

SMART YIELD

Income Fund

Finding Efficient Frontiers

INVEST/STAY CONNECTED

DELL Technologies

INITIAL REPORT July 28, 2022

LAST UPDATED July 28, 2022

Dell Technologies

Common shares \$44.29 Buy: Price Target \$65.00

Dell Technologies (DELL) is a worldwide technology and services provider with sales in over 180 countries and 133,000 employees. Historically, Dell was a hardware provider until 2009 when it acquired Perot Systems and later EMC Corporation, expanding the company into enterprise services. Current technology services offerings include data storage, integration, information security, virtualization, analytics, and cloud computing. On November 1, 2021, Dell Technologies completed its spin-off of VMware, by means of a special stock dividend, which included an \$11.5 billion cash component, of which Dell received \$9.3 billion. The dividend was used, along with other cash, to reduce long term and short-term debt by close to \$12 billion. Currently debt, net of cash and customer finance receivables stands at less than \$10 billion. Dell groups its' sales primarily into 2 groups, the Infrastructure Solutions Group (ISG) and the Client Solutions Group. ISG provides technology software solutions and services. CSG includes branded hardware and peripherals. In the last year ISG accounted for 34% of sales with an 11% operating income margin and CSG provided 61% of sales with a 7% margin. The company also supports its sales with its' Dell Financial Services (DFS). Fiscal 2022-year sales were \$101 billion, up 16% over 21.

Fiscal 2023 PROJECTIONS MM

Revenue	106,257
Gross Profit	23,377
Operating Income	5,766
EPS	\$4.61
Non-GAAP EPS	\$6.39
EBITDA	9,866
Capitalized Expense	2,800
Cash Flow After Capex	4,811
Equity Dividends	1,006
Dividends per share	1.32
Dividend Yield	2.98%
Enterprise Value	50,677
EV/EBITDA	5.1 X
Revenue Growth	5%
Cash Flow Yield Vs. Equity	14.3%
EV/EBITDA	5.1 X
Non-GAAP PE Ratio	6.93

For Fiscal Q1 2023 (period ending April 29, 2022), Dell reported a revenue increase of 16% and record non-GAAP EPS of \$1.84 per share. CFO Tom Sweet commented: "Gross margin ... was up 190 basis points sequentially due to improvement in both CSG and ISG gross margin percentages as more of our prior pricing actions took effect. Turning to Q2 and fiscal year '23, Digital transformation is a top priority for our customers, and it's fueling our growth. And with what we see today, the current demand environment supports this." Co Chairman Chuck Whitten reported: "We gained [close to 2%] of PC unit share in calendar Q1 ... the most among the top four industry vendors. We have now gained unit share in 33 of the last 37 quarters." Overall, the company is demonstrating improvements across a number of metrics and management predicts 2023 revenue growth of 6%.

Our buy recommendation and \$65 price target are based on 6 X our projected fiscal 2024 EBITDA and 9 X non-GAAP earnings. Dell significantly deleveraged in 2021 and is demonstrating improved synergies with technology solutions and services along with its' hardware. The shares have a 3% dividend yield and a 14% cash flow yield.

Recent DELL Presentation



Monthly chart 2021 to present

BROXTON CAPITAL ADVISORS Dell Technologies as of 4/29/2022

Thursday, July 28, 2022

share price \$44.29

PROJECTIONS IN MM fiscal yr. 2023 2024 2025

Income Statement

Revenue	106,257	113,695	121,653
Gross Profit	23,377	25,013	26,764
Operating Income	5,766	6,466	7,229
Pre-Tax Income	4,416	5,116	5,879
Net Income	3,511	4,067	4,674
EPS	4.61	5.34	6.13
non-GAAP EPS	6.39	7.12	7.92
Revenue growth	5.00%	7.00%	7.00%
EBITDA	9,866	10,566	11,329
Interest	1,350	1,350	1,350
Capitalized Expense	2,800	2,800	2,800
Cash Flow	4,811	5,367	5,974
Equity Dividends	1,006	1,006	1,006
Cash Flow Dividend Coverage	478%	534%	594%
Retained Cash Flow	3,805	4,361	4,968
Retained Cash Flow Sum	3,805	8,166	13,134

Valuations €

Cash Flow Yield Vs. Equity	14%	16%	18%
EV/EBITDA	5.1	4.8	4.5
P.E Ratio	9.6	8.3	7.2
Enterprise Value	50,677		
Net Total Debt	16,928		
Equity Market Cap	33,749	33,749	33,749

Debt Ratios

EBITDA/Interest Coverage ratio	7.3	7.8	8.4
Debt/EBITDA	1.7	1.6	1.5

Liquidity

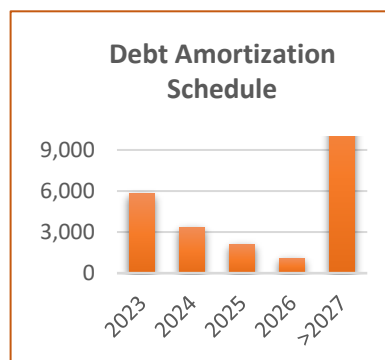
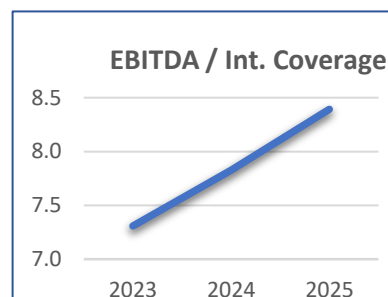
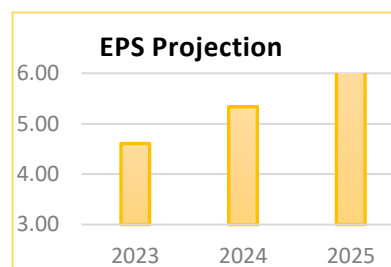
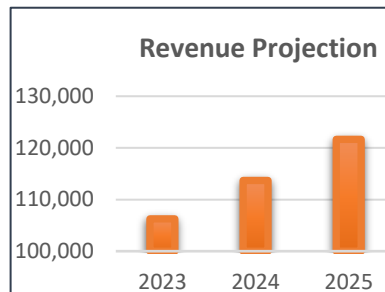
Cash	6,654
Borrowing Availability est.	10,000+
Total Current Assets	41,376
Total Current Liabilities	53,059
Current Ratio	78%

Net Debt

Borrowings	16,928
Total	16,928

NOTES:

Debt is presented net of customer finance receivables. Amortization schedule includes Dell Financial Services. Net total debt = company debt- customer financing receivables. Dell Fiscal Year begins Jan 31



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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Also, from time-to-time we may also discuss and display, charts, graphs, formulas which are not intended to be used by themselves to determine which securities to buy or sell, or when to buy or sell them. Such charts and graphs offer limited information and should not be used on their own to make investment decisions.

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