$5,815.4**

Source: Company reports.

Management priorities, in terms of capital allocation, are investing in the business, primarily the rental fleet and new storage assets (as existing storage assets have minimal incremental capital requirements beyond the initial investment), and returning cash to shareholders via periodic special dividends (see Background #9). On the dividend front, UHAL has consistently declared quarterly special dividends in the $0.50-$3.00 per share range (or $1-$4 on an annualized basis). As mentioned previously, in recent years UHAL investors have consistently called for the institution of a regular quarterly dividend of "at least several dollars per share on a quarterly basis", which could widen the investor base, and, at least anecdotally, the company is considering the measure (perhaps more seriously than in prior years). Other common requests from investors are for the implementation of a stock split and/or a share repurchase program, and a change of the corporate moniker to the ubiquitous U-Haul name.

Background #9 Amerco: Sources and Uses of Cash Flow
($ in millions; fiscal years ending March)

	F2015	F2016	F2017	F2018	F2019	F2020	F2021	F2022E	F2023E
Net income	$356.7	$489.0	$398.4	$790.6	$370.9	$442.0	$610.9	$1,200.9	$1,151.7
Depreciation	$352.8	$389.4	$481.5	$555.1	$581.0	$664.1	$664.0	$475.7	$445.9
Other	$49.6	$162.6	$140.1	($409.3)	$23.7	($30.7)	$260.5	$150.0	$5.0
Cash from operations	**$759.1**	**$1,041.0**	**$1,020.1**	**$936.3**	**$975.6**	**$1,075.5**	**$1,535.4**	**$1,826.6**	**$1,602.6**
Capital expenditures, net	**($630.3)**	**($969.9)**	**($932.0)**	**($663.9)**	**($1,263.7)**	**($1,622.0)**	**($904.0)**	**($1,300.0)**	**($1,500.0)**
Capital expenditures	*($1,041.9)*	*($1,509.2)*	*($1,419.5)*	*($1,363.7)*	*($1,870.0)*	*($2,309.4)*	*($1,441.5)*	*($1,800.0)*	*($2,000.0)*
Sale of PP&E	*$411.6*	*$539.3*	*$487.5*	*$699.8*	*$606.3*	*$687.4*	*$537.5*	*$500.0*	*$500.0*
Free cash flow	**$128.8**	**$71.1**	**$88.0**	**$272.4**	**($288.1)**	**($546.5)**	**$631.4**	**$526.6**	**$102.6**
Dividends	($19.6)	($78.4)	($58.8)	($29.4)	($39.2)	($29.4)	($49.0)	($30.0)	($40.0)

Source: Company reports, Bloomberg, and Institutional Research Group estimates.

Management & Ownership

Because of the expiration of a stockholder agreement in July 2016, Amerco is not considered a controlled company according to NASDAQ listing rules. That said, the founding Shoen family still collectively hold roughly 54.5% of the outstanding stock, in large part via Willow Grove Holdings, an investment vehicle that controls ~43% of UHAL's shares and is owned by Mark and Edward J. Shoen. Messrs. Shoen are brothers and the sons of company founder Leonard Shoen. Edward J. Shoen (known commonly as Joe) is Chairman of the Board of Amerco and the Chief Executive Officer of U-Haul. While the Shoen family obviously exerts significant influence at the company, we would note that the family's wealth is tied primarily to stock appreciation and dividend growth rather than salary. In that regard, Joe Shoen's salary in each of the last three years has averaged less than $1 million.

UHAL's unstaggered Board consists of eight directors, of which six are considered "independent", with the exceptions being Chairman and Chief Executive Edward J. Shoen as well as his son Samuel J. Shoen (who is also the Vice Chairman and a project manager of the company's U-Box effort).

HIDDEN OPPORTUNITIES

"Valuing possible breakups by providing sum-of-the-parts analysis."

The Breakdown

Based on forecasts discussed throughout this report, it can be reasonably projected that UHAL could generate consolidated sales and EBITDA of $5.57 billion and $2.118 billion, respectively, in F2023E (see Breakdown #1). Notably, while we think that UHAL has not yet demonstrated its full earnings power, the slight decline in F2023E earnings reflects a conservative approach as well as the likely ramp-up of investments, in both real estate and equipment, in a more normalized environment (which could be a modest drag on near-term utilization/profitability).

Breakdown #1 Amerco: As Reported F2015-F2021 Results and F2022-F2023 Forecasts

($ in millions, except per share amounts; fiscal years ending March)

	F2015	F2016	F2017	F2018	F2019	F2020	F2021	F2022E	F2023E
Revenue:									
Moving & Storage	$2,800.4	$2,984.5	$3,113.0	$3,290.7	$3,545.8	$3,657.8	$4,231.7	$5,007.6	$5,246.1
Repwest	$59.3	$64.8	$69.0	$74.6	$75.8	$89.1	$86.7	$93.9	$94.9
Oxford	$219.7	$231.2	$245.6	$243.9	$154.7	$241.5	$232.6	$238.1	$241.5
Eliminations	($4.8)	($5.1)	($5.8)	($8.0)	($7.7)	($9.4)	($9.1)	($12.5)	($12.5)
Total	**$3,074.5**	**$3,275.5**	**$3,421.8**	**$3,601.1**	**$3,768.7**	**$3,978.9**	**$4,542.0**	**$5,327.2**	**$5,569.9**
Operating income:									
Moving & Storage	$610.4	$813.1	$688.9	$712.7	$569.2	$472.0	$906.9	$1,688.7	$1,617.0
Repwest	$23.5	$24.5	$27.2	$25.9	$27.4	$42.9	$32.5	$35.2	$33.2
Oxford	$29.8	$29.8	$27.6	$28.0	$25.5	$26.4	$22.9	$20.2	$24.1
Eliminations	($0.6)	($0.8)	($1.5)	($1.3)	($1.1)	($1.1)	($1.1)	($2.5)	($2.5)
Total	**$663.0**	**$866.6**	**$742.3**	**$765.2**	**$621.0**	**$540.1**	**$961.1**	**$1,741.6**	**$1,671.9**
EBITDA:									
Moving & Storage	$888.6	$1,104.4	$1,137.9	$1,255.9	$1,123.3	$1,109.0	$1,516.8	$2,164.4	$2,062.9
Repwest	$23.5	$24.5	$27.2	$25.9	$27.4	$42.9	$32.5	$35.2	$33.2
Oxford	$29.8	$29.8	$27.6	$28.0	$25.5	$26.4	$22.9	$20.2	$24.1
Eliminations	($0.6)	($0.8)	($1.5)	($1.3)	($1.1)	($1.1)	($1.1)	($2.5)	($2.5)
Total	**$941.2**	**$1,157.9**	**$1,191.3**	**$1,308.5**	**$1,175.0**	**$1,177.2**	**$1,571.1**	**$2,217.4**	**$2,117.8**
EPS (as reported)	$18.21	$24.95	$20.34	$40.36	$18.93	$22.55	$31.15	$60.04	$57.58
Adjusted EPS	**$20.17**	**$24.95**	**$19.55**	**$14.86**	**$18.93**	**$15.10**	**$31.15**	**$60.04**	**$57.58**

Source: Company reports, Bloomberg, and Institutional Research Group estimates.

Breakdown #2 Amerco: Public Comparables

(currency in millions, except per share amounts)

5/10/2022	AMERCO	Avis Budget Group Inc	Hertz Global Holdings Inc	Herc Holdings Inc	Penske Automotive Group Inc	Ryder System Inc	United Rentals Inc	CubeSmart	Extra Space Storage Inc	Public Storage	Life Storage Inc
Ticker	UHAL	CAR	HTZ	HRI	PAG	R	URI	CUBE	EXR	PSA	LSI
Price	$520.96	$226.98	$16.77	$116.13	$107.87	$71.46	$293.69	$42.68	$175.28	$312.37	$114.04
Shares Out	19.6	48.3	412.1	29.9	75.9	51.1	71.6	224.4	134.3	175.5	84.4
M Cap	10,214.9	10,960.2	6,911.1	3,471.1	8,186.4	3,654.2	21,031.6	9,579.0	23,536.6	54,830.0	9,621.0
EV	10,874.3	27,214.2	17,472.1	5,605.0	9,505.0	10,213.1	30,418.6	12,784.6	30,151.2	65,785.5	12,713.9
Revenue											
2021	4,542.0	9,067.8	7,320.3	2,079.8	25,588.8	9,559.0	9,681.6	817.0	1,587.5	3,415.3	783.0
2022E	5,327.2	11,168.5	9,327.6	2,646.4	27,531.3	11,579.9	11,188.8	985.2	1,831.2	4,048.9	960.0
2023E	5,569.9	11,170.5	9,964.2	3,076.1	28,273.1	12,123.7	12,015.5	1,078.4	1,931.1	4,348.4	1,041.7
CAGR	*10.7%*	*11.0%*	*16.7%*	*21.6%*	*5.1%*	*12.6%*	*11.4%*	*14.9%*	*10.3%*	*12.8%*	*15.3%*
EV / Sales											
2021	2.4x	3.0x	2.4x	2.7x	0.4x	1.1x	3.1x	15.6x	19.0x	19.3x	16.2x
2022E	1.9x	2.4x	1.9x	2.1x	0.3x	0.9x	2.7x	13.0x	16.5x	16.2x	13.2x
2023E	2.0x	2.4x	1.8x	1.8x	0.3x	0.8x	2.5x	11.9x	15.6x	15.1x	12.2x
EBITDA											
2021	1,571.1	3,503.7	2,094.7	886.7	1,694.4	2,623.0	4,370.8	523.7	1,124.7	2,371.6	474.0
2022E	2,217.4	3,749.2	2,809.8	1,187.6	1,707.8	3,102.3	5,261.8	645.4	1,406.4	2,927.4	608.8
2023E	2,117.8	2,914.2	2,143.5	1,394.4	1,494.2	2,967.9	5,676.2	689.1	1,521.6	3,095.7	664.4
CAGR	*16.1%*	*-8.8%*	*1.2%*	*25.4%*	*-6.1%*	*6.4%*	*14.0%*	*14.7%*	*16.3%*	*14.3%*	*18.4%*
EV / EBITDA											
2021	6.9x	7.8x	8.3x	6.3x	5.6x	3.9x	7.0x	24.4x	26.8x	27.7x	26.8x
2022E	4.9x	7.3x	6.2x	4.7x	5.6x	3.3x	5.8x	19.8x	21.4x	22.5x	20.9x
2023E	5.1x	9.3x	8.2x	4.0x	6.4x	3.4x	5.4x	18.6x	19.8x	21.3x	19.1x
Average		***6.1x***						***19.7x***			
EPS											
2021	$31.15	$21.99	$4.06	$7.50	$14.92	$8.55	$21.15	$1.12	$5.26	$8.81	$3.10
2022E	$60.04	$31.63	$3.52	$12.11	$16.95	$13.86	$28.73	$1.04	$5.87	$10.36	$4.00
2023E	$57.58	$18.80	$2.44	$15.21	$15.30	$11.07	$32.60	$1.25	$6.35	$11.41	$4.38
P/E											
2021	16.7x	10.3x	4.1x	15.5x	7.2x	8.4x	13.9x	38.2x	33.3x	35.5x	36.8x
2022E	8.7x	7.2x	4.8x	9.6x	6.4x	5.2x	10.2x	41.0x	29.9x	30.2x	28.5x
2023E	9.0x	12.1x	6.9x	7.6x	7.0x	6.5x	9.0x	34.3x	27.6x	27.4x	26.0x
P/B	1.8x	-	2.6x	3.4x	2.0x	1.4x	3.5x	3.4x	7.3x	10.2x	2.8x
Average											

5/10/2022	Allstate Corp/The	American International Group Inc	Chubb Ltd	Cincinnati Financial Corp	Travelers Cos Inc/The	American Equity Investment Life Holding Co	Lincoln National Corp	Manulife Financial Corp	MetLife Inc	Principal Financial Group Inc	Unum Group
Ticker	ALL	AIG	CB	CINF	TRV	AEL	LNC	MFC CN	MET	PFG	UNM
Price	$129.59	$58.69	$204.87	$125.00	$172.99	$35.32	$55.09	$24.68	$64.81	$69.13	$35.27
Shares Out	275.0	792.2	423.7	160.4	240.0	93.1	171.9	1,928.8	813.2	252.7	201.1
M Cap	35,635.0	46,493.7	86,805.7	20,044.4	41,510.9	3,287.0	9,472.6	47,603.8	52,703.9	17,468.1	7,092.6
EV	44,429.0	76,553.7	101,438.7	19,947.4	48,049.9	1,929.1	14,073.6	65,666.8	51,473.9	19,648.6	10,428.9
Revenue											
2021	47,878.8	47,904.0	39,007.0	8,174.0	34,448.3	2,347.3	19,550.9	57,918.8	67,676.6	14,239.3	11,937.9
2022E	49,242.5	48,130.8	41,699.5	7,384.3	36,580.8	2,539.9	18,900.2	75,825.8	68,433.5	13,353.7	12,054.5
2023E	51,495.8	49,578.8	45,060.0	8,674.8	38,826.6	2,619.7	19,315.2	75,723.6	70,240.8	14,151.6	12,361.5
CAGR	*3.7%*	*1.7%*	*7.5%*			*5.6%*	*-0.6%*	*14.3%*	*1.9%*	*-0.3%*	*1.8%*
EV / Sales											
2021	0.9x	1.6x	2.6x	2.4x	1.4x	0.8x	0.7x	1.1x	0.8x	1.4x	0.9x
2022E	0.9x	1.6x	2.4x	2.7x	1.3x	0.8x	0.7x	0.9x	0.8x	1.5x	0.9x
2023E	0.9x	1.5x	2.3x	2.3x	1.2x	0.7x	0.7x	0.9x	0.7x	1.4x	0.8x
EBITDA											
2021	-	-	-	-	- -	-	-	-	-	-	-
2022E	-	-	-	-	- -	-	-	-	-	-	-
2023E	-	-	-	-	- -	-	-	-	-	-	-
CAGR											
EV / EBITDA											
2021	-	-	-	-	- -	-	-	-	-	-	-
2022E	-	-	-	-	- -	-	-	-	-	-	-
2023E	-	-	-	-	- -	-	-	-	-	-	-
Average											
EPS											
2021	$13.59	$4.73	$12.17	$5.81	$12.71	$3.30	$8.51	$3.23	$8.46	$6.58	$4.30
2022E	$9.59	$5.20	$15.20	$5.65	$13.27	$4.11	$9.74	$3.47	$7.39	$6.68	$4.86
2023E	$13.20	$6.33	$17.04	$5.84	$14.74	$5.11	$12.63	$3.79	$8.17	$7.73	$5.80
P/E											
2021	9.5x	12.4x	16.8x	21.5x	13.6x	10.7x	6.5x	7.6x	7.7x	10.5x	8.2x
2022E	13.5x	11.3x	13.5x	22.1x	13.0x	8.6x	5.7x	7.1x	8.8x	10.4x	7.3x
2023E	9.8x	9.3x	12.0x	21.4x	11.7x	6.9x	4.4x	6.5x	7.9x	8.9x	6.1x
P/B	1.7x	0.8x	1.5x	1.7x	1.6x	0.6x	0.6x	0.9x	1.1x	1.5x	0.7x
Average	***1.5x***					***0.9x***					

Source: Company reports, Bloomberg, and Institutional Research Group estimates.

Moving & Storage Segment

Moving

Amerco's core equipment rental, or Moving, business, could be compared to equipment rental concerns such as Avis Budget (NYSE: CAR), Hertz Global (NASDAQ: HTZ), and Penske (NYSE: PAG), as well as Ryder (NYSE: R) and United Rentals (NYSE: URI), which, on average, trade at ~6.0x C2023E EV/EBITDA (see Breakdown #2). (Note: For comparison purposes, vehicle-related D&A is added back at CAR and HTZ.)

Applying a 5.0x multiple to F2023E (March-ending) segment EBITDA of $1.291 billion yields a value of roughly $6.46 billion, or ~$323 per share (see Breakdown #3).

Breakdown #3 Amerco: Estimated Value of Moving Business Based on F2023E (March-ending) EBITDA
($ in millions, except per share amounts; shares in millions)

		Moving	
F2022E Revenue		$4,213.5	
Revenue growth est.		16.8%	
F2023E Revenue		**$4,372.5**	
Operating margin		20.0%	
Operating income		**$874.5**	
EBITDA margin		29.5%	
F2023E EBITDA		**$1,291.4**	
Applied multiple	4.0x	**5.0x**	6.0x
Enterprise value	$5,165.7	**$6,457.1**	$7,748.6
Diluted shares	20.0	20.0	20.0
Per share basis	$258.29	**$322.86**	$387.43

Source: Company reports, Bloomberg, and Institutional Research Group estimates.

Storage

UHAL's Storage business could compared with other publicly traded self-storage companies, such as Cube Smart (NYSE: CUBE), Extra Space Storage (NYSE: EXR), Public Storage (NYSE: PSA), and Life Storage (NYSE: LSI), which trade, on average, at ~19.5x C2023E EBITDA (see Breakdown #2).

Applying a discounted multiple of 15x, which reflects the potential for UHAL to eventually pursue a REIT conversion but also the high-margin/low-incremental-capital nature of the income stream, to F2023E segment EBITDA of $771.5 million yields a value of almost $11.6 billion, or ~$579 per share (see Breakdown #4). (Note: This valuation equates to an average capitalization rate of roughly 7%.)

Breakdown #4 Amerco: Estimated Value of Storage Business Based on F2023E (March-ending) EBITDA
($ in millions, except per share amounts; shares in millions)

		Storage	
F2022E Revenue		$794.1	
Revenue growth est.		10.0%	
F2023E Revenue		**$873.6**	
Operating margin		85.0%	
Operating income		**$742.5**	
EBITDA margin		88.3%	
F2023E EBITDA		**$771.5**	
Applied multiple	13.0x	**15.0x**	17.0x
Enterprise value	$10,029.7	**$11,572.8**	$13,115.8
Diluted shares	20.0	20.0	20.0
Per share basis	$501.49	**$578.64**	$655.79

Source: Company reports, Bloomberg, and Institutional Research Group estimates.

On a combined basis, the preceding calculations yield a total Moving & Storage value, including eliminations, of roughly $18 billion, or ~$920 per share, reflecting an implied blended multiple of ~8.5x on total F2023E segment EBITDA of $2.06 billion (see Breakdown #5).

Breakdown #5 Amerco: Estimated Value of Moving & Storage Business Based on F2023E (March-ending) EBITDA
($ in millions, except per share amounts; shares in millions)

		Moving & Storage	
F2022E Revenue		$5,233.6	
Revenue growth est.		0.0%	
F2023E Revenue		**$5,233.6**	
Operating margin		30.8%	
Operating income		**$1,614.5**	
EBITDA margin		39.4%	
F2023E EBITDA		**$2,060.4**	
Applied multiple	7.7x	**8.7x**	9.7x
Enterprise value	$15,947.6	**$18,008.1**	$20,068.5
Diluted shares	20.0	20.0	20.0
Per share basis	$797.38	**$900.40**	$1,003.43

Source: Company reports, Bloomberg, and Institutional Research Group estimates.

Insurance Segment

Peers to UHAL's Property & Casualty business, Repwest, include Allstate (NYSE: ALL), Chubb Ltd. (NYSE: CB), Cincinnati Financial (NASDAQ: CINF), and Travelers (NYSE: TRV), which trade at ~1.5x book value, while peers to the Oxford life insurance business could include American Equity Investment Life Holding Co. (NYSE: AEL), Lincoln Financial (NYSE: LNC), Manulife Financial (MFC CN), MetLife (NYSE: MET), Principal Financial (NASDAQ: PFG), and Unum Group (NYSE: UNM), which trade, on average, at ~1.0x book value. In terms of M&A in the P&C space, we would note that in January 2016 Ace Limited (formerly NYSE: ACE) purchased Chubb Corp. for about 1.8x book (and subsequently adopted the Chubb corporate moniker and ticker).

Applying a blended multiple of 0.5x multiple to the Insurance segment's total book value yields value of ~$18 per share (see Breakdown #6).

Breakdown #6 Amerco: Estimated Value of Insurance Segment Based on Book Value
($ in millions, except per share amounts; shares in millions)

	Repwest	Oxford
Book Value	**$285.4**	**$451.1**
Applied multiple	0.5x	0.5x
Enterprise value	**$142.7**	**$225.5**
Diluted shares	20.0	20.0
Per share basis	**$7.14**	**$11.28**
Total	**$18.41**	

Source: Company reports, Bloomberg, and Institutional Research Group estimates.

Accounting for net debt of roughly $3.07 billion yields a sum-of-the-parts valuation of ~$15.3 billion, or about $765 per share (Breakdown #7).

Breakdown #7 Amerco: Sum-of-the-Parts Fair Value Estimate

($ in millions, except per share amounts; shares in millions)

	Moving	Storage	Eliminations	Insurance	Enterprise Value	Net Debt	Market Cap
F2023E Revenue	**$4,372.5**	**$873.6**	**($12.5)**				
Operating margin	20.0%	85.0%					
Operating income	**$874.5**	**$742.5**	**($2.5)**				
EBITDA margin	29.5%	88.3%					
F2023E EBITDA	**$1,291.4**	**$771.5**	**($2.5)**			**($3,070.4)**	
Applied multiple	**5.0x**	**15.0x**	**8.7x**			**1.0x**	
Enterprise value	**$6,457.1**	**$11,572.8**	**($21.8)**	**$368.3**	**$18,376.3**	**($3,070.4)**	**$15,305.9**
Diluted shares	20.0	20.0	20.0	20.0		20.0	20.0
Per share basis	**$322.86**	**$578.64**	**($1.09)**	**$18.41**		**($153.52)**	**$765.30**
Bull (10x)	$387.43	$655.79	($1.26)	$18.41		($153.52)	$906.85
Base	$322.86	$578.64	($1.09)	$18.41		($153.52)	$765.30
Bear (7.5x)	$258.29	$501.49	($0.92)	$18.41		($153.52)	$623.74

Source: Company reports, Bloomberg, and Institutional Research Group estimates.

The Wrap-Up

UHAL is the dominant player in the DIY moving market, with durable competitive advantages in proximity, availability, and price. In our estimation, at ~5.0x F2023E EV/EBITDA and ~9.0x F2023E EPS, UHAL is undervalued relative to the sum value of its parts, particularly the high-margin/low-incremental-capex Storage portion of its core business. In that context, we would also highlight the stark shift in management's tone during the company's most recent earnings call, which suggested a seemingly greater willingness to explore potential avenues for unlocking incremental value from its self-storage business (e.g., via a REIT conversion or a spin-off, among others) as well as potentially to pursue ancillary measures, such as the institution of a regular dividend, a stock split, share repurchases, and/or a change in the corporate moniker to U-Haul.

Considering our financial projections as well as peer and M&A valuations, value of $902 per share and $18 per share can be assigned to UHAL's Moving & Storage and Insurance businesses. Accounting for projected net debt of ~$155 per share yields a base-case sum-of-the-parts value of roughly $765 per share (with bull/bear cases of $907 per share and $624 per share, respectively).

Potential catalysts include the monetization/separation of assets, earnings growth, more granular financial disclosures, and/or the implementation of a regular dividend, stock split, or share repurchase program. Potential risks include management execution, competition/pricing pressure, and/or a recession.