

## SMART YIELD

INCOME FUND

Finding Efficient Frontiers



**INVEST/STAY CONNECTED**

INITIAL REPORT November 27, 2022

LAST UPDATED November 27, 2022

2.5% Senior Convertible Notes; Recommendation: Buy

Price: 56 [FINRA link](#)

### FSKER INC.

Fisker Inc. (FSR) is an American electric vehicle (EV) company founded by Henrik Fisker and his wife Geeta Gupta-Fisker. Fisker Inc. has two cars, the [Ocean](#) and the [Pear](#). Fisker began production for delivery of the Ocean recently and plans to launch the Pear in 2024. The Ocean, a small size SUV, has a production goal of 42,400 cars in 2023 and Fisker has over 67,000 order reservations. Currently, Magna Steyr, an automobile manufacturer in Austria is contracted to build the Ocean. Magna also builds cars for BMW, Mercedes and Toyota.

Fisker's business model is described as a technology-enabled, capital-light automotive business that involves a focus on vehicle development and customer experience. Fisker considers the "Fisker Flexible Platform Agnostic Design" (FF-PAD) as a central part of their process. The asset light model concentrates on third party manufacturing and integration of pre-existing technology and engineering. This allows for the Fisker Ocean to be immediately profitable and reduces the capital required by as much as 80%. The FF-PAD concept adopts the design to the platform instead of vice versa which drives additional efficiencies. "Fisker believes their overall process will drive a wide range of efficiencies that reduce cost and deliver a superior customer experience. EV maker Rivian shows a total investment in property plant and equipment of \$3.7 billion net versus \$285 million at Fisker and both companies are projected to produce a similar number of vehicles in 2023. This is not a perfect comparison but gives an idea of the lower costs at Fisker. Fisker has shown confidence in their model by beginning to shift personnel to the Pear, which will be manufactured in the U.S. by Foxconn.

Management has not given projections for gross margin, capital expense and R&D for 2023. At this time, we forecast additional necessary cash investment through 2025 to be around \$1 billion, and we project the company to raise around \$1.8 through this period. We are highlighting the Fisker 2.5% convertible notes. The notes are the only debt currently at Fisker and at a recent price of 56 offer a 19.33% Yield to maturity. The bonds are currently 144A so are not available for purchase by all investors. The bonds convert at a price slightly below 20 and generally trade at a parallel price to the shares.

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#### FSR 2023 Projections

total vehicle deliveries (000)	34
ASP (000)	\$55
Revenue MM	\$1,870
EBITDA	-\$210
Cash (9/30/2022)	\$825
Cash Flow**	-\$675
ATM & Other Financings	\$400
2023 Ending Cash.	\$285
Gross Profit per vehicle.	16%
FSR Shares Outs (9/30/2022)	312 mm
Equity Mkt Cap	2,343 mm
2.5% Notes Outs	668 mm

#### EV Comparisons\*

Tesla (TSLA)	
2023 unit production est.	2,450,000
Enterprise Value Billions \$	563
Ent. Val. / 2023 prod. Est. \$	230,000
Rivian (RIVN)	
2023 unit production est.	55,000
Enterprise Value Billions \$	16
Ent. Val. / 2023 prod. Est.\$	290,000
NIO (NIO)	
2023 unit production est.	220,000
Enterprise Value Billions \$	14
Ent. Val. / 2023 prod. Est. \$	64,000
Polestar (PSNY)	
2023 unit production est.	70,000
Enterprise Value Billions \$	17
Ent. Val. / 2023 prod. Est. \$	240,000
Lucid (LCID)	
2023 unit production est.	15,000
Enterprise Value Billions \$	16
Ent. Val. / 2023 prod. Est. \$	1,100,000
Fisker (FSR)	
2023 unit production est.	34,000
Enterprise Value Billions \$	2
Ent. Val. / 2023 prod. Est. \$	59,000
FSR 2023 unit production est.	42,400

## BROXTON CAPITAL ADVISORS FSR Inc. as of 9/30/2022

Sunday, November 27, 2022

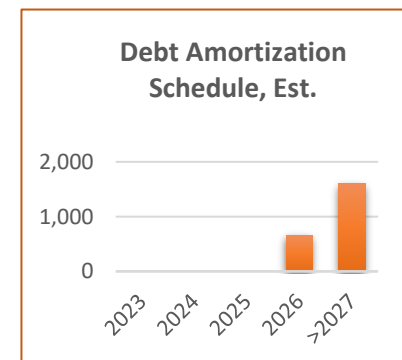
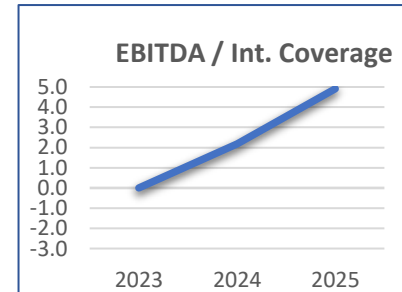
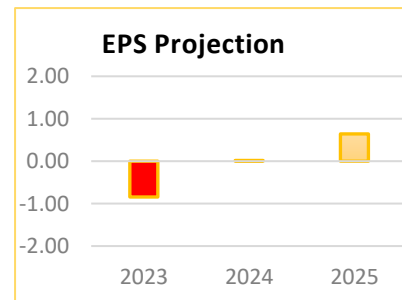
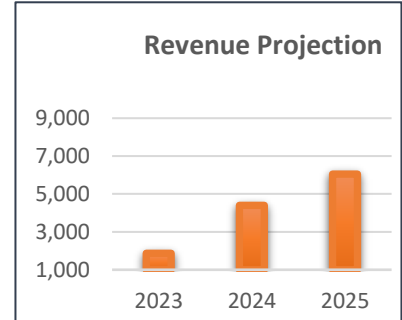
share price    \$7.51

### **PROJECTIONS IN MM** 2023     2024     2025

<b>Income Statement</b>			
<b>total vehicle deliveries (000)</b>	34	80	110
<b>ASP (000)</b>	55	55	55
Revenue	1,870	4,400	6,050
Gross Profit	305	806	1,232
Operating Income	-270	81	382
Pre-Tax Income	-285	16	292
Net Income	-295	6	257
EPS	-0.84	0.02	0.64
Revenue growth		135%	38%
<b>EBITDA</b>	<b>-210</b>	<b>141</b>	<b>442</b>
Interest	15	65	90
Capitalized Expense	215	325	375
Cash Flow	-675	-562	-256
<b>ATM &amp; Other Financings</b>	<b>400</b>	<b>1,000</b>	<b>400</b>
<b>End of Period Cash</b>	<b>285</b>	<b>723</b>	<b>867</b>
<b>Valuations</b>			
Cash Flow Yield Vs. Equity	-28.8%	-24.0%	-10.9%
<b>EV/EBITDA</b>	<b>-14.3</b>	<b>21.3</b>	<b>6.8</b>
P.E Ratio	-8.9	440.0	11.7
Enterprise Value	3,011		
Net Total Debt	668		
Equity Market Cap	2,343	2,343	2,343
<b>Debt Ratios</b>			
EBITDA/Interest Coverage ratio		2.2	4.9
<b>Debt/EBITDA</b>	<b>-3.2</b>	4.7	1.5
<b>Liquidity</b> <span style="float: right;">Sep. 30 2022</span>			
Cash	825		
Borrowing Availability est.	400		
Total Current Assets	864		
Total Current Liabilities	124		
Current Ratio	697%		
<b>Debt</b>			
Borrowings	668		
Total	668		

NOTES:

Debt Amortization Schedule includes the assumption of additional borrowings. \*\*Cash Flow includes an assumption for working capital build.



### Disclosures

\*EV Comparisons: Enterprise Values Source: Yahoo Finance, 2023 production estimates are highly speculative and the estimates are provided by Broxton. Previous reports are available upon request. Smart Yield Fund targets a mix of different security classes that contain the risk of loss. Investors should carefully consider the Fund's investment objectives and risk factors before investing. Investing involves risk, including possible loss of principal. Investors should consider the loss of principle and targeted returns are not guaranteed. Individual investors in Smart Yield are generally required to be accredited investors. Smart Yield is a fund operated through individual accounts creating the composite. Smart Yield Fund is a new product with an inception date of September 30, 2020, and as such does not have historical data. Asset Mix Projections on page 2 and 6, Smart Yield Portfolio Metrics on page 5 are estimated or targets of the fund. Asset class mix and targets may change based on the direction of the managers. Portfolio allocation projected annual return and beta assumption for each asset class on pages 7-10 are estimated. Beta for the fund and each asset class is estimated versus the S&P 500. The average beta for the entire fund is projected to be .32. Beta is a measure of the fund's volatility in relation to S&P 500 Index. This index has a beta of 1.0. The fund targets a total gross return before fees and expenses of 9.24%. The fund projects a blended return based on income securities and capital gains. Smart Yield attempts to continuously improve the value of investment portfolios by investing in corporate bonds, convertible bonds, other types of bonds (investment grade and sub-investment grade, [which may also have limited liquidity]), dividend paying equities, non-dividend paying equities, ETFs, including leveraged ETFs, and other securities. Fixed income risks include interest-rate and credit risk. 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# BROXTON

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