



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 December 27, 2021

UPDATED December 27, 2021



THE MACERICH COMPANY Common shares \$17.22

No recommendation at this time

[Macerich](#) is a REIT that owns or owns interests in 45 shopping malls and a few other properties that represent 6% of the net portfolio. The total portfolio consists of 49 million square feet of property with roughly 70% owned by the company. This is further refined into roughly 17.5 million square feet of company owned Mall space. We opened up coverage on MAC due to the fact that a number of metrics are starting to flow their way. Average tenant sales have rebounded strongly in 2021, advancing over 13% from 3rd quarter 2019 and the company has reduced debt from \$6 billion to 4.5 billion this year. MAC reduced the common dividend from \$3 to 60 cents per year in 2020 and intends to keep it there for further debt reduction. Management expects free cash flow after dividends and recurring capital expenditures to exceed \$200 million per year over the next few years.

MAC trades at a discount of 50% or more compared to certain other non-mall REITs. For example, Realty Income, (NYSE: O). O shares trade at 18 X 2021 estimated FFO and an estimated enterprise value of 28 X 2021 EBITDA. Macerich shares trade at 8.15 X our 2022 FFO projections and an enterprise value of 13.1 X our 2022 EBITDA projection. Although the company has laid the foundation for a stable recovery, Macerich still faces the long-term problem of mall traffic decline. We don't have a clear impression of the strategy to aggressively address this.

The company's financial reporting consists of two portfolios, the first portfolio with 28 malls is 100% consolidated onto the income and balance sheet statement. The second portfolio consisting of 17 malls is unconsolidated and only presented under the equity method of accounting. MAC presents FFO and EBITDA by proportionally adding FFO and EBITDA from the unconsolidated portfolio to the consolidated portfolio. This differs slightly from our method disclosed on page 2. We project a 9 % drop in 2021 revenues compared to 2019 followed by revenue growth of 6% through the end of 2023, with improving metrics and a continuing \$65 million per year maintenance capital expense. MAC has a book value of close to \$14 per share and we view the shares as attractive below this level dependent on medium term business developments.

MAC Common Chart 2020 through November 2021

Recent Presentation

MAC Company Description: Macerich is a leading owner, operator and developer of top retail and mixed-use destinations in major U.S. markets (NYSE:MAC). With our much-admired portfolio of market-dominant properties, Macerich is shaping the future of retail real estate. Adding value to our Class A assets with a smart mix of brands, experiences and new uses is a hallmark of our approach. We are the industry's leader in environmental sustainability, a priority we share with shoppers and retailers in our forward-thinking communities.



BROXTON CAPITAL ADVISORS

Tuesday, December 28, 2021

The Macerich Company 9/30/2021

share price (MAC) \$17.06

PROJECTIONS IN 1,000s

	2021	2022	2023
Income Statement			
Revenue	\$839,353	\$864,534	\$890,470
Gross Profit	\$839,353	\$864,534	\$890,470
Operating Income	\$127,182	\$174,372	\$188,860
Pre-Tax Income	-\$51,596	\$21,372	\$35,860
Net Income	-\$64,596	\$8,372	\$22,860
EPS	-\$0.29	\$0.04	\$0.10
FFO/share	\$1.68	\$2.09	\$2.16
EBITDA	\$560,835	\$633,025	\$647,513
Interest	\$197,328	\$180,000	\$180,000
M Capital Expense	\$65,000	\$65,000	\$65,000
Cash Flow	\$304,057	\$402,025	\$416,513
Equity Dividends	\$132,008	\$133,811	\$133,811
Cash Flow Dividend Coverage	230%	300%	311%
Retained Cash Flow	\$172,049	\$268,214	\$282,702
Retained Cash Flow Sum	\$172,049	\$440,263	\$722,965
Revenue Growth	-10%	3%	3%

Valuations

Cash Flow Yield Vs. Equity	8.1%	10.7%	11.1%
EV/EBITDA	14.80	13.11	12.82
FFO share multiple	10.17	8.15	7.90
Enterprise Value	\$8,300,039		
Total Debt	\$4,546,839		
Equity Market Cap	\$3,753,200	\$3,753,200	\$3,753,200

Debt Ratios

EBITDA/Interest Coverage ratio	2.84	3.52	3.60
Debt/EBITDA	8.11	7.18	7.02

Liquidity MM

Cash	\$118		
Borrowing Availability est.	\$500	+	
Assets	\$8,412		
Liabilities	\$5,177		
Net Equity Book Value	\$3,074	\$13.97/share	

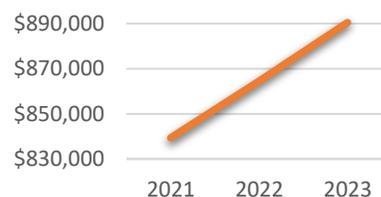
Debt

Borrowings	\$4,546,839
Total	\$4,546,839

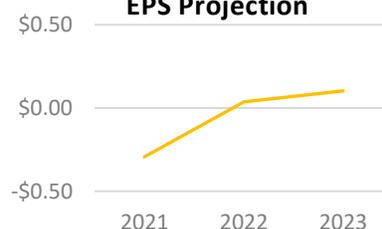
NOTES:

MAC Company presented FFO = consolidated FFO + proportional FFO of unconsolidated entities. Broxton FFO = consolidated FFO + projected distributions from unconsolidated joint ventures. Broxton EBITDA = consolidated EBITDA + projected distributions from unconsolidated joint ventures

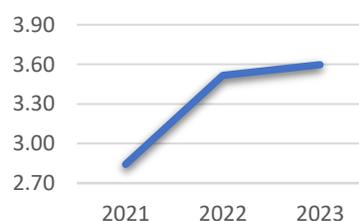
Revenue Projection



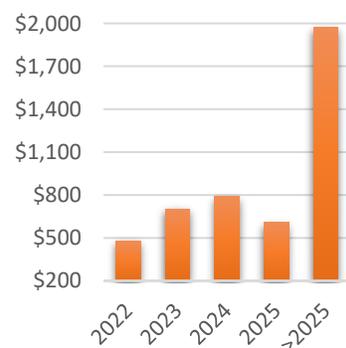
EPS Projection



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 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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