



ROYAL FIDELITY

2018

Key Ratios & Statistics

Sector: Insurance

	<u>2018</u>	<u>2017</u>
Symbol	FAM	FAM
Market Price	\$6.30	\$6.00
Market Capitalization	\$63m	\$60m
Shares Outstanding	10m	10m

Financials [in millions]

	<u>2018</u>	<u>2017</u>
Net premium income	\$98.53	\$92.67
Annuity & other deposits	\$16.01	\$7.10
Interest Income	\$14.44	\$13.73
Total Income	\$132.46	\$116.60
Net Policyholders' benefits	\$76.14	\$65.08
Total benefits	\$83.53	\$72.51
Commissions	\$15.11	\$11.78
Total Expenses	\$40.88	\$36.98
Net Income	\$8.05	\$7.11
Assets	\$369.10	\$361.97
Liabilities	\$245.75	\$238.32
Equity	\$123.34	\$123.66

Financial Ratios	<u>2018</u>	<u>2017</u>
Combined Ratio	1.26x	1.18x
Loss Ratio	0.85x	0.78x
Expense Ratio	0.41x	0.40x
Net Profit Margin	6.08%	6.10%
Return on Avg Assets	2.20%	2.01%
Return on Avg Equity	6.52%	5.99%

Financial Ratios	<u>2018</u>	<u>2017</u>
Investment asset ratio	0.81x	0.78x
Debt to Equity Ratio	1.99x	1.93x
Equity Ratio [Total Capital]	2.99x	2.93x

Per Share Data	<u>2018</u>	<u>2017</u>
Book Value	\$12.13	\$12.37
Earnings	\$0.64	\$0.55
Dividend	\$0.30	\$0.24

Value Measures	<u>2018</u>	<u>2017</u>
Price to Book	0.51x	0.49x
Price to Earnings	9.84x	10.91x
Dividend Yield	4.76%	4.00%
Capital Appreciation	5.00%	3.09%

FamGuard Corporation Limited

Earnings Report – YE 2018

Key Performance Highlights:

- Net Income increased 13% from \$7.11m to \$8.05m
- Revenue increased 14% from \$116.60m to \$132.46m
- Total Benefits increased 15% from \$72.51m to \$83.53m.
- Commissions increased 28% or \$4.62m
- Dividends increased 25% or \$0.06 per share

Company Analysis – Year End December 31, 2018

Fiscal year 2018 was the most profitable year for FAM over the past decade. It exceeded net income of \$8M and produced earnings per share of \$0.64, both record highs for the Company. Assets and Liabilities were relatively consistent with mild 2% and 3% increases respectively. The overall revenue growth was primarily driven by Annuities and Other Deposits which experienced a 125% increase from \$7.10M to \$16.01M. Commissions increased by 28%, illustrating the large extent to which revenues are driven by the Company's agents and their efforts to cross-sell and/or generate new business. In particular, there appeared to be material growth in long-term insurance contracts without fixed or guaranteed terms, according to the annual financial statements.

In line with the rise in revenue and net earnings, the Company increased its quarterly dividend from \$600k to \$800k in Q2 2018. This resulted in a total per share increase from \$0.24 to \$0.30. As FAM has a consistent dividend payment history on a predictable timetable, one could therefore expect a total dividend for 2019 of \$3.2M or \$0.32 per share. Based on its 2018 share price of \$6.30, this would indicate a dividend yield of 5.08%. As FAM's average dividend yield is typically in the mid 4% range, it would seem reasonable to expect to see some increase in stock price to revert the yield to its historical average.

Subsequent to 2018, FAM announced the sale of its Pensions and Capital Markets businesses. These segments were deemed a drag on profits as FAM did not have the necessary scale for the services. RF expects the discontinuation to have a positive effect on the Company's net income as it refocuses its attention and resources on further growing its core business.



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