



May 2, 2017

CURRENT PRICE: \$5.90
RATING: BUY
PRICE TARGET: \$6.50
CURRENT YIELD: 8.1%

EPS Estimates

	DEC 16A	DEC 17E
1Q	\$0.17	\$0.22
2Q	\$0.14	\$0.19
3Q	\$0.50	\$0.19
4Q	(\$0.39)	\$0.12
	\$0.43	\$0.72

Trading Data

52-WEEK PRICE RANGE: \$6.90-\$4.38
SHARES OUTSTANDING: 5.92(M)
MARKET CAP: \$34.9(M)
AVG. DAILY TRADING VOLUME: 12.3(K)
S&P 500: 2,391

Valuation Data

BOOK VALUE: \$6.28
PRICE TO BOOK: 0.94x
DIVIDEND: \$0.48

Oxbridge Re Holdings Ltd. (NSDQ: OXBR)

4Q16 Earnings Results

Highlights

- 4Q16 earnings of (\$0.39)/share vs. \$0.06/share during 4Q15
- Negative earnings impact from Hurricane Matthew claims
- Continuation of share repurchase program
- Pays dividend yield of 8.1%
- Maintain BUY rating & raising price target to \$6.50/share

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 near 1x book value/share and pays a high dividend yield of 8.1%.

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.



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 71.8% of OXBR's shares through common stocks, and warrants when converted to common stock.



EQUITY RESEARCH

Recent Earnings

OXBR reported 4Q16 earnings of (\$0.39)/share compared to \$0.06/share during 4Q15. The decrease was due mainly to net underwriting losses related to claims from 2016's Hurricane Matthew. Net premiums earned rose to \$11.4 million from \$1.8 million, net realized investment gains increased to \$298,000 from (\$998,000), and net investment income improved to \$123,000 from \$75,000. As a result, total revenues increased to \$11.8 million from \$868,000.

On the expense side, total expenses increased to \$14.2 million from \$496,000. The main contributor to this increase came from losses/loss adjustment expense rising to \$13.8 million due to claims related to Matthew Hurricane. Partly offsetting the increase was policy acquisition costs /underwriting expenses decreasing to \$75,000 from \$85,000 and general administrative expenses falling to \$333,000 from \$411,000.

OXBR's loss ratio, measuring underwriter profitability, was 120.4% vs. 0.0% when comparing the two quarters. The increase was due to the financial impact of Matthew Hurricane during 4Q16. The acquisition cost ratio decreased to 0.7% from 4.7% due to the lower weighted average acquisition costs on reinsurance contracts in force and the impact of an adjustment to net premiums earned due to the derecognition of loss refund payable in addition to lower policy acquisition costs.

The expense ratio decreased to 3.6% from 27.7% because of an increase in net premiums earned, resulting from the derecognition of loss experience refund payable coupled with lower policy acquisition costs. OXBR's combined ratio was 124.0% vs. 27.7%.

For FY16 OXBR produced \$0.43/share compared to \$0.76/share during FY15. The earnings decrease came mainly from the negative impact of Hurricane Matthew and other weather-related events during 2016. Net premiums increased to \$18.1 million from \$6.8 million as \$11.3 of loss experience was derecognized during 4Q16. Net investment realized gains rose to \$554,000 from (\$325,000) and net investment income improved to \$450,000 from \$337,000.

FY16's total expenses increased to \$16.5 million from \$1.8 million during 2015 as the rise came from weather-related losses compared with none last year. This increase was partly offset by lower policy acquisition costs and general/administrative expense. Weather-related losses caused OXBR's combined ratio to increase to 81.8% from 0.0%. The acquisition cost ration decreased to 1.6% from 5.1% resulting from lower weighted-acquisition costs on 2016's reinsurance contracts and the impact of an adjustment in net premiums earned caused by the derecognition of loss experience refund payables in 2016.

The expense ratio was 9.4% vs. 26.3% due to higher net net premiums earned from the derecognition of loss experience refund policy in addition to lower policy acquisition costs. The combined ration rose to 91.3% from 26.3%.



During 4Q16 OXBR repurchased 65,464 of its outstanding common stock through its \$2 million share repurchase program authorized by the Board of Directors in 2016. The shares were repurchased at an average cost of \$5.25/share and to date the repurchases have totaled approximately \$742,000. During 3Q16 OXBR had repurchased 78,387 shares at an average price of \$5.097/share with a total cost of \$399,000.

Our Thoughts

OXBR's 4Q16 results were negatively impacted by claims from Hurricane Matthew. As a result, the company reported 4Q16 earnings of (\$0.38)/share vs. \$0.06/share during 4Q15. Net premiums earned rose to \$11.4 million from \$1.8 million, net realized investment gains increased to \$298,000 from (\$998,000), and net investment income improved to \$123,000 from \$75,000. As a result, total revenues increased to \$11.8 million from \$868,000. On the expense side, total expenses increased to \$14.2 million from \$496,000. The main contributor to this increase came from losses/loss adjustment expense rising to \$13.8 million due to claims related to Matthew Hurricane. Partly offsetting the increase was policy acquisition costs /underwriting expenses decreasing to \$75,000 from \$85,000 and general administrative expenses falling to \$333,000 from \$411,000.

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 8.1%. We are raising our price target to \$6.50/share, equating to 1.04x OXBR's book value per share of \$6.28/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 71.8% of outstanding shares) could put downward pressure on OXBR's share price.

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EQUITY RESEARCH

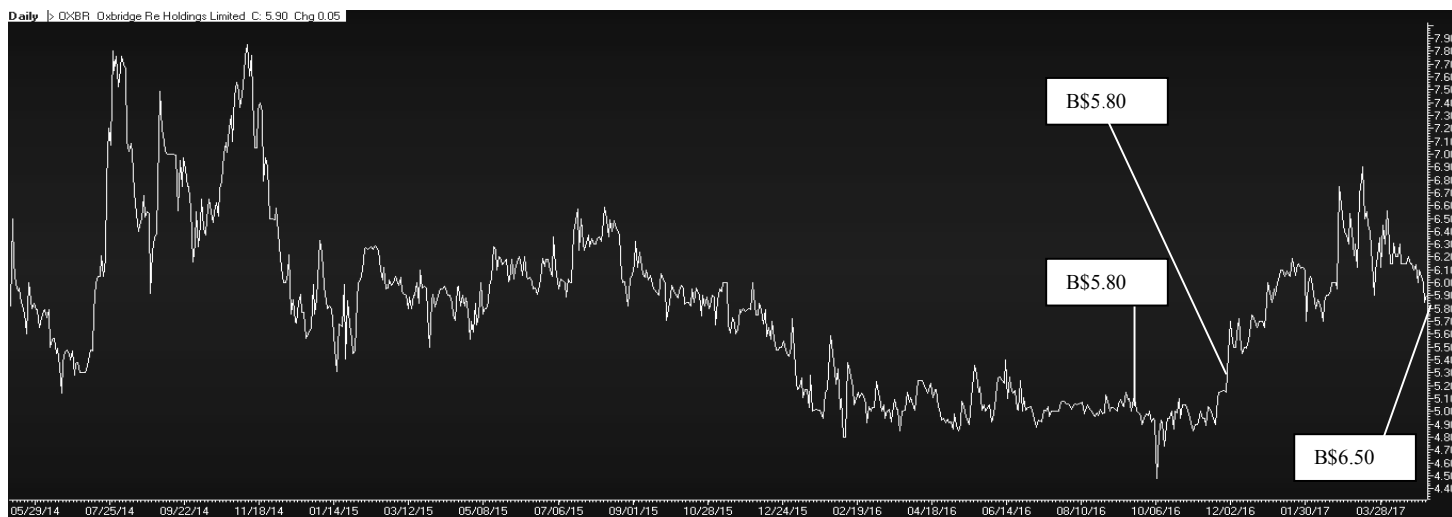
OXBRIDGE RE HOLDINGS LIMITED AND SUBSIDIARY-unaudited
(all figures in thousands of US Dollars, except per share and share amount(s))

	1Q16	2Q16	3Q16	4Q16	2016	1Q17e	2Q17e	3Q17e	4Q17e	2017e
REVENUE										
Assumed Premiums	\$503	\$14,562	\$0	\$0	\$15,065	\$565	\$14,923	\$0	\$0	\$15,488
Change in loss experience refund payable	-2,088	-288	-2,089	5,348	883	-2,072	-2,062	-2,084	-2,196	-8,414
Change in unearned premiums reserve	2,966	-10,927	4,007	6,065	2,110	2,994	-10,956	4,028	3,952	-682
Net premiums earned	1,381	3,347	1,918	11,413	18,058	1,487	1,905	1,944	1,756	7,092
Net realized investment gains/losses	56	72	122	298	554	135	96	243	182	656
Net Investment Income	94	108	126	123	450	126	124	132	136	518
Other-then-temporary impairment										
Total Revenue	1,531	3,532	2,166	11,834	19,062	1,748	2,125	2,319	2,074	8,266
EXPENSES										
Policy acquisition costs/underwriting expenses	61	68	83	75	286	86	88	89	87	350
General & administrative expense	364	377	346	333	1,420	355	379	383	391	1,508
Losses & loss adjustment expense	63	2,215	1,248	13,745	14,775	31	547	726	874	2,278
Total Expense	488	2,660	819	14,153	16,481	472	1,014	1,198	1,352	4,036
Net Income	1,043	872	2,985	-2,319	2,581	1,276	1,111	1,121	722	4,230
Diluted EPS	\$0.17	\$0.14	\$0.50	(\$0.39)	\$0.43	\$0.22	\$0.19	\$0.19	\$0.12	\$0.72
Shares outstanding	6,060	6,048	5,960	5,916	5,916	5,916	5,916	5,916	5,916	5,916
Dividends/share	\$0.12	\$0.12	\$0.12	\$0.12	\$0.48	\$0.12	\$0.12	\$0.12	\$0.12	\$0.48



EQUITY RESEARCH

Important Disclosures



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

4/19/17 Raise price target to \$6.50/share

Ratings-

BUY: B

HOLD: H

SELL: S

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Our price target is \$6.50/share, equating to 1.04x OXBR's book value of \$6.28/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, its Board of Directors, and related family members' and holds large amount of OXBR's stock in these accounts.

Capitol Securities Management may, from time to time, have other business dealings with the directors of OXBR.

Capitol Securities Management holds approximately 63.9% 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 71.8% of OXBR's shares through common stock and warrants (when converted to common stock).



Other Disclosures

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