

AMERCO /NV/
Form 10-Q
February 05, 2014

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 December 31, 2013

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) 1325 Airmotive Way, Ste. 100 Reno, Nevada 89502-3239 Telephone (775) 688-6300	88-0106815
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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

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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 February 1, 2014

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Part i Financial information

ITEM 1. Financial Statements

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED balance sheets

	December 31, 2013 (Unaudited)	March 31, 2013 (Unaudited)
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	\$ 601,615	\$ 463,744
Reinsurance recoverables and trade receivables, net	228,424	261,789
Inventories, net	65,258	56,396
Prepaid expenses	44,344	57,451
Investments, fixed maturities and marketable equities	1,122,121	1,095,338
Investments, other	239,348	241,765
Deferred policy acquisition costs, net	114,467	93,043
Other assets	95,395	99,986
Related party assets	170,038	182,035
	2,681,010	2,551,547
Property, plant and equipment, at cost:		
Land	392,725	333,228
Buildings and improvements	1,382,182	1,197,875
Furniture and equipment	320,587	311,142
Rental trailers and other rental equipment	356,416	317,476
Rental trucks	2,426,453	2,154,688
	4,878,363	4,314,409
Less: Accumulated depreciation	(1,685,264)	(1,559,355)
Total property, plant and equipment	3,193,099	2,755,054
Total assets	\$ 5,874,109	\$ 5,306,601
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued expenses	\$ 351,796	\$ 358,491
Notes, loans and leases payable	1,862,869	1,661,845
Policy benefits and losses, claims and loss expenses payable	1,095,610	1,115,048
Liabilities from investment contracts	596,268	510,789
Other policyholders' funds and liabilities	7,271	7,294
Deferred income	29,489	30,217
Deferred income taxes	436,384	393,658
Total liabilities	4,379,687	4,077,342

Commitments and contingencies (notes 4, 8, 9 and 10)	—	—
Stockholders' equity:		
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 December 31 and March 31, 2013	—	—
Series B preferred stock, with no par value, 100,000 shares authorized; none		
issued and outstanding as of December 31 and March 31, 2013	—	—
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 December 31 and March 31, 2013	—	—
Common stock of \$0.25 par value, 150,000,000 shares authorized; 41,985,700		
issued and 19,607,788 outstanding as of December 31 and March 31, 2013	10,497	10,497
Additional paid-in capital	442,841	438,168
Accumulated other comprehensive loss	(46,192)	(22,680)
Retained earnings	1,766,242	1,482,630
Cost of common shares in treasury, net (22,377,912 shares as of December 31 and March		
31, 2013)	(525,653)	(525,653)
Cost of preferred shares in treasury, net (6,100,000 shares as of December 31 and March		
31, 2013)	(151,997)	(151,997)
Unearned employee stock ownership plan shares	(1,316)	(1,706)
Total stockholders' equity	1,494,422	1,229,259
Total liabilities and stockholders' equity	\$ 5,874,109	\$ 5,306,601

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

AMERCO AND CONSOLIDATED ENTITIES

CONDENSED CONSOLIDATED Statements of operations

	Quarter Ended December 31, 2013 2012 (Unaudited) (In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	\$436,207	\$394,945
Self-storage revenues	46,120	39,111
Self-moving and self-storage products and service sales	47,045	44,491
Property management fees	7,133	6,085
Life insurance premiums	39,198	43,248
Property and casualty insurance premiums	12,219	9,816
Net investment and interest income	20,887	22,603
Other revenue	32,537	22,188
Total revenues	641,346	582,487
Costs and expenses:		
Operating expenses	313,227	290,285
Commission expenses	55,573	51,130
Cost of sales	28,229	23,153
Benefits and losses	38,630	42,608
Amortization of deferred policy acquisition costs	4,457	3,391
Lease expense	24,468	27,575
Depreciation, net of (gains) on disposals of ((\$1,961) and (\$1,831), respectively)	70,789	62,399
Total costs and expenses	535,373	500,541
Earnings from operations	105,973	81,946
Interest expense	(23,607)	(22,076)
Pretax earnings	82,366	59,870
Income tax expense	(30,145)	(23,024)
Earnings available to common stockholders	\$52,221	\$36,846
Basic and diluted earnings per common share	\$2.67	\$1.89
Weighted average common shares outstanding: Basic and diluted	19,563,663	19,523,794

Related party revenues for the third quarter of fiscal 2014 and 2013, net of eliminations, were \$10.2 million and \$9.4 million, respectively.

Related party costs and expenses for the third quarter of fiscal 2014 and 2013, net of eliminations, were \$11.8 million and \$10.4 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

	Nine Months Ended December 31,	
	2013	2012
	(Unaudited)	
	(In thousands, except share and per share amounts)	
Revenues:		
Self-moving equipment rentals	\$1,556,787	\$1,400,300
Self-storage revenues	133,791	111,825
Self-moving and self-storage products and service sales	183,115	173,399
Property management fees	17,586	15,847
Life insurance premiums	119,708	137,341
Property and casualty insurance premiums	31,052	26,006
Net investment and interest income	59,836	52,973
Other revenue	122,793	76,589
Total revenues	2,224,668	1,994,280
Costs and expenses:		
Operating expenses	973,268	883,892
Commission expenses	202,578	180,801
Cost of sales	98,331	86,292
Benefits and losses	119,255	139,418
Amortization of deferred policy acquisition costs	14,197	9,290
Lease expense	77,293	89,962
Depreciation, net of (gains) on disposals of ((\$22,837) and (\$14,879), respectively)	191,431	177,478
Total costs and expenses	1,676,353	1,567,133
Earnings from operations	548,315	427,147
Interest expense	(70,053)	(67,680)
Pretax earnings	478,262	359,467
Income tax expense	(175,082)	(132,632)
Earnings available to common shareholders	\$303,180	\$226,835
Basic and diluted earnings per common share	\$15.50	\$11.62
Weighted average common shares outstanding: Basic and diluted	19,554,641	19,512,974

Related party revenues for the first nine months of fiscal 2014 and 2013, net of eliminations, were \$27.0 million and \$26.3 million, respectively.

Related party costs and expenses for the first nine months of fiscal 2014 and 2013, net of eliminations, were \$41.7 million and \$36.6 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 December 31, 2013	Pre-tax (Unaudited) (In thousands)	Tax	Net
Comprehensive income:			
Net earnings	\$82,366	\$(30,145)	\$52,221
Other comprehensive income (loss):			
Foreign currency translation	(3,325)	–	(3,325)
Unrealized net loss on investments	(2,251)	766	(1,485)
Change in fair value of cash flow hedges	4,398	(1,671)	2,727
Total comprehensive income	\$81,188	\$(31,050)	\$50,138

Quarter Ended December 31, 2012	Pre-tax (Unaudited) (In thousands)	Tax	Net
Comprehensive income:			
Net earnings	\$59,870	\$(23,024)	\$36,846
Other comprehensive income (loss):			
Foreign currency translation	(1,068)	–	(1,068)
Unrealized net gain on investments	18,368	(6,574)	11,794
Change in fair value of cash flow hedges	4,248	(1,614)	2,634
Total comprehensive income	\$81,418	\$(31,212)	\$50,206

Nine Months Ended December 31, 2013	Pre-tax (Unaudited) (In thousands)	Tax	Net
Comprehensive income:			
Net earnings	\$478,262	\$(175,082)	\$303,180
Other comprehensive income (loss):			
Foreign currency translation	(5,530)	–	(5,530)
Unrealized net loss on investments	(43,257)	15,020	(28,237)
Change in fair value of cash flow hedges	16,540	(6,285)	10,255
Total comprehensive income	\$446,015	\$(166,347)	\$279,668

Nine Months Ended December 31, 2012	Pre-tax (Unaudited) (In thousands)	Tax	Net
Comprehensive income:			

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Net earnings	\$ 359,467	\$(132,632)	\$226,835
Other comprehensive income (loss):			
Foreign currency translation	462	–	462
Unrealized net gain on investments	30,914	(10,923)	19,991
Change in fair value of cash flow hedges	4,501	(1,710)	2,791
Total comprehensive income	\$ 395,344	\$(145,265)	\$250,079

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

AMERCO AND CONSOLIDATED ENTITIES

Condensed consolidated statements of cash flows

	Nine Months Ended December 31, 2013 2012 (Unaudited) (In thousands)	
Cash flow from operating activities:		
Net earnings	\$303,180	\$226,835
Adjustments to reconcile net earnings to cash provided by operations:		
Depreciation	214,268	192,357
Amortization of deferred policy acquisition costs	14,197	9,290
Change in allowance for losses on trade receivables	12	(73)
Change in allowance for inventory reserves	3,640	2,050
Net gain on sale of real and personal property	(22,837)	(14,879)
Net gain on sale of investments	(6,088)	(1,050)
Deferred income taxes	48,033	17,757
Net change in other operating assets and liabilities:		
Reinsurance recoverables and trade receivables	33,355	71,709
Inventories	(12,502)	696
Prepaid expenses	13,109	(13,283)
Capitalization of deferred policy acquisition costs	(25,128)	(43,085)
Other assets	7,929	22,712
Related party assets	5,630	139,590
Accounts payable and accrued expenses	(2,772)	(872)
Policy benefits and losses, claims and loss expenses payable	(18,337)	(30,226)
Other policyholders' funds and liabilities	(23)	(925)
Deferred income	(672)	(3,704)
Related party liabilities	6,257	1,388
Net cash provided by operating activities	561,251	576,287
Cash flows from investing activities:		
Purchases of:		
Property, plant and equipment	(690,293)	(422,840)
Short term investments	(203,763)	(289,773)
Fixed maturities investments	(237,502)	(308,290)
Equity securities	(388)	(3,130)
Preferred stock	(635)	(2,761)
Real estate	(431)	(1,053)
Mortgage loans	(48,632)	(50,583)
Proceeds from sales and paydowns of:		
Property, plant and equipment	214,078	166,904
Short term investments	211,841	280,890
Fixed maturities investments	124,145	85,132
Equity securities	26,957	—
Preferred stock	6,004	5,728

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Real estate	–	671
Mortgage loans	45,234	49,215
Net cash used by investing activities	(553,385)	(489,890)
Cash flows from financing activities:		
Borrowings from credit facilities	323,039	251,319
Principal repayments on credit facilities	(238,553)	(234,698)
Debt issuance costs	(3,353)	(2,352)
Capital lease payments	(37,480)	(18,310)
Leveraged Employee Stock Ownership Plan - repayments from loan	390	559
Securitization deposits	–	(1,729)
Common stock dividends paid	–	(97,421)
Investment contract deposits	109,928	268,478
Investment contract withdrawals	(24,448)	(22,937)
Net cash provided by financing activities	129,523	142,909
Effects of exchange rate on cash	482	(362)
Increase in cash and cash equivalents	137,871	228,944
Cash and cash equivalents at the beginning of period	463,744	357,180
Cash and cash equivalents at the end of period	\$601,615	\$586,124

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

AMERCO and consolidated entities
notes to condensed