

AMERCO /NV/  
Form 10-Q  
November 04, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission Registrant, State of Incorporation, I.R.S. Employer

File Number Address and Telephone Number Identification No.

1-11255	AMERCO (A Nevada Corporation) 5555 Kietzke Lane, Ste. 100 Reno, Nevada 89511 Telephone (775) 688-6300	88-0106815
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N/A

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

19,607,788 shares of AMERCO Common Stock, \$0.25 par value, were outstanding at November 1, 2015

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## Part i Financial information

## ITEM 1. Financial Statements

## AMERCO AND CONSOLIDATED ENTITIES

## CONDENSED CONSOLIDATED balance sheets

	September 30, 2015	March 31, 2015
	(Unaudited)	
	(In thousands, except share data)	
<b>ASSETS</b>		
Cash and cash equivalents	\$961,647	\$441,850
Reinsurance recoverables and trade receivables, net	176,128	189,869
Inventories, net	72,022	69,472
Prepaid expenses	51,961	126,296
Investments, fixed maturities and marketable equities	1,360,780	1,304,962
Investments, other	330,233	268,720
Deferred policy acquisition costs, net	125,052	115,422
Other assets	93,508	106,157
Related party assets	83,917	141,790
	3,255,248	2,764,538
Property, plant and equipment, at cost:		
Land	521,964	467,482
Buildings and improvements	1,930,042	1,728,033
Furniture and equipment	370,557	355,349
Rental trailers and other rental equipment	458,472	436,642
Rental trucks	3,085,800	3,059,987
	6,366,835	6,047,493
Less: Accumulated depreciation	(2,021,538)	(1,939,856)
Total property, plant and equipment	4,345,297	4,107,637
Total assets	\$7,600,545	\$6,872,175
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Accounts payable and accrued expenses	\$508,453	\$496,370
Notes, loans and leases payable	2,483,190	2,190,869
Policy benefits and losses, claims and loss expenses payable	1,072,884	1,062,188
Liabilities from investment contracts	810,474	685,745
Other policyholders' funds and liabilities	11,683	7,764
Deferred income	20,333	18,081
Deferred income taxes	549,910	526,799
Total liabilities	5,456,927	4,987,816
Commitments and contingencies (notes 4, 8 and 9)		
Stockholders' equity:		

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Series preferred stock, with or without par value, 50,000,000 shares authorized:		
Series A preferred stock, with no par value, 6,100,000 shares authorized;		
6,100,000 shares issued and none outstanding as of September 30 and March 31, 2015	–	–
Series B preferred stock, with no par value, 100,000 shares authorized; none		
issued and outstanding as of September 30 and March 31, 2015	–	–
Series common stock, with or without par value, 150,000,000 shares authorized:		
Series A common stock of \$0.25 par value, 10,000,000 shares authorized;		
none issued and outstanding as of September 30 and March 31, 2015	–	–
Common stock, with \$0.25 par value, 150,000,000 shares authorized:		
Common stock of \$0.25 par value, 150,000,000 shares authorized; 41,985,700		
issued and 19,607,788 outstanding as of September 30 and March 31, 2015	10,497	10,497
Additional paid-in capital	450,830	449,668
Accumulated other comprehensive loss	(55,706)	(34,365)
Retained earnings	2,418,890	2,142,600
Cost of common shares in treasury, net (22,377,912 shares as of September 30 and		
March 31, 2015)	(525,653)	(525,653)
Cost of preferred shares in treasury, net (6,100,000 shares as of September 30 and March		
31, 2015)	(151,997)	(151,997)
Unearned employee stock ownership plan shares	(3,243)	(6,391)
Total stockholders' equity	2,143,618	1,884,359
Total liabilities and stockholders' equity	\$7,600,545	\$6,872,175

The accompanying notes are an integral part of these condensed consolidated financial statements.

## AMERCO AND CONSOLIDATED ENTITIES

## CONDENSED CONSOLIDATED Statements of operations

	Quarter Ended September 30, 2015      2014 (Unaudited) (In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	\$698,219	\$653,534
Self-storage revenues	62,060	52,986
Self-moving and self-storage products and service sales	70,703	68,043
Property management fees	6,320	5,796
Life insurance premiums	40,515	39,041
Property and casualty insurance premiums	13,372	12,463
Net investment and interest income	22,151	21,856
Other revenue	49,563	52,772
Total revenues	962,903	906,491
Costs and expenses:		
Operating expenses	406,282	383,970
Commission expenses	80,799	76,160
Cost of sales	39,881	39,836
Benefits and losses	43,428	39,558
Amortization of deferred policy acquisition costs	5,643	4,290
Lease expense	12,724	19,775
Depreciation, net of (gains) on disposals of ((\$32,821) and (\$21,541), respectively)	63,078	67,066
Total costs and expenses	651,835	630,655
Earnings from operations	311,068	275,836
Interest expense	(23,973)	(24,877)
Fees and amortization on early extinguishment of debt	–	(4,081)
Pretax earnings	287,095	246,878
Income tax expense	(103,716)	(90,631)
Earnings available to common stockholders	\$183,379	\$156,247
Basic and diluted earnings per common share	\$9.36	\$7.98
Weighted average common shares outstanding: Basic and diluted	19,597,717	19,584,194

Related party revenues for the second quarter of fiscal 2016 and 2015, net of eliminations, were \$7.6 million and \$8.9 million, respectively.

Related party costs and expenses for the second quarter of fiscal 2016 and 2015, net of eliminations, were \$17.0 million and \$16.4 million, respectively.

Please see note 10, Related Party Transactions of the Notes to Condensed Consolidated Financial Statements for more information on the related party revenues and costs and expenses.

The accompanying notes are an integral part of these condensed consolidated financial statements.

## AMERCO AND CONSOLIDATED ENTITIES

## CONDENSED CONSOLIDATED Statements of operations

	Six Months Ended September 30, 2015      2014 (Unaudited) (In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	\$1,327,505	\$1,229,009
Self-storage revenues	119,251	102,120
Self-moving and self-storage products and service sales	147,961	142,522
Property management fees	12,431	11,473
Life insurance premiums	80,781	76,971
Property and casualty insurance premiums	23,928	22,081
Net investment and interest income	44,123	42,902
Other revenue	91,728	98,368
Total revenues	1,847,708	1,725,446
Costs and expenses:		
Operating expenses	769,451	747,269
Commission expenses	153,857	142,500
Cost of sales	81,136	81,464
Benefits and losses	86,819	80,342
Amortization of deferred policy acquisition costs	10,421	8,474
Lease expense	29,788	42,245
Depreciation, net of (gains) on disposals of ((\$78,805) and (\$44,500), respectively)	114,060	128,117
Total costs and expenses	1,245,532	1,230,411
Earnings from operations	602,176	495,035
Interest expense	(46,073)	(49,025)
Fees and amortization on early extinguishment of debt	-	(4,081)
Pretax earnings	556,103	441,929
Income tax expense	(201,439)	(161,208)
Earnings available to common stockholders	\$354,664	\$280,721
Basic and diluted earnings per common share	\$18.10	\$14.34
Weighted average common shares outstanding: Basic and diluted	19,596,921	19,580,997

Related party revenues for the first six months of fiscal 2016 and 2015, net of eliminations, were \$16.0 million and \$17.6 million, respectively.

Related party costs and expenses for the first six months of fiscal 2016 and 2015, net of eliminations, were \$32.6 million and \$31.4 million, respectively.



Please see note 10, Related Party Transactions of the Notes to Condensed Consolidated Financial Statements for more information on the related party revenues and costs and expenses.

The accompanying notes are an integral part of these condensed consolidated financial statements.

## AMERCO AND CONSOLIDATED ENTITIES

## Condensed consolidated statements of COMPREHENSIVE INCOME (loss)

Quarter Ended September 30, 2015	Pre-tax (Unaudited) (In thousands)	Tax	Net
Comprehensive income:			
Net earnings	\$287,095	\$(103,716)	\$183,379
Other comprehensive income (loss):			
Foreign currency translation	(13,098)	–	(13,098)
Unrealized net loss on investments	(31,625)	11,069	(20,556)
Change in fair value of cash flow hedges	1,235	(469)	766
Total comprehensive income	\$243,607	\$(93,116)	\$150,491

Quarter Ended September 30, 2014	Pre-tax (Unaudited) (In thousands)	Tax	Net
Comprehensive income:			
Net earnings	\$246,878	\$(90,631)	\$156,247
Other comprehensive income (loss):			
Foreign currency translation	(6,282)	–	(6,282)
Unrealized net gain on investments	20,530	(7,186)	13,344
Change in fair value of cash flow hedges	4,492	(1,707)	2,785
Total comprehensive income	\$265,618	\$(99,524)	\$166,094

Six Months Ended September 30, 2015	Pre-tax (Unaudited) (In thousands)	Tax	Net
Comprehensive income:			
Net earnings	\$556,103	\$(201,439)	\$354,664
Other comprehensive income (loss):			
Foreign currency translation	(10,565)	–	(10,565)
Unrealized net loss on investments	(20,972)	7,341	(13,631)
Change in fair value of cash flow hedges	4,605	(1,750)	2,855
Total comprehensive income	\$529,171	\$(195,848)	\$333,323

Six Months Ended September 30, 2014	Pre-tax (Unaudited) (In thousands)	Tax	Net
Comprehensive income:			
Net earnings	\$441,929	\$(161,208)	\$280,721
Other comprehensive income (loss):			
Foreign currency translation	(3,539)	–	(3,539)
Unrealized net gain on investments	47,142	(16,500)	30,642
Change in fair value of cash flow hedges	5,837	(2,218)	3,619
Total comprehensive income	\$491,369	\$(179,926)	\$311,443

The accompanying notes are an integral part of these condensed consolidated financial statements.

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## AMERCO AND CONSOLIDATED ENTITIES

## Condensed consolidated statements of cash flows

	Six Months Ended September 30, 2015      2014 (Unaudited) (In thousands)	
Cash flow from operating activities:		
Net earnings	\$ 354,664	\$ 280,721
Adjustments to reconcile net earnings to cash provided by operations:		
Depreciation	192,865	172,617
Amortization of deferred policy acquisition costs	10,421	8,474
Change in allowance for losses on trade receivables	(9)	(219)
Change in allowance for inventory reserves	(603)	(960)
Net gain on sale of real and personal property	(78,805)	(44,500)
Net gain on sale of investments	(3,022)	(2,788)
Deferred income taxes	27,259	23,212
Net change in other operating assets and liabilities:		
Reinsurance recoverables and trade receivables	13,618	13,396
Inventories	(2,107)	(1,260)
Prepaid expenses	71,813	14,012
Capitalization of deferred policy acquisition costs	(15,636)	(13,728)
Other assets	18,306	(7,885)
Related party assets	57,767	2,170
Accounts payable and accrued expenses	59,525	36,410
Policy benefits and losses, claims and loss expenses payable	11,702	(3,918)
Other policyholders' funds and liabilities	2,684	1,156
Deferred income	2,339	1,962
Related party liabilities	(97)	375
Net cash provided by operating activities	722,684	479,247
Cash flows from investing activities:		
Purchases of:		
Property, plant and equipment	(720,265)	(599,351)
Short term investments	(249,082)	(130,294)
Fixed maturities investments	(169,899)	(114,112)
Equity securities	(1,315)	(3,707)
Preferred stock	(3)	(3)
Real estate	(23)	(11,312)
Mortgage loans	(86,361)	(21,189)
Proceeds from sales and paydowns of:		
Property, plant and equipment	379,198	260,659
Short term investments	243,634	130,326
Fixed maturities investments	89,085	48,955
Equity securities	808	3,030
Preferred stock	-	1,000
Real estate	-	401
Mortgage loans	29,895	18,623

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Net cash used by investing activities	(484,328)	(416,974)
Cash flows from financing activities:		
Borrowings from credit facilities	461,735	506,792
Principal repayments on credit facilities	(187,958)	(208,101)
Debt issuance costs	(5,957)	(9,847)
Capital lease payments	(77,786)	(40,694)
Employee Stock Ownership Plan	(1,484)	(124)
Securitization deposits	298	–
Common stock dividends paid	(19,594)	–
Investment contract deposits	150,704	71,571
Investment contract withdrawals	(25,974)	(24,075)
Net cash provided by financing activities	293,984	295,522
Effects of exchange rate on cash	(12,543)	(3,761)
Increase in cash and cash equivalents	519,797	354,034
Cash and cash equivalents at the beginning of period		