

Finding Efficient Frontiers

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INITIAL REPORT March 29, 2022

LAST UPDATED March 29, 2022

ZIM Integrated Shipping Services Ltd.

Common shares \$72.34 Recommendation: Buy / Price Target:\$90

[Zim Integrated Shipping](#) (ZIM) is an international container shipping company operating 118 vessels with a total capacity of close to 430,000 TEU as of December 31, 2021. A TEU or Twenty-foot Equivalent Unit is the measurement for a 20ft standardized shipping container. Zim is ranked as the 10th largest container shipping company in the world.

In general, the global supply crisis has remained difficult to fix and this is expected to continue to positively affect shipping rates in 2022. The company has been a massive beneficiary of the higher rates reporting \$39 per share in earnings for 2021. Zim recently gave guidance of over \$7 billion for adjusted EBITDA in 2022 (an incredible 81% of the company's current enterprise value and higher than 2021). The Companies current policy is to pay 50% of net income as dividends and Zim recently declared a \$17 per share dividend (\$2 billion) to reflect the remaining balance of net income for 2021. CEO Eli Glickman commented:" We believe that the container liner industry has fundamentally changed in the recent period, giving ZIM a competitive edge, we see a bright future for ZIM in 2022 and beyond."

Although rates are expected to normalize in the next 24 months leading to lower earnings and EBITDA for the company, our projections show that ZIM will pay dividends and retain cash flow of over \$7 billion through 2024 equaling over \$60 per share. Using a 3.5 X multiple against our 2024 EBITDA estimate equals an equity value of over \$95 per share. Our \$90 price target is based on a low to normal valuation versus our 2024 estimates, retained cash flow after the payment of an estimated \$32 in dividends per share through this period. Investors can also attain option premiums of over 20% annualized on covered call writing strategies. We caution on the volatility of shipping rates and thus the estimates and shares.

See important information on zim dividends on page 2

2022 PROJECTIONS IN MM

	2022
Revenue	\$12,231
Gross Profit	\$7,094
Operating Income	\$5,817
EPS	\$38.23
EBITDA	\$6,767
Capitalized Expense	\$1,300
Cash Flow	\$4,227
Equity Dividends	\$2,289
Equity Dividends per share	\$19.23
Cash Flow Dividend Coverage	185%
Retained Cash Flow	\$1,939
Retained Cash Flow Sum	\$1,939
Revenue Growth	14%
Cash Flow Yield Vs. Equity	48.8%
EV/EBITDA	1.31
P.E Ratio	1.89
Enterprise Value	\$8,887

[Recent ZIM Presentation](#)

[Global container freight rate index](#)



BROXTON CAPITAL ADVISORS

Tuesday, March 29, 2022

ZIM Integrated Shipping Services Ltd. as of 12/31/2021

share price (ZIM) \$72.34

PROJECTIONS IN MM

2022 2023 2024

Income Statement

Revenue	\$12,231	\$9,418	\$10,077
Gross Profit	\$7,094	\$3,955	\$3,678
Operating Income	\$5,817	\$2,605	\$2,253
Pre-Tax Income	\$5,582	\$2,305	\$1,903
Net Income	\$4,577	\$1,706	\$1,408
EPS	\$38.23	\$14.25	\$11.76

EBITDA	\$6,767	\$3,605	\$3,303
Interest	\$235	\$300	\$350
Capitalized Expense	\$1,300	\$1,300	\$700
Cash Flow	\$4,227	\$1,406	\$1,758
Equity Dividends	\$2,289	\$853	\$704
Cash Flow Dividend Coverage	185%	165%	250%
Retained Cash Flow	\$1,939	\$553	\$1,054
Retained Cash Flow Sum	\$1,939	\$2,492	\$3,546
Revenue Growth	14%	-23%	7%

Valuations

Cash Flow Yield Vs. Equity	48.8%	16.2%	20.3%
EV/EBITDA	1.31	2.46	2.69
P.E Ratio	1.89	5.08	6.15
Enterprise Value	\$8,887		
Total Debt	\$225		
Equity Market Cap	\$8,662	\$8,662	\$8,662

Debt Ratios

EBITDA/Interest Coverage ratio	28.80	12.02	9.44
Debt/EBITDA	0.03	0.06	0.07

Liquidity

Cash	\$1,543
Borrowing Availability est.	NA
Current Assets	\$5,085
Current Liabilities	\$2,757
Quick Ratio	1.84

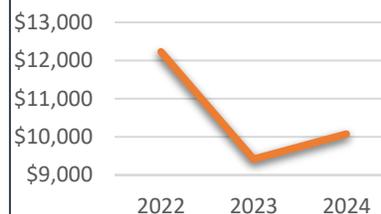
Debt

Borrowings	\$225
Total	\$225

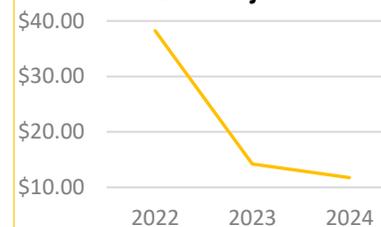
NOTES:

RE ZIM withholding tax: On the Payment Date the Company will withhold 25% of the Dividend amount and will remit the tax amount to the Agent. Broxton dividend projections are pre-tax withholding.

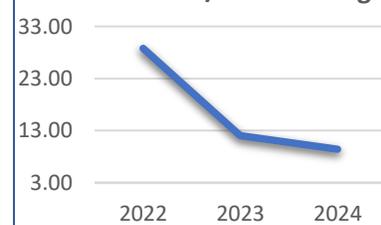
Revenue Projection



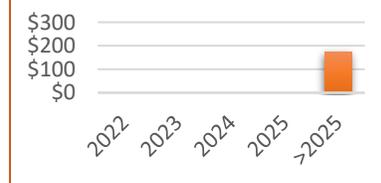
EPS Projection



EBITDA / Int. Coverage



Debt Amortization Schedule



Disclosures

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. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. All securities types mentioned in this brochure have the risk of loss. Long term strategies purchase securities which are underpriced according to our appraisal methodologies. Broxton uses regression analysis to obtain an average appraisal value for an individual company and places a priority on the securities of companies with improving financial performance and or additional catalysts that provide for increases in earnings and valuation. We use financial modeling, technical analysis, proprietary and third-party research. Smart Yield does not have any capitalization (market size), sector or industry allocation mandates. Asset class allocation percentages may be changed without notice. Broxton deploys technical analysis and momentum as indicators of movement for shorter term strategies, that may not involve deep fundamental analysis. Shorting (selling and then buying) of securities can be used for hedging and as a long term or short-term strategy. 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