



Finding Efficient Frontiers

UNISYS

Unisys Corporation

INVEST/STAY CONNECTED

INITIAL REPORT July 26, 2021

LAST UPDATED November 11, 2022

6.875% [Senior Secured Notes](#) Recommendation: Hold

Common Shares Recommendation: Hold / PT: \$7

We are highlighting the common shares & 6.875% senior secured notes at Unisys (UIS). Unisys is a global information technology company that provides IT services, software, and technology. Unisys clients are large well-known corporations and governments, such as Dell, Air France, Lloyds Bank, Spain, Columbia, Australia, and U.S. state governments. Government customers and financial companies accounted for 39% and 25% of 2020 revenues respectively.

On November 7th, Unisys lowered 2022 revenue and EBITDA guidance for the year and announced a delay in the filing of the company's 10Q. The delay is from an internal investigation regarding "certain disclosure controls and procedures matters", but management does not expect the investigation to result in any changes to previously reported financial statements. The downward guidance is due to a number of factors.

Unisys has been undergoing a successful transformation under CEO Peter Altabef in recent years. The company has reduced pension liabilities and debt by over \$1 billion since 2019 and initiated a transition to higher margin business in cloud, enterprise, and digital workplace solutions. The transition is ongoing and is yet to demonstrate solid success on the income statement. Over the last year the transition has faced several challenges regarding costs, currency headwinds and generation of new business. (59% of 2021 revenues are international) On the conference call Mr. Altabef pointed out that revenue was up on a constant currency basis and up over 4% excluding the impact of exiting non-strategic lower margin contracts. Mr. Altabef has a solid resume and was the CEO of Perot Systems when it was sold to Dell in 2009 for \$3.9 billion and CEO of Micros when it was sold to Oracle for \$5.3 billion in 2014.

Unisys has a strong current financial position with \$351 million in cash and the 2027 bond maturity. The company does face future payments for the pensions and estimates that starting in 2025 annual contributions will increase from \$30 million to \$130 million. We estimate the bond maturity and pension payments will total close to \$1.5 billion in 2025 through 2033.

Investors have been challenged by the bumpy transition, which may not gain traction until 2024, and the shares were also harshly affected by the news of the audit investigation. Although we strongly believe in Altabef and the ultimate success in the transition, we recommend potential investors in the shares and bonds wait until a resolution of the audit and further success with the transition before initiating positions.

UIS 2022 Projections	MM	\$
Enterprise Value	808	
Equity Market Cap	310	
Total Borrowings	498	
LT Pension Liability	836	
EV + Pension X Cash	1,644	
Current Cash	351	
2022 EBITDA est.	221	
2023 EBITDA est.	299	
Cash 2022 YE Est.	375	
Annual Capex est.	90	

Senior Secured Notes	Link
Coupon	6.875%
Last Price	71.25
Current Yield	9.64%
Yield To Maturity	15.36%
Payment Frequency	Semiannually
Maturity	Nov 2027
Issued Amount	\$485 mm

Common Shares	
Last Price	\$4.62
Outstanding	67.8 mm
UIS 2022 EPS est. adj	\$0.08
UIS 2023 EPS est. adj	\$1.04

[3rd Q Presentation](#)

UIS stock chart Nov 2022



BROXTON CAPITAL ADVISORS

UNISYS AS OF 9/30/2022

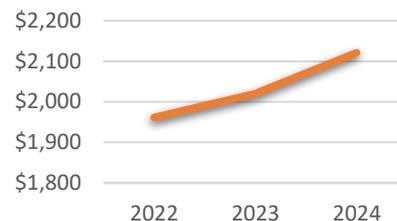
Friday, November 11, 2022

share price (UIS)	\$4.62		
PROJECTIONS MM			
	2022	2023	2024
Income Statement			
Revenue	\$1,962	\$2,020	\$2,121
Gross Profit	\$510	\$606	\$636
Operating Income	\$39	\$117	\$129
Pre-Tax Income	\$6	\$85	\$97
Net Income	\$5	\$70	\$80
EPS	\$0.08	\$1.04	\$1.19
EBITDA	\$221	\$299	\$311
Interest	\$33	\$32	\$32
Capitalized Expense	\$90	\$90	\$90
Cash Flow after Capex	\$97	\$162	\$172
Equity Dividends	\$0	\$0	\$0
Cash Flow Dividend Coverage	NA	NA	NA
Retained Cash Flow	\$97	\$162	\$172
Retained Cash Flow Totals	\$97	\$259	\$431
Revenue Growth	-5%	3%	5%
Valuations			
Cash Flow Yield Vs. Equity	31.4%	52.3%	55.4%
EV/EBITDA	3.65	2.70	2.60
P.E Ratio	60.53	4.43	3.89
Enterprise Value	\$808		
Total Debt	\$498		
Equity Market Cap	\$310	\$310	\$310
Debt Ratios			
EBITDA/Interest Coverage ratio	6.70	9.35	9.72
Debt/EBITDA	2.25		
Liquidity			
Cash	\$351		
Borrowing Availability est.	\$110		
Current Assets	\$878		
Current Liabilities	\$642		
Quick Ratio	1.37		
Debt			
Borrowings	\$498		
Total	\$498		

NOTES:

SMART YIELD

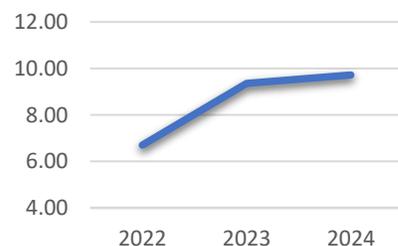
Revenue Projection



ADJ. EPS Projection



EBITDA / Int. Coverage



Debt Amortization Schedule



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 report was updated on November 7, 2021, and November 9, 2022. Broxton had previously rated Unisys as a buy with a higher price target. 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 including in form ADV. SEC Rule 206(4)-1 disclosure: this report is approved by the CCO of Broxton Capital. Individuals should consider the inherent risks before investing and this report should not be construed as advice tailored to an individual's investment criteria or objectives. Important Disclosure: In the normal course of our communications or reports, we analyze, review and discuss current, past and possible future securities holdings. In the case of any security reviewed by us, it should not be assumed that recommendations made in the future will be profitable or will equal the performance of any profitable security that is reviewed or discussed. On request we provide a list of all investment recommendations made by the firm over the last twelve months. 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.

Broxton Capital Advisors 151 Calle San Francisco
San Juan PR, 00901 broxtoncapital.com
310-208-2191

Allen Cooke Portfolio Manager 310-208-2151
Cell 310-279-3338 allen@broxtoncapital.com

Brian Stead Manager 310-208-2151
byron@broxtoncapital.co

BROXTON

CAPITAL ADVISORS

CAPITAL ADVISORS