

- ✓ 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 (91% of sales and 96% of EBITDA in F2018), 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 to U-Haul customers and equipment; and (3) Life Insurance (7% of revenue and 2% of EBITDA in F2018), which serves the senior citizen market via its Oxford Life Insurance subsidiary.
- ✓ UHAL is the dominant player in the DIY moving & storage market, with durable competitive advantages in proximity, availability, and price. In our view, at ~5.5x F2020E EV/EBITDA, UHAL is undervalued relative to the sum value of its parts, particularly the high-margin/low incremental capex Storage portion of its core business. While we think the company will gain further share and has ample room to expand margins over the next several years (to the benefit of shareholders), we see several potential strategic options, including (in order of likelihood) the tax-efficient monetization of attractive real estate (e.g. Chelsea), the sale of non-core assets (e.g. Oxford) and/or the spin-off of the Storage segment as a real estate investment trust.
- ✓ Considering our financial projections as well as peer valuations, value of \$551 per share and \$28 per share can be assigned to UHAL's Moving & Storage and Insurance businesses. Accounting for projected net debt of ~\$109 per share yields a sum-of-the-parts value of roughly \$470 per share.
- ✓ Potential catalysts include the monetization/separation of assets, earnings growth, improved financial disclosures and/or the implementation of a regular dividend or share repurchase program. Potential risks include management execution, competition/pricing pressure, and/or a recession.

Amerco
(NASDAQ: UHAL)

Date (6/1/18)

Price \$322.94/share

Market capitalization ~\$6.25B

Moving & Storage:
\$551/share

Moving: \$247/share

Storage: \$304/share

Insurance: \$28/share

Repwest: \$11/share

Oxford: \$17/share

Corporate/Net Debt:
(\$109/share)

SOTP: \$470 per share

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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HIDDEN OPPORTUNITIES

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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 spread 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 (91% of revenue and 96% of EBITDA in F2018), 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 in F2018), which is primarily comprised of Repwest; and (3) Life Insurance (7% of revenue and 2% of EBITDA in F2018), via its Oxford subsidiary. (Note: While 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–F2020E

(\$ in millions; fiscal years ending March)

	<u>F2015</u>	<u>F2016</u>	<u>F2017</u>	<u>F2018</u>	<u>F2019E</u>	<u>F2020E</u>
Revenue:						
Moving & Storage	\$2,800.4	\$2,984.5	\$3,113.0	\$3,290.7	\$3,363.4	\$3,438.5
Repwest	\$59.3	\$64.8	\$69.0	\$74.6	\$75.3	\$76.1
Oxford	\$219.7	\$231.2	\$245.6	\$243.9	\$245.7	\$248.2
<u>Eliminations</u>	<u>(\$4.8)</u>	<u>(\$5.1)</u>	<u>(\$5.8)</u>	<u>(\$8.0)</u>	<u>(\$5.5)</u>	<u>(\$5.5)</u>
Total	\$3,074.5	\$3,275.5	\$3,421.8	\$3,601.1	\$3,679.0	\$3,757.3
Operating income:						
Moving & Storage	\$610.4	\$813.1	\$688.9	\$711.8	\$720.3	\$763.4
Repwest	\$23.5	\$24.5	\$27.2	\$25.9	\$26.4	\$26.6
Oxford	\$29.8	\$29.8	\$27.6	\$28.0	\$28.3	\$28.5
<u>Eliminations</u>	<u>(\$0.6)</u>	<u>(\$0.8)</u>	<u>(\$1.5)</u>	<u>(\$1.3)</u>	<u>(\$1.5)</u>	<u>(\$1.5)</u>
Total	\$663.0	\$866.6	\$742.3	\$764.3	\$773.5	\$817.0
EBITDA:						
Moving & Storage	\$888.6	\$1,103.8	\$1,134.3	\$1,255.0	\$1,240.0	\$1,279.2
Repwest	\$23.5	\$24.5	\$27.2	\$25.9	\$26.4	\$26.6
Oxford	\$29.8	\$29.8	\$27.6	\$28.0	\$28.3	\$28.5
<u>Eliminations</u>	<u>(\$0.6)</u>	<u>(\$0.8)</u>	<u>(\$1.5)</u>	<u>(\$1.3)</u>	<u>(\$1.5)</u>	<u>(\$1.5)</u>
Total	\$941.2	\$1,157.3	\$1,187.7	\$1,307.6	\$1,293.1	\$1,332.8

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



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Moving & Storage

The Moving & Storage segment, which accounted for 91% of consolidated sales in F2018 and 96% of EBITDA, is comprised of two primary subdivisions: (1) Moving, which rents a fleet of more than 320,000 pieces of equipment, including trucks, trailers, and towing equipment (as well as provides branded services and products, including packing and moving supplies) to do-it-yourself movers via a network of almost 22,000 company-owned and independently operated retail locations throughout the U.S. and Canada; and (2) Storage, which operates more than 55 million square feet of self-storage space in 49 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-F2020E

(\$ in millions; fiscal years ending March)

	<u>F2015</u>	<u>F2016</u>	<u>F2017</u>	<u>F2018</u>	<u>F2019E</u>	<u>F2020E</u>
Revenue:						
Self-moving equipment rental	\$2,150.0	\$2,301.6	\$2,366.5	\$2,484.0	\$2,515.7	\$2,552.5
Self-storage revenue	\$211.1	\$247.9	\$286.9	\$323.9	\$351.3	\$373.1
Products & Services	\$244.2	\$251.5	\$253.1	\$261.6	\$268.1	\$274.8
Property management	\$25.3	\$26.5	\$29.1	\$29.6	\$29.9	\$30.3
Net investment and interest income	\$13.6	\$8.8	\$9.7	\$12.2	\$10.0	\$10.0
<u>Other revenue</u>	<u>\$156.2</u>	<u>\$148.1</u>	<u>\$167.8</u>	<u>\$179.4</u>	<u>\$188.4</u>	<u>\$197.8</u>
Total	\$2,800.4	\$2,984.5	\$3,113.0	\$3,290.7	\$3,363.4	\$3,438.5
Operating income						
<u>Depreciation, net of disposals</u>	<u>\$278.2</u>	<u>\$290.7</u>	<u>\$445.4</u>	<u>\$543.2</u>	<u>\$519.6</u>	<u>\$515.8</u>
EBITDA	\$888.6	\$1,103.8	\$1,134.3	\$1,255.0	\$1,240.0	\$1,279.2
Operating margin	21.8%	27.2%	22.1%	21.6%	21.4%	22.2%
EBITDA margin	31.7%	37.0%	36.4%	38.1%	36.9%	37.2%
Operating statistics:						
<u>Moving</u>						
Company owned locations	1,600	1,700	1,750	1,790	1,850	1,900
<u>Independently owned locations</u>	<u>18,200</u>	<u>19,500</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,050</u>
Total	19,800	21,200	21,750	21,790	21,850	21,950
Trucks	135,000	139,000	150,000	161,000	161,690	162,430
Trailers	107,000	108,000	112,000	118,000	117,990	118,530
<u>Towing</u>	<u>38,000</u>	<u>38,000</u>	<u>40,000</u>	<u>42,000</u>	<u>42,608</u>	<u>42,803</u>
Total	280,000	285,000	302,000	321,000	322,288	323,763
<u>Storage</u>						
Total locations	1,280	1,360	1,440	1,519	1,545	1,570
Total square footage	44,200	47,900	51,400	55,200	57,386	59,035

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



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Moving

U-Haul, the largest do-it-yourself moving outfit in North America, operates a fleet of roughly 160,000 trucks, ranging from 10 feet to 26 feet in length and primarily manufactured by Ford (NYSE: F) and General Motors (NYSE: GM), as well as an additional 160,000 trailers and pieces of towing equipment, via a network of almost 22,000 company-owned and independently operated retail locations. (Independent U-Haul dealers, who contributed ~45% of rental revenue in F2018, are provided 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 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 had ~19,000 vehicles being rented through a network of 1,375 locations, while Penske Truck Leasing’s so-called “consumer business” conducts rentals via a network of 2,200 locations (and a combined commercial and consumer fleet of 66,400). (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 multiples 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 30% 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 booking capabilities, we think the company’s pricing and inventory control systems, which, among other things, help UHAL avoid costly gluts of



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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 an internal survey we conducted of a wide sample of intra-city and inter-city rentals [e.g., Madison to Chicago, Boise to Missoula, New York to Boston, among others] that demonstrates 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 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)

	<u>F2011</u>	<u>F2012</u>	<u>F2013</u>	<u>F2014</u>
Total revenue	\$1,835.4	\$1,998.3	\$2,101.4	\$2,365.0
Operating income	\$242.0	\$306.2	\$319.6	\$413.4
<u>Depreciation, net of disposals</u>	<u>\$177.1</u>	<u>\$195.5</u>	<u>\$224.4</u>	<u>\$242.7</u>
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%
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 5% in F2015-F2018, with operating margin in the mid-teens (albeit with some lumpiness due to repair & maintenance, personnel, medical, IT, litigation, and depreciation expenses as well as 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 F2018, we estimate the company’s Moving business generated of \$2.9 billion (up 5%) with operating income and EBITDA of \$393 million and \$900 million, respectively. Included in F2018 results was 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



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leakage). The deal, which included some so-called “air rights,” was with Related Companies (private), the developer of the nearby Hudson Yards project, which is planning a 22-story mixed-use development at the site. (Considering that UHAL has been acquiring properties in prime areas of major metropolitan markets since the mid-1970s, we think its ability to opportunistically monetize portions of its portfolio for re-development could present a potential avenue of optionality in coming years.)

While management eschews forward-looking guidance, the company anecdotally indicated that its plans for net rental capex of ~\$450 million in F2019 will likely result in “nominal” fleet growth and that management’s main focus is likely to be on improving asset utilization in the coming year. As well, the company indicated it is likely to lap/anniversary the \$73 million of increased maintenance & repair costs experienced in F2018, which were largely related to cosmetic repairs on the portion of its fleet that is held for sale, by 2H F2019 and that the \$40 million of personnel bonuses paid in F2018 are not likely to recur for the foreseeable future. For our part, we think it reasonable to project average annual revenue growth of ~1.5% in F2019-F2020 with a relatively steady margin profile, implying F2020 revenue, operating income, and EBITDA of \$2.96 billion, \$399 million, and \$881 million, respectively (see Background #4).

Background #4 Amerco: Estimated Contribution of UHAL’s Moving Business, F2015-F2020E

(\$ in millions; fiscal years ending March)

	<u>F2015</u>	<u>F2016</u>	<u>F2017</u>	<u>F2018</u>	<u>F2019E</u>	<u>F2020E</u>
Revenue:						
Self-moving equipment rental	\$2,150.0	\$2,301.6	\$2,366.5	\$2,484.0	\$2,515.7	\$2,552.5
Products & Services	\$244.2	\$251.5	\$253.1	\$261.6	\$268.1	\$274.8
Net investment and interest income	\$13.6	\$8.8	\$9.7	\$12.2	\$10.0	\$10.0
<u>Other</u>	<u>\$93.7</u>	<u>\$88.9</u>	<u>\$100.7</u>	<u>\$107.7</u>	<u>\$113.0</u>	<u>\$118.7</u>
Total	\$2,501.5	\$2,650.8	\$2,729.9	\$2,865.4	\$2,906.8	\$2,956.0
Operating income						
	\$356.3	\$529.5	\$382.5	\$392.8	\$377.9	\$399.1
Depreciation, net of disposals	\$260.1	\$271.8	\$416.5	\$507.9	\$485.9	\$482.3
EBITDA	\$616.4	\$801.3	\$798.9	\$900.8	\$863.8	\$881.3
Operating margin						
	14.2%	20.0%	14.0%	13.7%	13.0%	13.5%
EBITDA margin	24.6%	30.2%	29.3%	31.4%	29.7%	29.8%
Operating statistics:						
Total locations	19,800	21,200	21,750	21,790	21,850	21,950
Total equipment fleet	280,000	285,000	302,000	321,000	322,288	323,763

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

Storage

UHAL owns and/or operates 632,000 self-storage rooms at more than 1,500 locations, comprising 55.2 million square feet of storage space in 49 states and 10 Canadian provinces.



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(About 31 million of UHAL’s square footage is company-owned, while the remainder is managed for third parties at a flat fee of around 6%.) Over the last three years, UHAL has grown its total square footage by some 11 million square feet (with owned square footage rising by about 10.5 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 ~\$38 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 utilizes several avenues to expand its self-storage footprint, including the “one-off” purchase of existing storage sites, the conversion of previously underutilized real estate assets (e.g., former retail locations), and/or the construction of new facilities. Management indicates that newly developed and/or converted facilities typically take two to three years to achieve “stabilized” occupancy (internally viewed as ~85%-90%) and, ostensibly, reach profitability. (Note: While management views the self-storage business as an important complement to the core equipment rental business, making its potential sale/spin-off or conversion to a REIT structure somewhat less likely in the near term, we think it is useful for investors to consider what we view as the hidden value of the company’s self-storage real estate business.)

As illustrated in Background #5, in F2011-F2014, which were years when the company provided more granular financial disclosures, 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)

	<u>F2011</u>	<u>F2012</u>	<u>F2013</u>	<u>F2014</u>
Total revenue	\$137.2	\$152.6	\$175.6	\$200.5
Operating income	\$115.6	\$129.6	\$151.1	\$171.6
<u>Depreciation, net of disposals</u>	<u>\$12.1</u>	<u>\$13.4</u>	<u>\$13.6</u>	<u>\$16.9</u>
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%
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.



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With the preceding framework in mind, we estimate the standalone Storage segment generated a top-line CAGR of 10% in F2015-F2018, with operating margins of 75%-85% (see Background #6).

Background #6 Amerco: Estimated Contribution of UHAL’s Self-Storage Business, F2015-F2020E (\$ in millions; fiscal years ending March)

	<u>F2015</u>	<u>F2016</u>	<u>F2017</u>	<u>F2018</u>	<u>F2019E</u>	<u>F2020E</u>
Revenue:						
Self-storage revenue	\$211.1	\$247.9	\$286.9	\$323.9	\$351.3	\$373.1
Property management	\$25.3	\$26.5	\$29.1	\$29.6	\$29.9	\$30.3
<u>Other</u>	<u>\$62.5</u>	<u>\$59.2</u>	<u>\$67.1</u>	<u>\$71.8</u>	<u>\$75.4</u>	<u>\$79.1</u>
Total	\$298.9	\$333.7	\$383.1	\$425.3	\$456.6	\$482.5
Operating income						
<u>Depreciation, net of disposals</u>	<u>\$18.1</u>	<u>\$18.9</u>	<u>\$29.0</u>	<u>\$35.3</u>	<u>\$33.8</u>	<u>\$33.5</u>
EBITDA	\$272.2	\$302.6	\$335.4	\$354.3	\$376.2	\$397.8
Operating statistics:						
Total						
Total locations	1,280	1,360	1,440	1,519	1,545	1,570
Total square footage	44,200	47,900	51,400	55,200	57,386	59,035
Owned						
Room count	232	275	318	366	385	400
Square footage	20,318	23,951	27,305	30,974	32,918	34,200
Average monthly occupancy	81.7%	80.1%	75.8%	71.6%	72.0%	72.5%
Avg. monthly occupied sq. footage	16,021	18,231	20,386	22,177	23,701	24,795

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

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 (as competition in the acquisition market remains intense with players routinely paying 15x-20x forward earnings and/or capitalization rates of below 6%). In regards to the impact of new facility openings, management indicates that in F2018, the average monthly occupancy at facilities open for more than three years was 84%, compared with 39% at locations open less than three years. (Again, management is very willing to sacrifice near-term profitability for longer-term success.) In F2018, we estimate the company’s Storage business generated sales of \$425 million (up 11%), with operating income and EBITDA of \$319 million and \$354 million, respectively. Again, while the company provides no specific guidance, management commentary suggest that the Storage business is likely to remain an area of growth for UHAL in coming years



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(given its high margins and low incremental capital requirements), albeit likely at a somewhat slower pace than the previous several years. (Anecdotally, management 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 ~6.5% in F2019-F2020 with a relatively steady margin profile, implying F2020 revenue, operating income, and EBITDA of \$482.5 million, \$364 million, and \$398 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 F2018, the businesses combined to contribute about 9% of consolidated sales and about 4% of EBITDA (see Background #7). The combined book value of UHAL’s insurance operation was \$544 million at the end of F2018.

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). While it is plain to see the synergies between U-Haul and Repwest, Oxford is operated as a stand-alone financial asset (and could be a potential source of optionality).

Background #7 Amerco: Insurance Segment, Selected Items, 2015-2020E

(\$ in millions; fiscal years ending March)

	F2015	F2016	F2017	F2018	F2019E	F2020E
Repwest						
Property & casualty premiums	\$46.5	\$50.0	\$52.3	\$58.8	\$59.4	\$60.0
Net investment & interest income	\$12.8	\$14.8	\$16.7	\$15.8	\$15.9	\$16.1
Total sales	\$59.3	\$64.8	\$69.0	\$74.6	\$75.3	\$76.1
Operating income	\$23.5	\$24.5	\$27.2	\$25.9	\$26.4	\$26.6
Operating margin	39.6%	37.9%	39.4%	34.7%	35.0%	35.0%
Oxford						
Life insurance premiums	\$156.1	\$162.7	\$163.6	\$154.7	\$156.3	\$157.8
Net investment & interest income	\$59.1	\$64.0	\$77.5	\$84.2	\$85.0	\$85.8
Other	\$4.5	\$4.6	\$4.5	\$5.0	\$4.5	\$4.5
Total sales	\$219.7	\$231.2	\$245.6	\$243.9	\$245.7	\$248.2
Operating income	\$29.8	\$29.8	\$27.6	\$28.0	\$28.3	\$28.5
Operating margin	13.5%	12.9%	11.3%	11.5%	11.5%	11.5%

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



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Balance Sheet & Cash Flow

At the end of F2018, UHAL had net debt of ~\$2.75 billion, including \$759 million of cash and \$3.5 billion of debt (see Background #8). The net leverage ratio was 2.1x. (While management is likely to continue to maintain a 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, as opposed to 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)

			<u>F2016</u>	<u>F2017</u>	<u>F2018</u>
Cash			\$600.6	\$697.8	\$759.4
Debt:	Interest rate	Maturity			
Real estate loan (amortizing term)	3.24%-6.93%	2023	\$205.0	\$169.3	\$135.3
Senior mortgages	3.72%-6.62%	2021-2038	\$1,103.9	\$1,292.2	\$1,487.6
Working capital loan (revolving credit)	3.15%	2018	-	\$85.0	\$55.0
Fleet loans (amortizing term)	1.95%-4.76%	2018-2025	\$219.0	\$325.0	\$343.0
Fleet loans (term)	4.90%	-	-	-	-
Fleet loans (securitized)	-	-	\$62.8	\$52.1	-
Fleet loans (revolving credit)	2.80%-2.81%	2020-2021	\$347.0	\$417.0	\$460.0
Capital leases (on rental equip.)	1.92%-4.80%	2018-2025	\$672.8	\$876.8	\$984.2
Other (notes, loans, leases)	2.75%-8.0%	2018-2047	\$60.2	\$69.9	\$73.6
<u>Debt issuance costs</u>	=	=	<u>(\$23.4)</u>	<u>(\$24.4)</u>	<u>(\$25.6)</u>
Total debt			\$2,647.4	\$3,262.9	\$3,513.1
Net debt			\$2,046.8	\$2,565.1	\$2,753.7
Leverage ratio			2.3x	2.7x	2.7x
Leverage ratio, net			1.8x	2.2x	2.1x

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 special dividends; in fact, since the beginning of 2016 UHAL has distributed semi-annual special dividends of \$0.50-\$1.00 per share. (In 2015, the company declared three special dividends of \$1-\$3 per share each.) Based on a net capital spending budget of ~\$750 million per year, UHAL could be projected to generate free cash flow of roughly ~\$375 million and be expected to



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distribute, at least, \$2 of dividends per share over the next two years. (Note: In recent quarterly conference calls, UHAL investors have consistently called for the institution of a regular quarterly dividend and, at least anecdotally, the company is considering the measure. Other common requests from investors are for the implementation of a robust share repurchase program, which generally supports the viewpoint that UHAL is likely under-levered, a stock split and a change of the corporate moniker to U-Haul.)

Background #9 Amerco: Sources and Uses of Cash Flow

(\$ in millions; shares in millions; fiscal years ending March)

	F2015	F2016	F2017	F2018	F2019E	F2020E
Net income	\$356.7	\$489.0	\$398.4	\$790.6	\$482.6	\$515.3
Depreciation	\$352.8	\$389.4	\$481.5	\$555.1	\$544.6	\$540.8
<u>Other</u>	<u>\$49.6</u>	<u>\$162.6</u>	<u>\$140.1</u>	<u>(\$409.3)</u>	<u>(\$100.0)</u>	<u>(\$100.0)</u>
Cash from operations	\$759.1	\$1,041.0	\$1,020.1	\$936.3	\$927.2	\$956.1
Capital expenditures, net	(\$630.3)	(\$969.9)	(\$932.0)	(\$663.9)	(\$750.0)	(\$750.0)
<i>Capital expenditures</i>	<i>(\$1,041.9)</i>	<i>(\$1,509.2)</i>	<i>(\$1,419.5)</i>	<i>(\$1,363.7)</i>	<i>(\$1,200.0)</i>	<i>(\$1,200.0)</i>
<i>Sale of PP&E</i>	<i>\$411.6</i>	<i>\$539.3</i>	<i>\$487.5</i>	<i>\$699.8</i>	<i>\$450.0</i>	<i>\$450.0</i>
Free cash flow	\$128.8	\$71.1	\$88.0	\$272.4	\$177.2	\$206.1
Dividends	(\$19.6)	(\$78.4)	(\$58.8)	(\$29.4)	(\$19.6)	(\$19.6)

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

Management & Ownership

Due to 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 possess roughly 58% of the outstanding stock, in large part via Willow Grove Holdings, an investment vehicle that controls ~42.5% 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 the 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 slightly less than \$1 million.



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The Breakdown

Based on forecasts discussed throughout this report, it can be reasonably projected that UHAL could generate EBITDA of \$1.29 billion in F2019 and \$1.33 billion in F2020 (see Breakdown #1).

Breakdown #1 Amerco: As Reported F2015-F2018 Results and F2019-F2020 Forecasts

(\$ in millions; fiscal years ending March)

	<u>F2015</u>	<u>F2016</u>	<u>F2017</u>	<u>F2018</u>	<u>F2019E</u>	<u>F2020E</u>
Revenue:						
Moving & Storage	\$2,800.4	\$2,984.5	\$3,113.0	\$3,290.7	\$3,363.4	\$3,438.5
<i>Moving</i>	\$2,501.5	\$2,650.8	\$2,729.9	\$2,865.4	\$2,906.8	\$2,956.0
<i>Storage</i>	\$298.9	\$333.7	\$383.1	\$425.3	\$456.6	\$482.5
Repwest	\$59.3	\$64.8	\$69.0	\$74.6	\$75.3	\$76.1
Oxford	\$219.7	\$231.2	\$245.6	\$243.9	\$245.7	\$248.2
<u>Eliminations</u>	<u>(\$4.8)</u>	<u>(\$5.1)</u>	<u>(\$5.8)</u>	<u>(\$8.0)</u>	<u>(\$5.5)</u>	<u>(\$5.5)</u>
Total	\$3,074.5	\$3,275.5	\$3,421.8	\$3,601.1	\$3,679.0	\$3,757.3
Operating income:						
Moving & Storage	\$610.4	\$813.1	\$688.9	\$711.8	\$720.3	\$763.4
<i>Moving</i>	\$356.3	\$529.5	\$382.5	\$392.8	\$377.9	\$399.1
<i>Storage</i>	\$254.1	\$283.7	\$306.4	\$319.0	\$342.4	\$364.3
Repwest	\$23.5	\$24.5	\$27.2	\$25.9	\$26.4	\$26.6
Oxford	\$29.8	\$29.8	\$27.6	\$28.0	\$28.3	\$28.5
<u>Eliminations</u>	<u>(\$0.6)</u>	<u>(\$0.8)</u>	<u>(\$1.5)</u>	<u>(\$1.3)</u>	<u>(\$1.5)</u>	<u>(\$1.5)</u>
Total	\$663.0	\$866.6	\$742.3	\$764.3	\$773.5	\$817.0
Depreciation, net of disposals	\$278.2	\$290.7	\$445.4	\$543.2	\$519.6	\$515.8
EBITDA:						
Moving & Storage	\$888.6	\$1,103.8	\$1,134.3	\$1,255.0	\$1,240.0	\$1,279.2
<i>Moving</i>	\$616.4	\$801.3	\$798.9	\$900.8	\$863.8	\$881.3
<i>Storage</i>	\$272.2	\$302.6	\$335.4	\$354.3	\$376.2	\$397.8
Repwest	\$23.5	\$24.5	\$27.2	\$25.9	\$26.4	\$26.6
Oxford	\$29.8	\$29.8	\$27.6	\$28.0	\$28.3	\$28.5
<u>Eliminations</u>	<u>(\$0.6)</u>	<u>(\$0.8)</u>	<u>(\$1.5)</u>	<u>(\$1.3)</u>	<u>(\$1.5)</u>	<u>(\$1.5)</u>
Total	\$941.2	\$1,157.3	\$1,187.7	\$1,307.6	\$1,293.1	\$1,332.8

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



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Breakdown #2 Amerco: Public Comparables

(currency in millions, except per share amounts)

Ticker	Moving					Storage				Property & Casualty Insurance					Life Insurance				
	Avis Budget	Hertz	Penske	Ryder	United	Extra Space		Public	Life	Allstate	Cincinnati	Travelers	XL Group	Lincoln	Manulife	Principal		Unum	
	Group Inc	Holdings Inc	Group Inc	System Inc	Rentals Inc	CubeSmart	Storage Inc	Storage	Storage Inc	Corp/The	Chubb Ltd	Corp	Cos Inc/The	Ltd	Corp	Corp	MetLife Inc	Group Inc	Group
	CAR	HTZ	PAG	R	URI	CUBE	EXR	PSA	LSI	ALL	CB	CINF	TRV	XL	LNC	MFC CN	MET	PFG	UNM
Price (as of 5/31/18 close)	\$38.99	\$15.09	\$48.15	\$67.08	\$159.57	\$30.50	\$96.25	\$211.84	\$92.52	\$93.48	\$130.69	\$69.37	\$128.52	\$55.58	\$66.29	\$24.46	\$45.99	\$55.80	\$38.81
Market Capitalization	3,168.3	1,267.6	4,091.6	3,561.6	13,339.5	5,559.5	12,138.0	36,908.8	4,303.8	32,857.2	60,875.7	11,386.8	34,734.0	14,355.6	14,498.1	48,507.7	46,750.2	15,980.4	8,584.6
Net Debt (Cash)	13,445.0	15,770.0	5,966.8	5,603.8	8,860.0	1,747.9	4,851.7	5,129.7	1,762.2	8,777.0	12,775.0	249.0	6,566.0	1,362.4	3,641.0	19,941.0	9,357.0	1,135.7	2,613.0
EV	16,613.3	17,037.6	10,058.4	9,165.4	22,199.5	7,307.4	16,989.7	42,038.4	6,066.0	41,634.2	73,650.7	11,635.8	41,300.0	15,718.0	18,139.1	68,448.7	56,107.2	17,116.1	11,197.6
Revenue 2018E	9,269.7	9,111.7	22,884.0	8,049.9	7,579.0	592.6	1,198.8	2,761.5	545.8	39,014.0	33,576.5	5,581.0	29,648.8	11,865.5	15,937.0	43,547.3	63,601.4	13,371.0	11,668.3
Revenue 2019E	9,528.3	9,380.3	23,480.4	8,511.9	7,991.3	623.4	1,284.0	2,863.0	571.8	40,862.4	35,125.0	6,040.7	30,808.1	12,401.0	17,173.2	47,201.3	64,704.4	14,539.4	11,953.5
EV/Sales 2018E	1.8x	1.9x	0.4x	1.1x	2.9x	12.3x	14.2x	15.2x	11.1x	1.1x	2.2x	2.1x	1.4x	1.3x	1.1x	1.6x	0.9x	1.3x	1.0x
EV/Sales 2019E	1.7x	1.8x	0.4x	1.1x	2.8x	11.7x	13.2x	14.7x	10.6x	1.0x	2.1x	1.9x	1.3x	1.3x	1.1x	1.5x	0.9x	1.2x	0.9x
2018E Net Income	291.3	(78.4)	442.1	295.5	1,226.5	153.0	375.7	1,410.9	147.5	3,181.3	4,842.5	507.5	2,828.9	934.3	1,869.3	5,001.8	5,326.9	1,660.8	1,111.1
2019E Net Income	307.7	26.0	461.8	338.3	1,351.5	165.3	381.6	1,464.3	150.0	3,034.3	5,192.5	550.5	2,970.0	1,018.3	1,985.3	5,490.8	5,495.2	1,757.8	1,146.7
2018E Net Income Margin	3.1%	-0.9%	1.9%	3.7%	16.2%	25.8%	31.3%	51.1%	27.0%	8.2%	14.4%	9.1%	9.5%	7.9%	11.7%	11.5%	8.4%	12.4%	9.5%
2019E Net Income Margin	3.2%	0.3%	2.0%	4.0%	16.9%	26.5%	29.7%	51.1%	26.2%	7.4%	14.8%	9.1%	9.6%	8.2%	11.6%	11.6%	8.5%	12.1%	9.6%
2018E EBITDA	2,995.8	3,104.2	765.6	1,910.8	3,698.9	366.5	794.5	1,939.0	312.5	-	-	-	-	-	-	-	-	-	-
2019E EBITDA	2,854.8	3,017.2	763.3	2,077.9	3,928.3	395.5	846.3	1,995.5	320.0	-	-	-	-	-	-	-	-	-	-
2018E EBITDA Margin	32.3%	34.1%	3.3%	23.7%	48.8%	61.8%	66.3%	70.2%	57.3%	-	-	-	-	-	-	-	-	-	-
2019E EBITDA Margin	30.0%	32.2%	3.3%	24.4%	49.2%	63.4%	65.9%	69.7%	56.0%	-	-	-	-	-	-	-	-	-	-
2018E EV/EBITDA	5.5x	5.5x	13.1x	4.8x	6.0x	19.9x	21.4x	21.7x	19.4x	-	-	-	-	-	-	-	-	-	-
Average, ex. UHAL	13.0x																		
2019E EV/EBITDA	5.8x	5.6x	13.2x	4.4x	5.7x	18.5x	20.1x	21.1x	19.0x	-	-	-	-	-	-	-	-	-	-
Average, ex. UHAL	6.9x					19.6x													
2018E EPS	\$3.59	(\$0.99)	\$5.19	\$5.55	\$15.09	\$0.85	\$2.86	\$7.38	\$3.20	\$9.00	\$10.45	\$3.08	\$10.42	\$3.45	\$8.44	\$2.57	\$5.07	\$5.67	\$5.10
2019E EPS	\$3.95	\$0.17	\$5.46	\$6.38	\$17.07	\$0.92	\$2.99	\$7.72	\$3.30	\$8.85	\$11.31	\$3.38	\$11.30	\$3.73	\$9.25	\$2.81	\$5.46	\$6.08	\$5.43
P/E 2018E	10.9x	-	9.3x	12.1x	-	36.1x	33.7x	28.7x	28.9x	10.4x	12.5x	22.5x	12.3x	16.1x	7.9x	9.5x	9.1x	9.8x	7.6x
P/E 2019E	9.9x	-	8.8x	10.5x	-	33.3x	32.2x	27.5x	28.1x	10.6x	11.6x	20.5x	11.4x	14.9x	7.2x	8.7x	8.4x	9.2x	7.1x
Average, ex. UHAL	21.5x																		
2019E Free Cash Flow	400.0	-	275.5	-	-	-	-	858.1	-	-	-	-	-	-	-	-	-	-	-
2019E FCF Per Share	\$4.94	-	\$3.24	-	-	-	-	\$4.93	-	-	-	-	-	-	-	-	-	-	-
2019E P/FCF	7.9x	-	14.9x	-	-	-	-	42.9x	-	-	-	-	-	-	-	-	-	-	-
Book value	6.9x	1.1x	1.7x	1.2x	4.4x	3.5x	5.2x	7.6x	2.1x	1.6x	1.2x	1.4x	1.5x	1.5x	0.9x	1.2x	0.9x	1.3x	0.9x
Average, ex. UHAL										1.4x					1.0x				

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



Institutional Research Group

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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 (NYSE: HTZ), and Penske (NYSE: PAG), as well as Ryder (NYSE: R) and United Rentals (NYSE: URI), which, on average, trade at almost 7x C2019E EV/EBITDA (see Breakdown #2), although excluding PAG the average is about 5.5x. (Note: For comparison purposes, vehicle-related D&A is added back at CAR and HTZ.)

Applying a 5.5x multiple to F2020E (March-ending) segment EBITDA of \$882 million yields a value of roughly \$4.85 billion, or ~\$247 per share (see Breakdown #3).

Breakdown #3 Amerco: Estimated Value of Moving Business Based on F2020E (March-ending) EBITDA (\$ in millions, except per share amounts; shares in millions)

	<u>Moving</u>		
F2019E Revenue		\$2,906.8	
Revenue growth est.		<u>1.7%</u>	
F2020E Revenue		\$2,956.0	
<u>Operating margin</u>		<u>13.5%</u>	
Operating income		\$399.1	
EBITDA margin		<u>29.8%</u>	
F2020E EBITDA		\$881.3	
<u>Applied multiple</u>	<u>4.5x</u>	5.5x	<u>6.5x</u>
Enterprise value	\$3,965.9	\$4,847.2	\$5,728.5
Diluted shares	<u>19.6</u>	<u>19.6</u>	<u>19.6</u>
Per share basis	\$202.34	\$247.31	\$292.27

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

Storage

UHAL’s Storage business could be compared with other publicly traded self-storage companies, such as Cube Smart (NASDAQ: CUBE), Extra Space Storage (NYSE: EXR), Public Storage (NYSE: PSA), and Life Storage (NYSE: LSI), which trade, on average, at more than 19.5x C2019E 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 F2020E segment EBITDA of \$398 million yields a value of almost \$6 billion,



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or ~\$304 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 F2020E (March-ending) EBITDA (\$ in millions, except per share amounts; shares in millions)

	<u>Storage</u>		
F2019E Revenue		\$456.6	
<u>Revenue growth est.</u>		<u>5.7%</u>	
F2020E Revenue		\$482.5	
<u>Operating margin</u>		<u>75.5%</u>	
Operating income		\$364.3	
EBITDA margin		<u>82.4%</u>	
2020E EBITDA		\$397.8	
<u>Applied multiple</u>	<u>13.0x</u>	<u>15.0x</u>	<u>17.0x</u>
Enterprise value	\$5,172.0	\$5,967.7	\$6,763.4
Diluted shares	<u>19.6</u>	<u>19.6</u>	<u>19.6</u>
Per share basis	\$263.88	\$304.48	\$345.07

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 \$10.8 billion, or \$551 per share, reflecting an implied blended multiple of ~8.5x on total F2020E segment EBITDA of \$1.28 billion (see Breakdown #5).

Breakdown #5 Amerco: Estimated Value of Moving & Storage Business Based on F2020E (March-ending) EBITDA

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

	<u>Moving & Storage</u>		
F2019E Revenue		\$3,357.9	
<u>Revenue growth est.</u>		<u>2.2%</u>	
F2020E Revenue		\$3,433.0	
<u>Operating margin</u>		<u>22.2%</u>	
Operating income		\$761.9	
EBITDA margin		<u>37.2%</u>	
F2020E EBITDA		\$1,277.7	
<u>Applied multiple</u>	<u>7.5x</u>	<u>8.5x</u>	<u>9.5x</u>
Enterprise value	\$9,524.6	\$10,802.3	\$12,079.9
Diluted shares	<u>19.6</u>	<u>19.6</u>	<u>19.6</u>
Per share basis	\$485.95	\$551.14	\$616.32

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



HIDDEN OPPORTUNITIES

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Insurance Segment

Peers to UHAL’s Property & Casualty business, Repwest, include Allstate (NYSE: ALL), Chubb Ltd. (NYSE: CB), Cincinnati Financial (NASDAQ: CINF), Travelers (NYSE: TRV), and XL Group (NYSE: XL), which trade at almost 1.5x book value, while peers to the Oxford life insurance business include 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 purchased Chubb Corp. for about 1.8x book.

Applying a 1.0x multiple to combined Insurance segment book value of \$544 million yields a segment value of ~\$28 per share (see Breakdown #6). (As a reminder, while U-Haul and Repwest are clearly complementary Oxford is operated as a stand-alone financial asset and could be a potential source of optionality.)

Breakdown #6 Amerco: Estimated Value of Insurance Segment Based on Book Value

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

	<u>Repwest</u>	<u>Oxford</u>
Book Value	\$199.7	\$323.2
Applied multiple	<u>1.0x</u>	<u>1.0x</u>
Enterprise value	\$211.2	\$332.9
Diluted shares	19.6	19.6
Per share basis	\$10.78	\$16.98
Total	\$27.76	

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



HIDDEN OPPORTUNITIES

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

Accounting for projected net debt of roughly \$2.1 billion, yields a sum-of-the-parts valuation of ~\$9.2 billion, or about \$470 per share (Breakdown #7).

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

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

	<u>Moving</u>	<u>Storage</u>	<u>Eliminations</u>	<u>Insurance</u>	<u>Enterprise Value</u>	<u>Net Debt</u>	<u>Market Cap</u>
2020E Revenue	\$2,956.0	\$482.5	(\$5.5)				
Operating margin	13.5%	75.5%					
Operating income	\$399.1	\$364.3	(\$1.5)				
EBITDA margin	<u>29.8%</u>	<u>82.4%</u>					
2020E EBITDA	\$881.3	\$397.8	(\$1.5)			(\$2,126.9)	
Applied multiple	<u>5.5x</u>	<u>15.0x</u>	<u>8.5x</u>			1.0x	
Enterprise value	\$4,847.2	\$5,967.7	(\$12.7)	\$544.2	\$11,346.4	(\$2,126.9)	\$9,219.5
Diluted shares	<u>19.6</u>	<u>19.6</u>	<u>19.6</u>	<u>19.6</u>		<u>19.6</u>	<u>19.6</u>
Per share basis	\$247.31	\$304.48	(\$0.65)	\$27.76		(\$108.52)	\$470.38
Bull (10x)	\$292.27	\$345.07	(\$0.75)	\$27.76		(\$108.52)	\$555.84
Base	\$247.31	\$304.48	(\$0.65)	\$27.76		(\$108.52)	\$470.38
Bear (7x)	\$202.34	\$263.88	(\$0.55)	\$27.76		(\$108.52)	\$384.92

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



HIDDEN OPPORTUNITIES

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

The Wrap-Up

UHAL is the dominant player in the do-it-yourself (DIY) moving and storage market, with durable competitive advantages in proximity, availability, and price. In our view, at ~5.5x F2020E EV/EBITDA, UHAL is undervalued relative to the sum value of its parts, particularly the high-margin/low incremental capex Storage portion of its core Moving & Storage business. While we expect the company to continue to gain share and expand margins over the next several years (to the benefit of shareholders), we believe the company has myriad potential strategic options, including (in order of likelihood) the tax-efficient monetization of attractive real estate (e.g., Chelsea NYC), the sale of non-core assets, such as Oxford, and/or the spin-off of the Storage segment as a real estate investment trust.

Considering our financial projections as well as peer valuations, value of \$551 per share and \$28 per share can be assigned to UHAL’s Moving & Storage and Insurance businesses. Accounting for projected net debt of ~\$109 per share yields a sum-of-the-parts value of roughly \$470 per share.

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

