

**SMART YIELD**  
Income fund

Broxton Capital Advisors manages wealth for Managers, Institutional Investors, and Households. Smart Yield is an income and growth fund with a target return of 8% and an objective of lower volatility

**INVEST/STAY CONNECTED**



INITIAL REPORT September 27, 2021  
UPDATED September 27, 2021

**Qurate Retail, Inc. (QRTEA) Common Shares: \$ 10.45 / Qurate Retail, Inc.8.0% Series A pfd.**

Qurate is a unique hybrid retailer utilizing television networks and digital platforms. The group operates the retailers [QVC](#), [Home Shopping Networks](#), [Zulilly](#) and [Cornerstone](#). Qurate has continued its' digital transition efforts and roughly 65% of 2020 total revenues originated from their e-commerce platforms. Also in 2020, the company generated total sales of \$14.2 billion and operating income of \$1.57 billion. Overall, QVC and HSN have strong customer bases, serving 16.5 million unique customers with 7 million core customers spending an average of \$1400, per year, on 28 individual items (as of 2<sup>nd</sup> Q 2021). 21% of total sales are generated by QVC international, primarily in Europe and Japan. \$2.7 billion or 19% of total sales are derived from Zulilly and Cornerstone (a separate portfolio of home and apparel brands). Qurate operates 15 domestic and international distribution centers shipping an average of over 600,000 units per day.

The shares trade at a relatively low 4.6 X 2021 consensus earnings, with a 23% projected free cash flow to equity yield. QRTEA's net enterprise value is 5.3 X 2020 adjusted OIBDA. In 2020 QRTEA declared a total of \$6 in dividends, consisting of 3 dollars in cash and 3 dollars in preferred shares. Although the PE is about 25% of the average S&P 500 share, investors are cautious due to concerns regarding durability of the hybrid model and the transition to digital. The company does have relationships with distributors such as Hulu +, Facebook Live, Amazon and Apple TV but may not be getting a lot of penetration into younger demographics. Qurate management can attain normal market multiples and higher share prices if the company can maintain and expand total sales growth and market share into the younger demographics. Currently, QRTEA has a strong existing infrastructure profile, high cash flow and an excellent customer base. This provides the opportunity. We recommend that investors follow the 6.25% Senior Secured \$25 board traded notes and 8% Series A Preferred shares for future entry. And also, the common A & B shares offer compelling value, but we do not have a recommendation at this time.

**The chart below: January 2016 through September 2021**

**Recent Presentation**

**QRTEA Company Description:** We are seven leading retail brands, reaching approximately 218 million homes worldwide via 14 television networks and reaching millions more via multiple streaming services, social pages, mobile apps, websites, print catalogs, and in-store destinations. We're a world leader in video commerce globally, among the top ecommerce retailers in North America and a leader in mobile commerce and social commerce.

| As of June 30, 2021                | Amount MM | Rate |
|------------------------------------|-----------|------|
| Exchangeable Notes (Holding Co)    | \$2,202   | VAR  |
| QVC (Subsidiary) Secured & Other   | \$5,032   | VAR  |
| Credit Facilities                  | \$77      |      |
| Series A Preferred (2031 maturity) | \$1,262   | 8%   |
| Total Debt & PFD                   | \$8,496   |      |
| QRTEA Shares Outstanding           | 399       | NA   |
| QRTEB Shares Outstanding           | 8         | NA   |
| 2020 Adjusted OIBDA                | \$2,198   |      |



## BROXTON CAPITAL ADVISORS

Tuesday, September 28, 2021

Share Price (QRTEA)

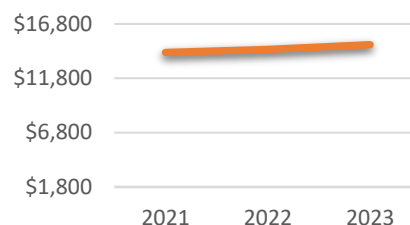
\$10.45

|                                     | 2021           | 2022           | 2023           |
|-------------------------------------|----------------|----------------|----------------|
| <b>Income Statement</b>             |                |                |                |
| Revenue                             | \$14,177       | \$14,461       | \$14,894       |
| Gross Profit                        | \$4,891        | \$4,989        | \$5,139        |
| Operating Income                    | \$1,562        | \$1,622        | \$1,733        |
| Pre-Tax Income                      | \$1,029        | \$1,089        | \$1,200        |
| Net Income                          | \$844          | \$871          | \$960          |
| EPS                                 | \$2.07         | \$2.14         | \$2.36         |
| Non Gaap EPS                        | \$2.07         | \$2.14         | \$2.36         |
| <b>EBITDA (Adjusted OIBDA)</b>      | <b>\$2,188</b> | <b>\$2,248</b> | <b>\$2,359</b> |
| Interest                            | -\$408         | -\$408         | -\$408         |
| Capitalized Expense                 | \$400          | \$400          | \$400          |
| Cash Flow after Capitalized Expense | \$1,070        | \$1,097        | \$1,186        |
| Equity Dividends                    | \$0            | \$0            | \$0            |
| Cash Flow Equity Dividend Coverage  | NA             | NA             | NA             |
| Retained Cash Flow                  | \$1,070        | \$1,097        | \$1,186        |
| Retained Cash Flow Compounded       | \$1,070        | \$2,167        | \$3,353        |
| Revenue Growth                      | 0%             | 2%             | 3%             |
| <b>Valuations</b>                   |                |                |                |
| Cash Flow Yield Vs. Equity Mkt Cap  | 25.2%          | 25.8%          | 27.9%          |
| <b>EV/EBITDA (Adjusted OIBDA)</b>   | <b>5.83</b>    | <b>5.67</b>    | <b>5.40</b>    |
| P.E Ratio                           | 5.04           | 4.88           | 4.43           |
| Enterprise Value                    | \$12,749       |                |                |
| Total Debt                          | \$8,496        |                |                |
| Equity Market Cap                   | \$4,253        | \$4,253        | \$4,253        |
| <b>Debt Ratios</b>                  |                |                |                |
| EBITDA/Interest Coverage ratio      | 5.36           | 5.51           | 5.78           |
| <b>Debt/EBITDA</b>                  | <b>3.85</b>    |                |                |
| <b>Liquidity</b>                    |                |                |                |
| Cash                                | \$950          |                |                |
| Borrowing Availability est.         | \$2,500        | +              |                |
| Current Assets                      | \$4,427        |                |                |
| Current Liabilities                 | \$4,402        |                |                |
| Quick Ratio                         | 1.01           |                |                |
| <b>Debt</b>                         |                |                |                |
| Borrowings                          | \$8,496        |                |                |
| Total                               | \$8,496        |                |                |

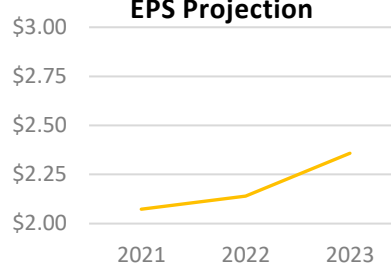
NOTES: \* Certain Notes are puttable in the next 12 months and carried as short term debt (\$1,922 as of 6/30/2021)

## QRATE RETAIL AS OF 6/30/2021

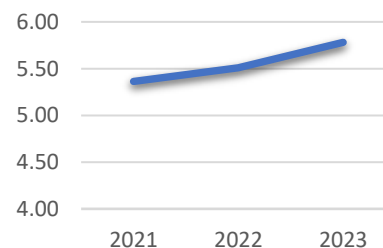
### Revenue Projection



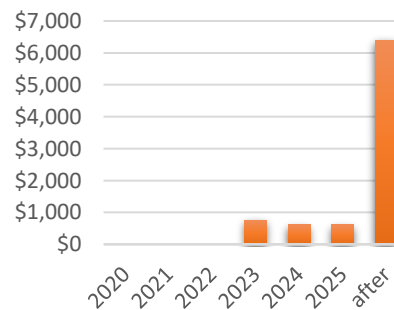
### EPS Projection



### EBITDA / Int. Coverage



### Debt Amortization Schedule\*



## **Disclosures**

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 disclosure 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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