

## Sagcor Financial Corporation Results for the Year Ended December 31, 2016

*All figures quoted in United States Dollars unless otherwise stated*

### Earnings Per Share

Sagcor Financial Corporation (SFC) for the Year Ended December 31, 2016 (YE16) reported a Diluted Earnings Per Share (EPS) of 19.1 cents, up 78.50 per cent on the corresponding period's EPS of 10.7 cents in fiscal 2015.

On Continuing Operations alone, SFC reported a Diluted EPS of 18.7 cents for YE16, an increase of 8.09 per cent from YE15's EPS from Continuing Operations of 17.3 cents.

### Financial Highlights (YE16 on YE15)

	YE16 US\$'000	YE15 US\$'000	\$ Change YE16 - YE15 US\$'000	% Change YE16 - YE15
<b>Revenue</b>				
Premium revenue	833,918	969,522	(135,604)	-13.99%
Reinsurance premium expense	(169,962)	(295,597)	125,635	-42.50%
Net premium revenue	663,956	673,925	(9,969)	-1.48%
Net investment income	353,352	322,229	31,123	9.66%
Fees and other revenue	116,839	109,090	7,749	7.10%
Gain/(loss) arising on acquisition	0	(1,025)	1,025	-100.00%
Total revenue	1,134,147	1,104,219	29,928	2.71%
<b>Benefits</b>				
Policy benefits and change in actuarial liabilities	693,173	692,937	236	0.03%
Policy benefits and change in actuarial liabilities reinsured	(194,262)	(198,801)	4,539	-2.28%
Net policy benefits and change in actuarial liabilities	498,911	494,136	4,775	0.97%
Interest expense	61,448	58,807	2,641	4.49%
Total benefits	560,359	552,943	7,416	1.34%
<b>Expenses</b>				
Administrative expenses	255,326	251,892	3,434	1.36%
Commissions and related compensation	98,570	105,093	(6,523)	-6.21%
Premium and asset taxes	10,679	14,808	(4,129)	-27.88%
Finance costs	38,333	37,234	1,099	2.95%
Depreciation and amortisation	21,283	18,687	2,596	13.89%
Total expenses	424,191	427,714	(3,523)	-0.82%
<b>Income Before Taxes</b>	149,597	123,562	26,035	21.07%
Income taxes	(41,700)	(25,119)	(16,581)	66.01%
<b>Net Income From Continuing Operations</b>	107,897	98,443	9,454	9.60%



Net income/(loss) from discontinued operations	1,412	(21,648)	23,060	-106.52%
<b>Net Income For The Period</b>	<b>109,309</b>	<b>76,795</b>	<b>32,514</b>	<b>42.34%</b>
<b>Net Income Attributable To:</b>				
Common Shareholders				
From continuing operations	60,259	56,327	3,932	6.98%
From discontinued operation	1,412	(21,648)	23,060	-106.52%
	61,671	34,679	26,992	77.83%
Participating policyholders	110	1,285	(1,175)	-91.44%
Non-controlling interests	47,528	40,831	6,697	16.40%
	109,309	76,795	32,514	42.34%

**Basic earnings/(loss) per common share (cents):**

From continuing operations	19.5	18.2	1.3	7.14%
From discontinued operation	0.5	(7.2)	7.7	-106.94%
	20.0	11.0	9.0	81.82%

**Fully diluted earnings/(loss) per common share (cents):**

From continuing operations	18.7	17.3	1.4	8.09%
From discontinued operation	0.4	(6.6)	7.0	-106.06%
	19.1	10.7	8.4	78.50%

For YE16, SFC's Net Premium Revenue fell by 1.48 per cent or \$9.97MM to \$663.96MM from \$673.93MM in YE15. As illustrated below, Life Insurance rose 1.29 per cent or \$4.56MM from \$352.85MM in YE15 to \$357.41MM in YE16 while Property and Casualty Insurance was up a minimal 0.37 per cent or \$0.07MM from \$18.18MM to \$18.24MM. Health Insurance premiums fell 0.48 per cent or \$0.72MM to \$149.59MM in YE16 from \$150.31MM in YE15. Annuities also declined, down 9.10 per cent or \$13.88MM from \$152.60MM to \$138.71MM. As stated by the Chairman, the decline in Annuities was due to lower annuity business written in the Group's USA segment.

Premium Revenue	YE16	YE15	\$ Change	% Change
	US\$'000	US\$'000	YE16 - YE15 US\$'000	YE16 - YE15
Life insurance	357,411	352,847	4,564	1.29%
Annuity	138,714	152,596	(13,882)	-9.10%
Health insurance	149,589	150,307	(718)	-0.48%
Property and casualty insurance	18,242	18,175	67	0.37%
	663,956	673,925	(9,969)	-1.48%

Net Investment Income closed YE16 at \$353.35MM, up 9.66 per cent or \$31.12MM from \$322.23MM in YE15. Interest Income which is the largest contributor to Investment Income slipped marginally, down 0.19 per cent or \$0.56MM from \$293.43MM in YE15 to \$292.87MM in YE16. Net Investment Gains was largely responsible for the growth in Investment Income, up a significant 91.67 per cent or \$29.72MM from \$32.42MM in YE15 to \$62.14MM in YE16.



Net Investment Income	YE16	YE15	\$ Change	% Change
	US\$'000	US\$'000	YE16 - YE15 US\$'000	YE16 - YE15
Investment Income:				
Interest income	292,868	293,432	(564)	-0.19%
Dividend income	3,088	3,244	(156)	-4.81%
Rental income from investment property	3,816	4,165	(349)	-8.38%
Net investment gains	62,136	32,418	29,718	91.67%
Share of operating income of associates and joint venture	5,425	3,153	2,272	72.06%
Other investment income	(57)	125	(182)	-145.60%
	367,276	336,537	30,739	9.13%
Investment expenses:				
Allowances for impairment losses	9,621	10,338	(717)	-6.94%
Direct operating expenses of investment property	2,107	1,947	160	8.22%
Other direct investment expenses	2,196	2,023	173	8.55%
	13,924	14,308	(384)	-2.68%
Net investment income	353,352	322,229	31,123	9.66%

Fees and Other Revenue amounted to \$116.84MM for the period under review, up 7.10 per cent or \$7.75MM compared to \$109.09MM in the prior year. Commission Income on Insurance and Reinsurance Contracts, which was the largest component to Fees and Other Revenue, fell 10.56 per cent or \$3.47MM from \$32.85MM in YE15 to \$29.38MM in YE16. The two other major contributors to Fees and Other Revenue are Fee Income – Assets Under Administration which rose 9.18 per cent from \$23.33MM in YE15 to \$25.47MM in YE16 and Other Fees and Commission Income which showed growth of 9.06 per cent from \$25.94MM (YE15) to \$28.29MM (YE16). Foreign Exchange Gains posted the largest gain up \$9.75MM to \$12.56MM in YE16 from \$2.81MM in YE15.

Overall, SFC recorded Total Revenue of \$1.13B for YE16, up 2.71 per cent or \$29.93MM when compared to the prior year's total of \$1.10B.

Fees and Other Revenue	YE16	YE15	\$ Change	% Change
	US\$'000	US\$'000	YE16 - YE15 US\$'000	YE16 - YE15
Fee income - assets under administration	25,470	23,328	2,142	9.18%
Fee income - deposit administration and policy funds	1,739	1,813	(74)	-4.08%
Commission income on insurance and reinsurance contracts	29,375	32,845	(3,470)	-10.56%
Other fees and commission income	28,288	25,937	2,351	9.06%
Foreign exchange gains	12,564	2,814	9,750	346.48%
Other operating and miscellaneous income	19,403	22,353	(2,950)	-13.20%
	116,839	109,090	7,749	7.10%

Total Benefits for YE16 rose 1.34 per cent or \$7.42MM to \$560.36MM from \$552.94MM in the previous year. Net Policy Benefits and Change in Actuarial Liabilities increased 0.97 per cent or \$4.78MM from \$494.14MM (YE15) to \$498.91MM (YE16) while Interest Expense rose 4.49 per cent or \$2.64MM from \$58.81MM in YE15 to \$61.45MM in YE16.

Total Expenses fell 0.82 per cent or \$3.52MM to \$424.19MM in YE16 from \$427.71MM in the corresponding period in 2015. Administrative Expenses, which was the largest constituent, rose 1.36 per cent or \$3.43MM to \$255.33MM from \$251.89MM in YE15. Commissions and Related Compensation declined 6.21 per cent or \$6.52MM from \$105.09MM in YE15 to \$98.57MM in YE16 and as stated by the Chairman was consistent with the lower premium revenue.

Premium and Asset Taxes, which are associated with Sagicor Jamaica's operations, fell 27.88 per cent or \$4.13MM from \$14.81MM in YE15 to \$10.68MM in YE16. This was as a result of two factors:

- a change in the taxation of insurance businesses which are now taxed on net income. Previously an investment income tax and a premium tax were both incurred.
- a reduction in the asset tax rate

Overall, the Group reported Income Before Taxes of \$149.60MM, up 21.07 per cent or \$26.04MM from \$123.56MM in YE15. The Effective Tax Rate increased from 20.33 per cent in YE15 to 27.87 per cent in YE16. Consequently, Taxes rose from \$25.12MM (YE15) to \$41.70MM (YE16). Net Income from Continuing Operations closed the year at \$107.90MM, up 9.60 per cent or \$9.45MM from \$98.44MM in YE15. Net Income/(Loss) from Discontinued Operations posted a profit of \$1.41MM in YE16 compared to a loss of \$21.65MM in YE15. Thus, Net Income for the Period closed the year at \$109.31MM, up 42.34 per cent or \$32.51MM from \$76.80MM in YE15. Net Income Attributable to Shareholders increased 77.83 per cent or \$26.99MM from \$34.68MM in YE15 to \$61.67MM in YE16.

	Sagicor Life		Sagicor Jamaica		Sagicor Life USA		Head Office and Other		Adjustments		Total	
	YE16	YE15	YE16	YE15	YE16	YE15	YE16	YE15	YE16	YE15	YE16	YE15
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Total Revenue	411,126	471,422	523,961	511,459	148,886	78,264	120,950	95,612	(70,776)	(52,538)	1,134,147	1,104,219
Total Benefits & Expenses	338,028	393,767	410,133	415,766	132,603	68,550	79,137	76,418	24,649	26,156	984,550	980,657
Income Before Taxes	73,098	77,655	113,828	95,693	16,283	9,714	41,813	19,194	(95,425)	(78,694)	149,597	123,562
Net Income from Continuing Operations	64,921	70,767	90,150	80,112	10,486	6,608	38,269	18,851	(95,929)	(77,895)	107,897	98,443
Net Assets	529,493	516,416	450,427	397,546	218,447	205,068	(402,953)	(379,866)	0	0	795,414	739,164

## Dividends

The Board of Directors declared a final dividend of 2.5 cents per share (2015: 2 cents) which when coupled with the interim dividend of 2.5 cents brings the total dividend paid for fiscal 2016 to 5 cents per share (2015: 4 cents). The final dividend will be paid on May 15, 2017 to shareholders on record as at April 13, 2017.

At the current price of TT\$9.01 the P/E ratio is 7.00 times which is below the non-banking/finance sector weighted average P/E of 10.93 times. SFC's historic dividend yield is 3.72 per cent compared to the non-banking/finance sector weighted average dividend yield of 3.86 per cent.



**Equity Research**  
**April 2017**

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Financial Year End	December 31
Symbol on TTSE	SFC
Issued Share Capital	304.49MM
Market Capitalization	TT\$2.35B
Current Price (as at April 21, 2017)	TT\$9.01
52 Week Price Range	TT\$6.50 - TT\$9.41
EPS	TT\$1.28
Price to Earnings Multiple	7.0 x
Current Book Value/Share	TT\$11.79
Price to Book	0.8 x
Return on Equity	11.8%
Return on Assets	1.0%
Dividend Yield	3.7%

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