



December 6, 2016

CURRENT PRICE: \$5.50
RATING: BUY
PRICE TARGET: \$5.80
CURRENT YIELD: 8.7%

EPS Estimates

	DEC 15A	DEC 16E
1Q	\$0.30	\$0.17A
2Q	\$0.27	\$0.14A
3Q	\$0.12	\$0.50A
4Q	\$0.06	\$0.08
	\$0.76	\$0.89

Trading Data

52-WEEK PRICE RANGE: **\$5.87-\$4.38**
 SHARES OUTSTANDING: **5.96(M)**
 MARKET CAP: **\$32.8(M)**
 AVG. DAILY TRADING VOLUME: **10.5(K)**
 S&P 500: **2,212**

Valuation Data

BOOK VALUE: **\$6.77**
 PRICE TO BOOK: **0.81x**
 DIVIDEND: **\$0.48**

Oxbridge Re Holdings Ltd. (NSDQ: OXBR)

3Q16 Earnings Results

Highlights

- 3Q16 earnings of \$0.50/share vs. \$0.12/share during 3Q15
- \$1.2 million estimated loss reversal boots earnings
- Trading approximately 19% below book value/share
- Pays dividend yield of 8.7%
- Maintain BUY rating & \$5.80/share price target

Investment Thesis

OXBR is a microcap stock offering aggressive/speculative investors above average appreciation potential based on its ability to grow revenues and profits in the future. The company's goal is to grow its revenue stream and carve out a niche in the \$24 billion global property/casualty reinsurance business. If successful, then OXBR could experience large growth in both its earnings and book value/share and potentially increase investor demand for this stock. OXBR currently trades approximately 19% below its book value/share and pays a high dividend yield of 8.7%.

Company Summary

Oxbridge Reinsurance Limited, writes fully collateralized reinsurance policies mainly for property and casualty insurance companies in the Gulf Coast region of the US. The majority of OXBR's business comes from reinsurance brokers who receive commissions based on gross premiums written. The company's two principal revenue sources are reinsurance premiums and income from its investment portfolio. OXBR is headquartered in the Cayman Islands and plans to expand business relationships with reinsurance brokers and insurance underwriters.

For Important Disclosure information regarding the Firm's rating system, valuation methods and potential conflicts of interest, please refer to the last two pages of this report.

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BUSINESS DESCRIPTION

Oxbridge Re Holdings Limited (OXBR) was formed in 2013 and went public in 2014. The company provides reinsurance policies mainly to property/casualty insurers serving the US's Gulf Coast region. OXBR is a Cayman Islands exempted company and through its licensed reinsurance subsidiary, Oxbridge Reinsurance Limited, writes fully collateralized reinsurance policies mainly for property/casualty insurance companies in the Gulf Coast region of the US. The majority of OXBR's business comes from reinsurance brokers who receive commissions based on gross premiums written. The company's two principal revenue sources are reinsurance premiums and income from its investment portfolio. Plans are to expand business relationships with reinsurance brokers and insurance underwriters. OXBR does not pay US Federal Income taxes since it is headquartered in the Cayman Islands.

BUSINESS OVERVIEW

OXBR's objective is to achieve long term growth in book value/share by writing business management believes will generate underwriting profits relative to the risk taken. The company's primary focus will be on underwriting profitability and secondarily, investment profits. Plans are to write primarily property, property catastrophe, and short-tail specialty and casualty reinsurance and will mainly be in the form of treaty reinsurance contracts. These contracts are written on an excess of loss basis, normally with a per-event cap and normally last 12 months. OXBR's currently provides coverage in the Gulf states with 73% of the policies in Florida and 5% combined in Texas and Louisiana, with 22% placed in global industry loss warranty contracts.

OXBR's plans to manage contract risk with contractual limits on exposure to potential claims. The operating goal is to specialize in underwriting medium frequency, high-severity risks. OXBR believes a profit can be derived from reinsurance contracts by analyzing the risk/reward of various contract opportunities

The two principal revenue sources for OXBR are from reinsurance premiums and income from its investment portfolio. Premiums recorded are net of charge in loss experience refund and contains changes in amounts due to cedent under reinsurance contracts. Investment income is comprised of interest income, dividends, and net realized/gains, or losses, on investment securities. This income will be derived from the company's capital held in both OXBR level and in trust accounts to collateralize reinsurance products.

OXBR takes on underwriting risk of close to fifty percent of its equity at any given time. The reinsurance policy contracts are backed by collateralized trust accounts. These trust accounts are collateralized by either cash or investments to the limit of its exposure in any given contract. OXBR's investment portfolio was valued at approximately \$48.9 million as of 6/30/16. The investment portfolio consists of \$6.1 million in fixed maturity investments (12.5%), \$7.6 million of equity securities (15.5%), \$4.7 million of cash/cash equivalents (9.6%), and \$30.6 million of restricted cash and cash equivalents (63.4%).



During FY15 OXBR generated \$14.8 million of reinsurance premiums. Management's target is to put as collateral on reinsurance contracts up to approximately 50% of shareholders equity, which was \$38.3 million as of 6/30/16. The company may need to raise capital (stocks, debt, etc.) in the future to collateralize additional reinsurance contracts.

OXBR's expenses come from three sources: losses and loss adjustments expenses, acquisition costs, and general corporate administrative costs.

Loss and loss adjustment expenses result from the amount/type of reinsurance contracts written by OXBR. These expenses come from claims reported by ceding insurers and may include an actuarial analysis of the estimated losses, including losses incurred during the period and changes in estimates from prior periods.

Acquisition costs are mainly brokerage fees, ceding commissions, premium taxes and other direct expenses related to the company's underwriting of reinsurance contracts. Deferred acquisition costs are amortized over the related contract period.

General and administrative expenses come from salaries, benefits and related costs to OXBR's employees. Additionally, costs associated with professional fees, rent, and other operating expenses are included in this category. The company currently has two employees: Jay Madhu (President/Chief Executive Officer) and Wrendon Timothy (Chief Financial Officer/Corporate Secretary).

OXBR's insiders, and related family members, own approximately 71.2% of OXBR's shares through common stocks, and warrants when converted to common stock.



EQUITY RESEARCH

Recent Earnings

OXBR reported 3Q16 earnings of \$0.50/share vs. \$0.12/share during 3Q15. The improvement was due to a positive development of loss reserves along with higher net premiums, net realized gains/investment income, as well as lower policy acquisition costs/underwriting expenses, and general /administrative expenses. Total revenues rose to \$2.17 million from \$1.18 million and total expenses improved to +\$819,000 from -\$438,000.

Net premiums earned improved to \$1.92 million from \$1.78 million due mainly to an increase in the number, and size, of reinsurance contracts placed during 3Q16. Net realized investment gains rose to \$122,000 from -\$303,000. Net investment income increased to \$126,000 from \$90,000. Other than temporary impairment losses were \$0 vs. -\$399,000.

Total expenses rose to +\$819,000 from -\$438,000 due mainly to the favorable development of loss reserves totaling +\$1.2 million during 3Q16. This significant change resulted from OXBR's normalization of reserves at the end of 3Q16 based on independent actuary estimates of its reserves. At the end of 2Q16, the company's were too conservative as determined by its independent actuary, thus causing the overprovision at the end of 3Q16. Policy acquisition costs/underwriting expenses decreased to \$83,000 from \$85,000 and general/administrative expenses declined to \$346,000 from \$353,000.

OXBR's loss ratio, measuring underwriting profitability, was -65.1 vs. 0% due to the favorable development of the loss reserve reversal during 3Q16. The acquisition cost ratio was 4.3% vs 4.7% as lower acquisitions costs in 3Q16 caused a decline in this ratio. The expense ratio decreased to 22.4%, from 24.4%, due to the decline in the acquisition costs ratio, and marginally lower general/administrative expenses during the just completed period. The combined ratio was -42.7% vs 24.4% because of the favorable treatment of the loss reserve reversal during 3Q16.

HURRICANE MATTHEW UPDATE

OXBR had given earlier estimates of the impact of its earnings from potential claims from damage caused by Hurricane Matthew at \$6.4 million-\$9.5 million. Recently, management lowered these estimated claim totals to \$1.4 million-\$3 million based on more recent information.

SHARE REPURCHASE PROGRAM

The company announced a \$2 million share repurchase program of its outstanding common stock in June 2016. As of the end of 3Q16 OXBR had repurchased 78,387 shares at an average price of \$5.097/share with a total cost of \$399,000.



Our Thoughts

A good quarter for OXBR as the company reported 3Q16 earnings of \$0.50/share vs. \$0.12/share during 3Q16. The improvement was due mainly to an unearned premium reserve change (\$1.2 million), higher net realized gains/investment income, lower policy acquisition costs/underwriting expenses, and general /administrative expenses. Another positive for OXBR was its lowering of estimated claims from Hurricane Matthew to \$1.4 million-\$3 million versus prior estimates of \$6.4 million-\$9.5 million. This could be a positive for OXBR and boost 4Q16 earnings results.

We maintain our BUY rating and recommend this stock for aggressive and speculative investors seeking above average appreciation potential in a microcap “niche” stock. Management needs to grow revenues and profits as it attempts to increase market share in the \$24 billion/year reinsurance sector. If successful, OXBR could see a concurrent increase in earnings and book value/share, and potentially be rewarded with greater investor demand for its stock. While awaiting this potential positive scenario, shareholders will receive a current dividend yield of 8.7%. Our price target is \$5.80/share, equating to 0.86x OXBR’s book value per share of \$6.77/share.



Risks

There are no guarantees OXBR will be able to grow future earnings. Declining reinsurance premiums, investment portfolio losses, large policy payouts, and rising operating costs could negatively affect the company's profits. Economic slowdowns, insurance industry downturns, new products from competitors, lack of capital markets access, or changing industry trends/technology, are risks for OXBR's ability to sell its products and generate profits. Negative equity markets, rising interest rates, terrorist attacks, and failure to comply with the Sarbanes Oxley Act could cause a decline in OXBR's share price. The company presently has only 2 employees. The loss of either, or both, could negatively impact the company's ability to operate. Threatening weather (hurricanes, rain/flooding, wind storms) heading towards areas insured by OXBR could negatively impact its stock and profitability. The company's limited capital structure may require a future capital raise which could dilute existing shareholders equity stake. Given the relatively small amount of daily trading activity in OXBR's stock, any increase in daily trading volume could significantly accelerate the volatility of its share price movements. Additionally, selling by OXBR's insiders (owning 71.2% of outstanding shares) could put downward pressure on OXBR's share price.

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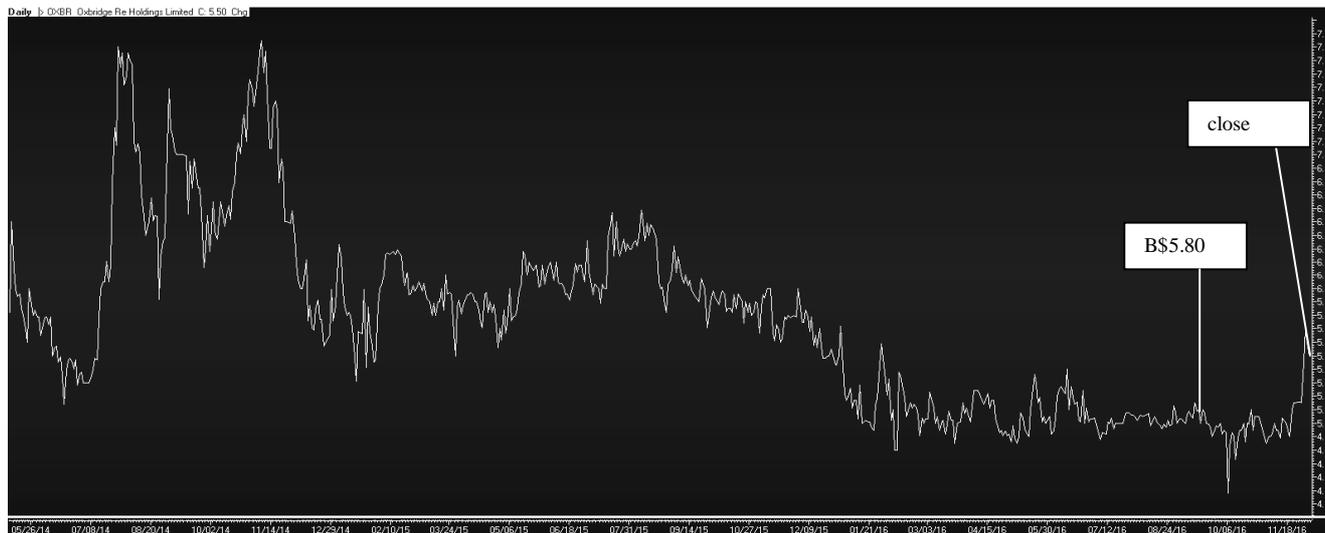


EQUITY RESEARCH

OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY-unaudited
 (all figures in thousands of US Dollars, except per share and share amount(s))

	1Q15	2Q15	3Q15	4Q15	2015	1Q16	2Q16	3Q16	4Q16e	2016e
REVENUE										
Assumed Premiums	\$600	\$14,288	\$0	\$0	\$14,888	\$503	\$14,562	\$0	\$0	\$15,065
Change in loss experience refund payable	-2,052	-2,065	-2,089	-2,090	-8,294	-2,088	-288	-2,089	-2,071	-6,536
Change in unearned premiums reserve	2,999	-10,587	3,881	3,881	173	2,966	-10,927	4,007	3,389	-565
Net premiums earned	1,547	1,636	1,792	1,791	6,767	1,381	3,347	1,918	1,318	8
Net realized investment gains/losses	644	333	-303	-998	-325	56	72	122	67	317
Net Investment Income	76	96	90	75	337	94	108	126	97	425
Other-then-temporary impairment			-399		-399					
Total Revenue	2,267	2,065	1,180	868	6,380	1,531	3,532	2,166	1,482	8,711
EXPENSES										
Policy acquisition costs/underwriting expenses	87	87	85	85	344	61	68	83	88	300
General & administrative expense	350	321	353	411	1,435	364	377	346	428	1,515
Losses & loss adjustment expense						63	2,215	1,248	423	1,453
Total Expense	437	408	438	496	1,779	488	2,660	819	993	3,322
Net Income	1,830	1,657	742	372	4,601	1,043	872	2,985	489	5,389
Diluted EPS	\$0.30	\$0.27	\$0.12	\$0.06	\$0.76	\$0.17	\$0.14	\$0.50	\$0.08	\$0.89
Shares outstanding	6,060	6,060	6,060	6,060	6,060	6,060	6,048	5,960	5,960	5,960
Dividends/share	\$0.12	\$0.12	\$0.12	\$0.12	\$0.48	\$0.12	\$0.12	\$0.12	\$0.12	\$0.48

Important Disclosures



9/19/16 Initiate with BUY rating & \$5.80 price target

Ratings-
BUY: B
HOLD: H
SELL: S

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Our price target is \$5.80/share, equating to 0.86x OXBR's book value of \$6.77/share

Stock ratings used in this report are defined as follows:

- (1) Buy – The stock's total return including dividends is expected to exceed the industry or market average by at least 10% over the next twelve months.
- (2) Hold – The stock's total return including dividends is expected to be in line with the industry or market average of +/- 10% over the next twelve months.
- (3) Sell – The Stock's total return including dividends is expected to be below the industry or market average by 10% or more over the next twelve months.

The distribution of investment ratings for all companies in our coverage universe are as follows: (1) 50%, (2) 50%, (3) 0%

The distribution of investment ratings used for companies whom we have performed banking services in the last 36 months are (1) 100%, (2) 0%, (3) 0%

Capitol Securities Management's Investment Banking/Public Finance unit has not received compensation for investment banking services from the subject company in the past 12 months. Nor does it expect to receive, or intend to seek compensation for, investment banking services from the subject company in the next 3 months. However, given potential future capital needs, OXBR may eventually do a capital raise in which Capitol Securities Management may underwrite or participate in any new offerings.

Capitol Securities Management served as the placement agent for a best efforts offering of OXBR units, consisting of common stock and warrants (to purchase common stock) of OXBR, in March 2014.

The subject company is not, or during the past 12 months, was not, a client of Capitol Securities Management's Investment Banking/Public Finance unit.

A Capitol Securities Management employee is paid consultant fees for providing advice to OXBR's management/Board of Directors

Capitol Securities Management holds investment accounts for key OXBR management/employees, it's Board of Directors, and related family members' and holds large amount of OXBR's stock in these accounts.

Capitol Securities Management holds approximately 71.8% of OXBR's outstanding common stock in its retail investor accounts through common stock and warrants.

Capitol Securities Management employees hold approximately 3.4% of OXBR's outstanding shares through common stock and warrants.

OXBR's insiders own approximately 71.2% of OXBR's shares through common stock and warrants (when converted to common stock).



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