



December 22, 2017

CURRENT PRICE: \$2.15
RATING: HOLD
PRICE TARGET: N/A
CURRENT YIELD: N/A

EPS Estimates

	DEC 16A	DEC 17E
1Q	\$0.17	\$0.22A
2Q	\$0.14	\$0.19A
3Q	\$0.50	(\$3.97)A
4Q	(\$0.39)	\$0.00
	\$0.43	(\$3.56)

Trading Data

52-WEEK PRICE RANGE: **\$6.90-\$2.00**
 SHARES OUTSTANDING: **5.73(M)**
 MARKET CAP: **\$12.3(M)**
 AVG. DAILY TRADING VOLUME: **29.9(K)**
 S&P 500: **2,681**

Valuation Data

BOOK VALUE: **\$2.39**
 PRICE TO BOOK: **0.89x**
 DIVIDEND: **N/A**

Oxbridge Re Holdings Ltd. (NSDQ: OXBR)

Hurricane Claims generate earnings loss

Highlights

- 3Q17 earnings of (\$3.97)/share vs. \$0.50/share during 3Q16
- Hurricane claims cause quarterly loss
- Dividend eliminated & share repurchase suspended
- Additional capital raise a possibility
- Maintain HOLD Rating

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. However, pending hurricane claims changes the company's operating metrics.

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 a minor portion 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 71% of the policies in Florida and 4% combined in Texas and Louisiana, with 25% 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 \$46.7 million as of 12/31/16. The investment portfolio consists of \$6.1 million in fixed maturity investments (13.1%), \$4.9 million of equity securities (10.5%), \$12.2 million of cash/cash equivalents (26.1%), and \$23.4 million of restricted cash and cash equivalents (50.1%).



During FY16 OXBR generated \$15.1 million of reinsurance premiums. Management's target is to put as collateral on reinsurance contracts up to approximately 50% of shareholders equity, which was \$37.2 million as of 12/31/16. 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 46.0% of OXBR's shares through common stocks, and warrants, when all warrants are converted to common stock, according to the company's 2Q17 Proxy Statement.



Recent Earnings

OXBR reported 3Q17 earnings of (\$3.97)/share vs. \$0.50/share during 3Q16. The decline in earnings was due to the large amount of claims experienced by the company following several hurricanes in the Gulf Coast area in the US. Total expenses, including losses and loss adjustment expenses, policy acquisition costs, underwriting expenses, and general administrative expenses were \$42.3 million vs. \$819,000 during 3Q16. Loss and loss adjustments, caused by Hurricanes Harvey, Irma, and Maria damage claims, rose to \$41.4 million from a positive adjustment gain of \$1.25 million when comparing the two quarters.

3Q17's net premiums earned rose to \$19.3 million from \$1.8 million during 3Q16. The increase came from the acceleration of premium recognition due to full limit losses being incurred on all of OXBR's reinsurance contracts during 3Q17. When comparing 3Q17 to 3Q16, premiums ceded were \$733,000 vs. \$0, change in loss experience refund rose to \$2.73 million from (\$2.09 million), and the change in unearned premium reserve increased to \$17.3 million from \$4.0 million.

During 3Q17 net realized investment losses fell to (\$104,000) from \$122,000 during 3Q16. Additionally, net investment income rose slightly to \$128,000 from \$126,000.

3Q17 hurricane claims impacted OXBR's financial ratios. The loss ratio increased to 214.4% from -65.1% during 3Q16. The increase was partly offset by a higher denominator in net premiums earned. The combined ratio rose to 219.0% from -42.7% due to the significantly higher loss ratio, thus indicating a lack of underwriting profitability during 3Q17. The acquisition cost ratio was 2.7% vs. 4.3% as the decrease was prompted by an acceleration of acquisition costs recognition which more than offset a larger denominator in net premiums earned. The expense ratio declined to 4.6% from 22.4% because of a significant increase in net premiums earned and were partially offset by increased policy acquisition costs.

OXBR repurchased 72,747 shares of its common stock during 3Q17. However, due to large hurricane claims the company has suspended further share repurchases and also its common stock dividend.



EQUITY RESEARCH

Our Thoughts

The damage claims generated by Hurricanes Harvey, Irma, and Maria had severe negative impact on OXBR's 3Q17 financial results. These claims totaled \$41.3 million vs. a positive adjustment claim of \$1.25 million during 3Q16. These negatives caused the Board of Directors to suspend the common stock dividend as well as its share repurchase program. Total shareholder equity suffered as a result of 3Q17's claims falling to \$13.9 million from \$37.2 million during 3Q16. Since OXBR's reinsurance business writing abilities is based on its shareholder equity, which fell over \$33 million due to hurricane claims, we believe the company may need to do some type of capital raise during the next few months. Potentially, this could come in the form of additional stock or debt issuance, both, or even a private offering. We continue to rate this stock a HOLD awaiting to see how the company moves forward following a very difficult 3Q17.

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 46.0% of outstanding shares-when all warrants are converted to common stock) 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 amounts)

	1Q16	2Q16	3Q16	4Q16	2016	1Q17	2Q17	3Q17	4Q17e	2017e
REVENUES										
Assumed Premiums	\$503	\$14,562	\$0	\$0	\$15,065	\$880	\$17,376	\$0	\$0	\$18,256
Premiums ceded							-147	-733	0	-880
Change in loss experience refund payable	-2,088	-288	-2,089	5,348	883	-748	-512	2,730	-1,255	-215
Change in unearned premiums reserve	2,966	-10,297	4,007	6,065	2,110	1,416	-14,231	17,309	2,652	7,146
Net premiums earned	1,381	3,347	1,918	11,413	18,058	1,548	2,486	19,306	1,397	24,737
Net realized investment gains/losses	56	72	122	298	554	2	46	-104	56	112
Net investment income	94	108	126	123	450	86	127	128	136	477
Other-then-temporary impairment										
Total revenue	1,531	3,532	2,166	11,834	19,062	1,636	2,659	19,330	1,589	25,214
EXPENSES										
Policy acquisition costs/underwriting expenses	61	68	83	75	286	32	94	514	87	727
General & administrative expense	364	377	346	333	1,420	63	390	370	391	1,214
Losses & loss adjustment expense	63	2,215	1,248	13,745	14,775	335	1,059	41,400	874	43,668
Total expense	488	2,660	819	14,153	16,481	366	1,543	42,284	1,352	45,545
Net Income	1,043	872	2,985	-2,319	2,581	1,270	1,116	-22,954	237	-20,331
Diluted EPS	\$0.17	\$0.14	\$0.50	(\$0.39)	\$0.43	\$0.22	\$0.19	(\$3.97)	\$0.00	(\$3.56)
Shares Outstanding	6,060	6,048	5,960	5,916	5,916	5,862	5,862	5,734	5,734	5,734
Dividends/share	\$0.12	\$0.12	\$0.12	\$0.12	\$0.48	\$0.12	\$0.12	\$0.12	\$0.00	\$0.36



EQUITY RESEARCH

Important Disclosures

Daily | OXBR: Oxbridge Re Holdings Limited | C: 2.15 | Chg



9/19/16 Initiate with BUY rating & \$5.80 price target
 4/19/17 Raise price target to \$6.50/share
 10/2/17 Lowered rating to HOLD
 Ratings-
 BUY: B
 HOLD: H
 SELL: S

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- (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) 37.5%, (2) 62.5%, (3) 0%

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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.

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Capitol Securities Management holds approximately 54.5% of OXBR's outstanding common stock in its retail investor accounts through common stock and warrants*

Capitol Securities Management employees hold approximately 2.6% of OXBR's outstanding shares through common stock and warrants*

OXBR's insiders own approximately 46.0% of OXBR's shares through common stock and warrants*

* when converted to common stock



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