

# SMART YIELD

Income Fund



Finding Efficient Frontiers

Broxton Capital Advisors manages wealth for Institutional Investors and Households. Smart Yield is an income and growth fund with a target return of 8% annually with low volatility.

**INVEST/STAY CONNECTED**

**UNISYS**

Securing Your Tomorrow™

7/25/2021(updated 8/4/2021)| Common Shares UIS: \$ 21.25 Recommendation: Buy PT \$ 44

Continuing operational and balance sheet improvements have allowed Unisys to focus on the transition from legacy services to more profitable, and growing, revenue lines such as cloud, Infrastructure and Cybersecurity. The company is on track to produce its first revenue growth in four years in 2021. Our price target of \$44 per share is based on 16 X our 2022 adjusted EPS of \$2.73 per share, 6.5 X our 2022 EBITDA estimate of \$459 million as well as the improving balance sheet which is on target to be net debt free by the end of 2021.

Unisys is a global information technology company that provides IT services, software, and technology. Unisys clients typically include large well-known corporations and governments, such as Dell/EMC, Lloyds Bank, Spain, Columbia, Australia and U.S. state governments. 51% of revenue is derived outside of the U.S. with a concentration in government customers and financial companies which accounted for 39% and 25% of 2020 revenues respectively. UIS also reports revenue under the following segments: Digital Workplace Services, Cloud & Infrastructure and ClearPath Forward (a proprietary software operating environment for enterprise computing that enables legacy systems to interact across multiple platforms and the cloud).

In 2015 Peter Altabef became president and CEO of Unisys. Mr. Altabef was the former CEO of Perot Systems when it was sold to Dell in 2009 for \$3.9 billion. He then became president and CEO of Micros in 2013, which was sold to Oracle for \$5.3 billion in 2014. The strategy to improve Unisys has been comprised of two main efforts: balance sheet improvement and improving profit margins. With Altabef, UIS has been migrating away from low margin legacy contracts and expanding into higher margin areas such as cloud and Infrastructure. The first quarter of 2021 demonstrated results of these efforts with strong improvement in year over year financial results: operating income rose 77% and adjusted EBITDA grew by 31%. This led to a robust increase in adjusted net income to 46 cents per share from 2 cents the year earlier. One facet of improving the balance sheet is the reduction of Pension liabilities. The company's net pension liabilities have been reduced to \$ 1.2 billion from over \$2 billion in 2017. Unisys is on path to grow and expand margins over the next 3 years.

## UIS Chart 2018 through June 2021

### Recent Presentation

**UIS Company Description:** Unisys is a global IT company known for building highly secure, modern digital platforms. We accelerate industry-leading digital workplace services, deliver next-generation cloud and infrastructure services, and provide the world's most secure operating environment for high-intensity enterprise computing.



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## BROXTON CAPITAL ADVISORS

Sunday, July 25, 2021

share price (UIS)

## UNISYS AS OF 3/31/2021

\$21.00

### PROJECTIONS MM

2021 2022 2023

### Income Statement

Revenue	\$2,067	\$2,191	\$2,366
Gross Profit	\$599	\$679	\$733
Operating Income	\$214	\$287	\$334
Pre-Tax Income	\$185	\$258	\$305
Net Income	\$131	\$183	\$216
EPS	\$1.96	\$2.73	\$3.23
Non Gaap EPS	\$1.96	\$2.73	\$3.23
EBITDA	\$386	\$459	\$506
Interest	\$29	\$29	\$29
Capitalized Expense	\$125	\$125	\$125
Retained Cash Flow	\$178	\$230	\$263
Equity Dividends	\$0	\$0	\$0
Cash Flow Equity Dividend Coverage	NA	NA	NA
Retained Cash Flow	\$178	\$230	\$263
Retained Cash Flow Compounded	\$178	\$408	\$671
Revenue Growth	2%	6%	8%

### Valuations

Cash Flow Yield Vs. Equity Mkt Cap	12.7%	16.3%	18.7%
EV/EBITDA	5.05	4.25	3.85
P.E Ratio	10.70	7.69	6.50
Enterprise Value	\$1,948		
Total Debt	\$541		
Equity Market Cap	\$1,407	\$1,407	\$1,407
Shares Outstanding	67 mil		

### Debt Ratios

EBITDA/Interest Coverage ratio	13.23	15.71	17.32
Debt/EBITDA	1.40		

### Liquidity

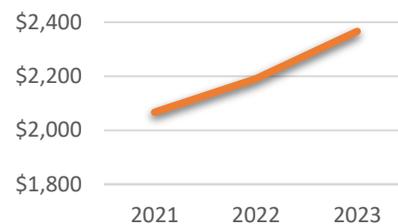
Cash	\$717		
Borrowing Availability est.	\$110		
Current Assets	\$1,281		
Current Liabilities	\$730		
Quick Ratio	1.75		

### Debt

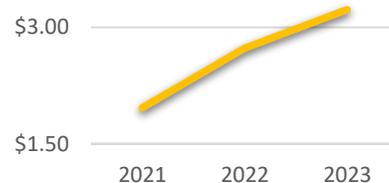
Borrowings	\$541		
Total	\$541		

## NOTES:

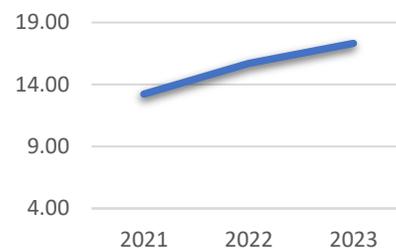
## Revenue Projection



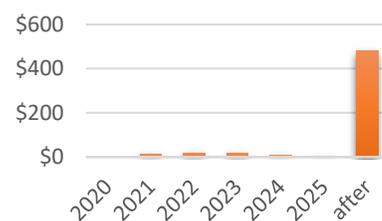
## EPS Projection



## EBITDA / Int. Coverage



## Debt Amortization Schedule



### Disclosures

This report was updated on August 4<sup>th</sup>, 2021, to correct the statement: "Unisys pension liabilities are indicated to fall below \$600 million at the end of second quarter from over \$2 billion in 2017". The corrected statement is: "The company's net pension liabilities have been reduced to \$ 1.2 billion from over \$2 billion in 2017". 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. We exit positions in accordance with our discipline, this includes when valuation targets are clearly exceeded, or financial performance falls below our projections. Since Smart Yield returns will be calculated using a composite of accounts, the average account will not match the composite return and the return could be higher or lower. Broxton offers Smart Yield for other investment managers. Any commentary is solely the opinion of the Broxton Capital Advisors. It refers to securities we hold in our portfolio and sometimes ones we are considering but does not represent a complete list of positions held at Broxton Capital Advisors. A complete list covering the last twelve months will be furnished upon request. Price targets are mentioned for information purposes only. Nothing contained herein constitutes a recommendation to purchase or sell securities at any designated price or time. Targeted performance does not guarantee future results. Additional disclosures are included on [broxtoncapital.com](http://broxtoncapital.com) including in form ADV. SEC Rule 206(4)-1 disclosure: this report is approved by the CCO of Broxton Capital. 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