



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**

INITIAL REPORT July 26, 2021

UPDATED November 7, 2021

## UNISYS CORPORATION (UIS) Common Shares UIS: \$ 21.25

**Target \$32**

On November 3<sup>rd</sup> Unisys reported Q3 2021 results with adjusted earnings of .10 and revenues of \$488 million versus consensus of .16 and \$495 million. The miss was due to lower profit margins in the DWS segment and unexpected cost headwinds attributed to workforce compensation, "go to market" costs, and some supply constraints. Management relayed that the company has pricing power on renewals and inflation adjustments in current contracts but forecasted the increases catching up over the next 2 or 3 quarters. The full year company guidance of 0 to 2% YoY revenue growth, and 17 to 18% adjusted EBITDA margin was confirmed. A bright spot was the increase in annual contract value or ACV of 30%. ACV is a measure for the revenue in the first 12 months of signing a contract. We forecast Unisys to be on track for year over year growth in Non-GAAP diluted earnings of 50%+ (\$1.69 for our current year estimate compared to \$1.12 in 2020) and growth in Non-GAAP operating profit and cash flow. Our 2022 and 2023 forecasts are adjusted, and our price target is revised from \$44 to \$32 per share and is based on 16 X our 2022 adjusted EPS of \$1.98 per share, and 5.6 X our 2022 EBITDA estimate of \$380. We are taking a more conservative stance before the 4<sup>th</sup> quarter report and 2022 guidance.

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/EMC, Lloyds Bank, Spain, Columbia, Australia and U.S. state governments. Government customers and financial companies accounted for 39% and 25% of 2020 revenues respectively.

In 2015 Peter Altabef became president and CEO of Unisys and is leading the turnaround efforts. 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.

**UIS Chart 2018 through June 2021**

### [Recent Presentation](#)    [3<sup>rd</sup> Quarter Conference Call](#)

**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.



## BROXTON CAPITAL ADVISORS

## UNISYS AS OF 9/30/2021

Sunday, November 7, 2021

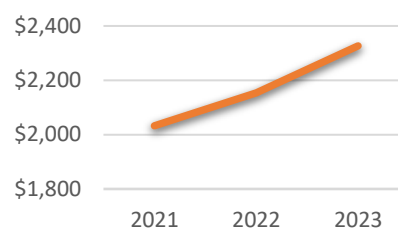
share price (UIS) \$21.41

### PROJECTIONS MM

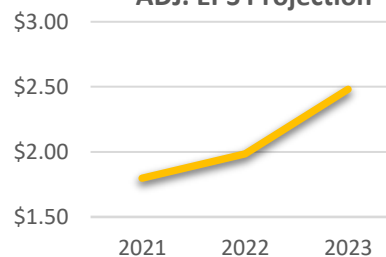
	2021	2022	2023
<b>Income Statement</b>			
Revenue	\$2,032	\$2,154	\$2,327
Gross Profit	\$579	\$625	\$686
Operating Income	\$177	\$198	\$240
Pre-Tax Income	\$142	\$166	\$208
Net Income	\$120	\$133	\$166
EPS			
Non Gaap EPS	\$1.80	\$1.98	\$2.48
EBITDA	\$347	\$380	\$422
Interest	\$35	\$32	\$32
Capitalized Expense	\$110	\$105	\$110
Cash Flow after CapEX	\$180	\$210	\$238
Equity Dividends	\$0	\$0	\$0
Cash Flow Equity Dividend Coverage	NA	NA	NA
Retained Cash Flow	\$180	\$210	\$238
Retained Cash Flow Totals	\$180	\$390	\$629
Revenue Growth	0%	6%	8%
<b>Valuations</b>			
Cash Flow Yield Vs. Equity Mkt			
Cap	12.6%	14.6%	16.6%
EV/EBITDA	5.68	5.18	4.66
P.E Ratio	11.91	10.79	8.63
Enterprise Value	\$1,968		
Total Debt	\$533		
Equity Market Cap	\$1,435	\$1,435	\$1,435
<b>Debt Ratios</b>			
EBITDA/Interest Coverage ratio	9.91	11.88	13.18
Debt/EBITDA	1.54		
<b>Liquidity</b>			
Cash	\$615		
Borrowing Availability est.	\$110		
Current Assets	\$1,125		
Current Liabilities	\$662		
Quick Ratio	1.70		
<b>Debt</b>			
Borrowings	\$533		
Total	\$533		

NOTES:

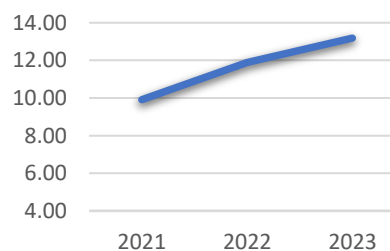
### Revenue Projection



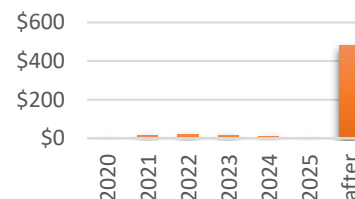
### ADJ. EPS Projection



### EBITDA / Int. Coverage



### Debt Amortization Schedule



## Disclosures

This report was updated on November 7, 2021, the previous report is available on the Broxton website or by 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. 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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.

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