



## Finding Efficient Frontiers

**SMART YIELD**  
INCOME FUND



## MEDICAL PROPERTIES TRUST, INC.

**INVEST/STAY CONNECTED**

INITIAL REPORT September 27, 2023  
LAST UPDATED November 10, 2023

Common shares \$5.03 Buy: Price Target \$6.50

5.25% Senior Notes Due Aug 2026 \$85.25 Buy: Price Target \$98

Medical Properties trust (MPW) is the 7<sup>th</sup> largest healthcare real estate investment trust or REIT in the U.S. The company's 18-billion-dollar [portfolio](#) consists of over 400 properties, leases, mortgages, and equity investments. 40% of this portfolio is international with 60% of that located in the United Kingdom. 2022 and 2023 were turbulent years for REITS due to rising interest rates and for health care providers due to the covid and post covid economic environment.

MPW grew 200% from 2018 to 2022 but became criticized for having a high concentration in certain tenants and making non real estate investments (10% of portfolio) in some of these tenants. For instance: Steward Health Care System is MPW's largest tenant (24%) and MPW also has a \$362 million loan out to Steward. [Steward](#) is the largest physician-owned private for-profit health care network in the United States and we don't view this as an oversized risk because MPW acts primarily as a lessor. The use of straight-line rent by MPW was also questioned; however, this is in accordance with GAAP accounting and is industry standard. This led to a lot of turbulence in the shares, which declined 80% from 2021 highs (compared to a 36% decline for the REIT index: VNQ). There are currently over 130 million shares shorted.

Beginning in 2022, MPW initiated a plan to evaluate deleveraging and investment strategies. Through August of 2023 the company has sold or announced the sale of \$2 billion in real estate. We believe the company will sell an additional \$1 billion in 2024 and 2025. The company also reduced the dividend in August of 2023 to 60 cents per share annually. These actions will allow MPW to "self-fund" all its debt maturities through 2025. Over 99% of MPW leases provide annual rent escalations based on increases in the CPI and we also see cost reductions as the company refocuses on the core business.

MPW should return to positive operational cash flow after capital expenditures and common dividends in 2024. Health provider economics are also improving. Our buy on the common shares and the 2026 notes are based on the forecasted improvements in EBITDA, earnings, and funds available for distribution (adjusted FFO) and quality healthcare portfolio.

### 2023 PROJECTIONS MM

Revenue	1,440
Adjusted FFO	739
Adjusted FFO / Share	1.23
EBITDA	1,129
Equity Market Cap	3,013
Year End Net Debt	8,852
Enterprise Value	11,865
EV / EBITDA	10.5

Non-GAAP EPS	.95
P.E Ratio	5.3
Capitalized Expense	350
Cash Flow After Capex	389

### 2024 PROJECTIONS MM

EBITDA	1,143
Non-GAAP EPS	.99
Adjusted FFO / Share	1.27
Year End Net Debt	8,049
Common Dividend	359
Cash Flow After Capex	663

### 2025 PROJECTIONS MM

EBITDA	1,170
Non-GAAP EPS	1.10
Adjusted FFO / Share	1.34
Year End Net Debt	7,201
Common Dividend	359
Cash Flow After Capex	707

[MPW Portfolio](#)

[Webcasts & Presentations](#)

# SMART YIELD

Income Fund

## BROXTON CAPITAL ADVISORS MPW Inc. as of 6/30/2022

Friday, November 10, 2023

share price	\$5.03		
<b>PROJECTIONS IN MM fiscal yr</b>	2023	2024	2025
<b>Income Statement</b>			
Revenue	1,440	1,403	1,425
Operating Income	572	593	660
Pre-Tax Income	572	593	660
Adjusted FFO	739	763	800
EPS (non GAAP)	0.95	0.99	1.10
"Adjusted FFO" / Share	1.23	1.27	1.34
EBITDA	1,129	1,143	1,170
Interest	390	380	370
Capitalized Expense	350	100	93
Cash Flow after CAPEX	389	663	707
Common Dividend	527	359	359
Op Cash Flow After Dividend	-138	304	348
<b>Valuations</b>			
Cash Flow Yield Vs. Equity	12.9%	22.0%	23.5%
EV/EBITDA	10.5	9.7	8.7
P.E Ratio	5.3	5.1	4.6
Enterprise Value	11,865	11,062	10,214
Ending Net Debt	8,852	8,049	7,201
Equity Market Cap	3,013	3,013	3,013
<b>Debt Ratios</b>			
EBITDA/Interest Coverage ratio	2.9	3.0	3.2
Debt/EBITDA	7.8	7.0	6.2
<b>Liquidity</b>			
Cash	324		
Borrowing Availability est.	1000+		
Total Assets	19,204		
Total Liabilities	10,890		
Equity	8,314		
Book Value per share	\$13.88		

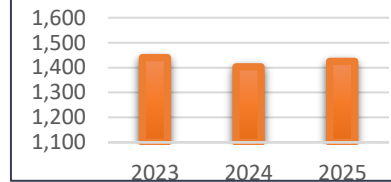
### Debt

Borrowings 10,239

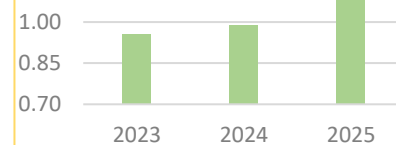
#### NOTES:

Broxton does not include: fair value adjustments on securities or forecast write downs or write-offs or other adjustments for MPW in this report. 2027 or later maturities 5.457 bil. Broxton Adjusted FFO does not include straight line rent

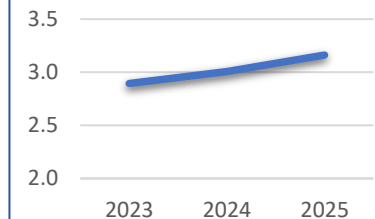
### Revenue Projection



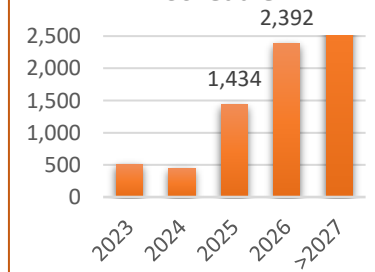
### EPS Projection



### EBITDA / Int. Coverage



### Debt Amortization Schedule



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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