

SMART YIELD INCOME FUND

Finding Efficient Frontiers



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INITIAL REPORT JUNE 25, 2023
LAST UPDATED SEPTEMBER 8, 2023

\$23.77; Recommendation: BUY, target \$27.00

ALBERTSONS COMPANIES, INC.

Albertsons (ACI) is the fourth largest grocer in the United States operating 2,271 stores in 34 states under 24 different banners, including Safeway and Vons. Albertsons reached a deal to be acquired by Kroger for \$34.10 in October of 2022. As part of the sale, a special \$6.85 per share dividend was paid to Albertsons shareholders in January of 2023. Shareholders will receive the remainder or \$27.25 if the deal is completed.

Recently confidence in the deal got a major boost when it was [announced](#) that [C&S Wholesale Grocers](#) would purchase 413 Stores and 8 Distribution Centers from Albertsons and Kroger. C&S is the eighth largest privately held company in the United States by revenue. Kroger also has an agreement with C&S requiring the purchase of up to an additional 237 stores if necessary to obtain FTC and other governmental approvals. The announcement also removed the possibility of ACI shareholders receiving "spin off" equity in stores that could not be sold. So, the shareholders will receive the full remaining buyout in cash. According to Kroger's press release: The merger remains on track to close in early 2024.

Albertsons is a solid company at a current valuation of 5.1 X EBITDA and 10 X our 2023 earnings. The company also has large real estate holdings with an appraised value of 11.2 billion*. So, we do not view the \$23.3 billion buyout price as excessive. The buyout price equals 5.5 X our calendar 2023 EBITDA and around 11 X EPS.

Our price target of \$27.00 is based on the probable closing of the merger and the strong valuation of Albertsons. Investors in ACI will receive a return of over 14% if the deal is consummated and an annualized return of over 30% if the merger is completed in early 2024. We believe that Kroger has received indications that approvals will be granted with an unspecified number of additional stores being added to the C&S purchase agreement.

*Source: 2020 ACI IPO prospectus

COMPANY STATS \$

Shares Out	576 mm
Equity Market Cap	13,630 mm
Total Net Debt	7,672 mm
Current Stores	2,271
2023 Revenues Est.	79,979 mm
2023 Cash Flow - Capex Est.	1,679 mm
Enterprise Value	21,302 mm
EBITDA (2023 Est.)	4,206 mm
EV/EBITDA (2023 Est.)	5.1 X
Cash Flow after Capex	1,679 mm
Cash Flow/Equity Cap	12.3%
Net Debt/EBITDA	1.8 X
Broxton 2023 GAAP EPS Est.	2.40
Broxton 2024 GAAP EPS Est.	2.48
Broxton 2025 GAAP EPS Est.	2.85
Dividend	.48 (2.24%)
Real Estate appraised value*	11,200 mm

[MERGER PRESENTATION](#)

[RECENT EARNINGS RELEASE](#)

SMART YIELD

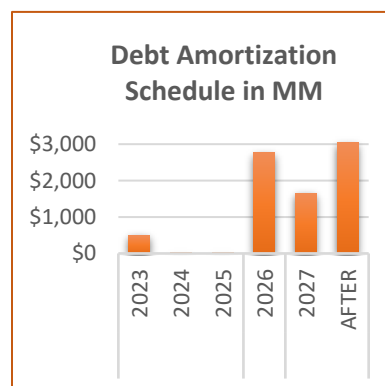
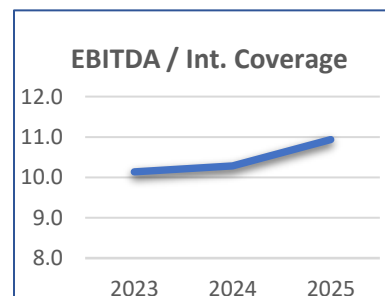
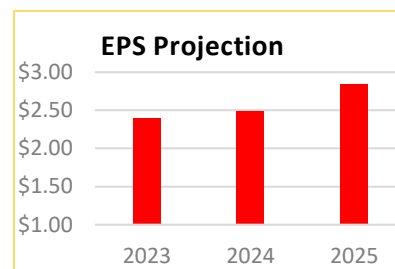
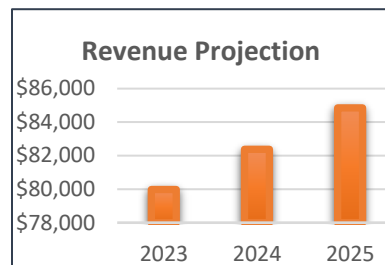
Income Fund

BROXTON CAPITAL ADVISORS ACI as of 6/17/2023

Tuesday, September 12, 2023

share price	\$23.75		
PROJECTIONS IN MMs (fiscal)	2023	2024	2025
Income Statement			
Revenue	\$79,979	\$82,379	\$84,850
Gross Profit	22,194	22,654	23,334
Operating Income	2,206	2,267	2,538
Pre-Tax Income	1,791	1,852	2,123
Net Income	1,379	1,426	1,635
EPS	\$2.40	\$2.48	\$2.85
Non-GAAP EPS	\$2.67	\$2.75	\$3.12
Revenue growth	3.00%	3%	3%
EBITDA	\$4,206	\$4,267	\$4,538
Interest Exp	415	415	415
Capitalized Expense	1,700	1,700	1,700
Cash Flow	3,379	3,426	3,635
Equity Dividends	276	276	276
Cash Flow Dividend Coverage	610%	626%	702%
Cash Flow after capex	1,679	1,726	1,935
Retained Cash Flow Sum	1,404	2,854	4,514
Valuations			
Cash Flow Yield Vs. Equity	12.3%	12.7%	14.2%
EV/EBITDA	5.1	5.0	4.7
P.E Ratio	9.9	9.6	8.3
Enterprise Value	21,302		
Net Total Debt	7,672		
Equity Market Cap	13,630	13,630	13,630
Debt Ratios			
EBITDA/Interest Coverage ratio	10.1	10.3	10.9
Net Debt/EBITDA	1.8	1.8	1.7
Liquidity Feb. 25 2023			
Cash & Marketable Sec	225		
Borrowing Availability est.	2000 +		
Total Current Assets	6,061		
Total Current Liabilities	7,723		
Current Ratio	78%		
Debt			
Borrowings	\$7,897		
Borrowings Net	\$7,672		

NOTES:



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. 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. 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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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Income Fund

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