

SMART YIELD

INCOME FUND

Finding Efficient Frontiers



INVEST/STAY CONNECTED

INITIAL REPORT November 9, 2020

LAST UPDATED October 29, 2023

COMMUNITY HEALTH SYSTEMS, INC.

Community Health Systems (Sym: CYH) is the 8th largest healthcare provider in the U.S. with close to 11,000 beds at the end of 2022. Company website: *CHS operates 76 acute-care hospitals and more than 1,000 other sites of care, including physician practices, urgent care centers, freestanding emergency departments, occupational medicine clinics, imaging centers, cancer centers and ambulatory surgery centers.* Although generating over \$1 billion in operating income, CYH has a heavy debt load and little cash flow after interest payments, necessary capital expenditures and profit distributions to doctor partners. However, CYH has good liquidity (\$1 billion as of 9/30/2023) and no maturities until 2026, which provides time to possibly improve profitability and begin to pay off debt.

The current financial plan of management is to increase the EBITDA percentage of revenues into the 15% area from the current percentage of 12%. Industry leader HCA has closer to a 19% ratio. Health care is growing and [CMS predicts](#) that the growth will average 5.1% through 2030. We are highlighting the various secured notes which have seniority over \$3.9 billion in the capital structure and are yielding 11-12%. We consider the secured notes as fully covered at a valuation of around 5X EBITDA. Also, CYH owns 75-80% of their hospitals. We have optimistically forecast a 3.2% improvement in EBITDA ratio through 2025 and investors will gain further perspective through 2024.

CAPITAL STRUCTURE 9 30 2023

Equity Market Cap	286
Borrowings	12,479
Enterprise Value	12,765
Cash & securities	331
Borrowing availability	680

2023 PROJECTIONS MM

Revenue	12,577
EBITDA	1,505
Interest	817
CAPEX	485
Distributions	135
Net cash flow	118
EV/EBITDA	8.5 X

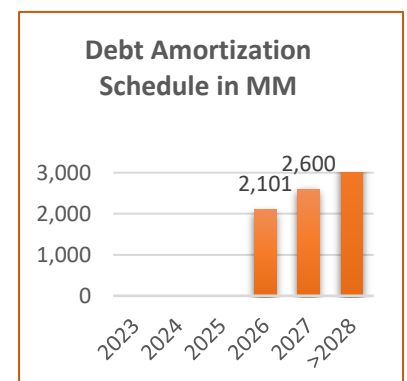
2024 PROJECTIONS MM

Revenue	12,955
EBITDA	1,769
Net cash flow	354
EV/EBITDA	6.9 X

2025 PROJECTIONS MM

Revenue	13,343
EBITDA	2,028
Net cash flow	613
EV/EBITDA	5.8 X

Recent Presentation Earnings



Description	Amount Outstanding	Recent Price	Yield to Maturity
8% Secured Notes due 2026	2101	93	11.12%
8% Secured Notes due 2027	700	87	12.09%
5% Secured Notes due 2027	1900	84	11.36%
6% Notes due 2028	774	46	29.63%
6% Secured Notes due 2029	900	77	11.95%
5% Secured Notes due 2030	1535	72	11.37%
4% Secured Notes due 2031	1095	69	11.17%
6% Junior Secured Notes due 2029	1775	48	24.71%
6% Junior Secured Notes due 2030	1440	41	24.92%
ABL Facility and other debt	259	NA	
Total	12,479		

SMART YIELD

Income Fund

BROXTON CAPITAL ADVISORS CYH Inc. as of 9/30/2022

Sunday, October 29, 2023

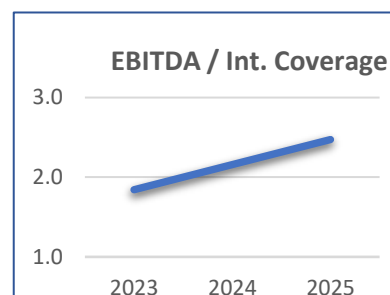
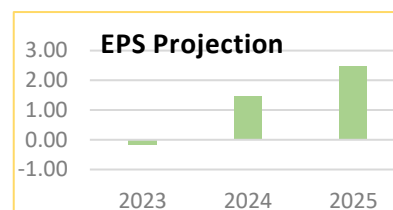
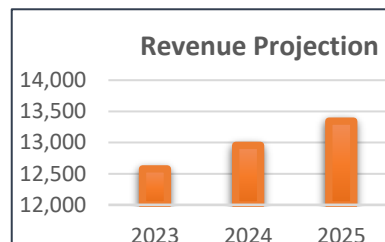
share price	\$2.09		
PROJECTIONS IN MM fiscal yr.	2023	2024	2025
Income Statement			
Revenue	12,577	12,955	13,343
Operating Income	1,012	1,262	1,521
Pre-Tax Income	210	457	716
Cash Flow (pre-CAPEX)	603	839	1,098
EPS (not adjusted)	-0.16	1.45	2.49
cash flow (post CAPEX)	118	354	613
EBITDA	1,505	1,769	2,028
Interest	817	820	820
Capitalized Expense	485	485	485
Cash Flow after CAPEX & Dist.	118	354	613
EBITDA %	12%	14%	15%
Distributions to non-controlling	-135	-150	-150
Valuations			
Cash Flow Yield Vs. Equity	41.4%	123.6%	213.9%
EV/EBITDA	8.5	6.9	5.8
P.E Ratio	-12.7	1.4	0.8
EBITDA % of REVS	11.97%	13.66%	15.20%
Enterprise Value	12,765	12,293	11,680
Ending Net Debt	12,479	12,007	11,394
Equity Market Cap	286	286	286
Debt Ratios			
EBITDA/Interest Coverage ratio	1.8	2.2	2.5
Debt/EBITDA	8.3	6.8	5.6
Liquidity			
Cash & Securities	331		
Borrowing Availability <i>est.</i>	680 mm		
Current Assets	3,248		
Current Liabilities	2,149		
quick ratio	151%		
Book Value	-\$1,222		

Debt

Borrowings 12,479

NOTES:

Broxton does not forecast impairments, write downs or write offs for CYH in this report. 2027 or later maturities 7.8 billion. Thus, Broxton earnings forecasts do not include these items. Debt due 2028 or later = 7.8 B. Bond prices and yields provided by [FINRA](#). CYH bonds may be 144A and all are below investment grade.



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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