



SAGICOR FINANCIAL HOLDINGS

	SFC
RECOMMENDATION	BUY
Current Price	TT\$13.80
Current Running P/E	8.49 times
Running EPS	BD\$0.52/TT\$1.625
Projected EPS	Bd\$0.45-7 (TT\$1.41-7)
Dividend Yield FY 05	2.8%
Forecasted Y/E price	TT\$14.75-\$16.00

Results for the 1st Quarter Ended March 31, 2006

All amounts expressed in Barbados Dollars unless otherwise stated

In the first quarter ended March 31, 2006, the Sagicor Financial Corporation (SFC) reported a 24.56% increase in EPS from 5.7 cents to 7.1 cents. It is noteworthy that the first quarter is usually the lowest contributor to the annual EPS of SFC, and as such growth of this kind in the first quarter is encouraging.

Net Premium Revenue grew 27.48%, while Net Investment Income experienced a more conservative 8.9% growth, resulting in a movement in Total Revenue from \$253 million to \$302 million (19.20%). The Benefit payouts of SFC increased by 13.8% from \$150.7 million to \$171.5 million, while the Expenses jumped 32% from \$75 million to \$99 million.

Income from Ordinary Activities increased from \$27.8 million to \$31.6 million (13.84%). A marginal reduction in the effective tax rate from 17.2% to 16.85%, helped to move the improvement to Net Income for the Year to 14.33%, from \$23 million to \$26.3 million. The percentage of the Net Income allocated to Shareholders moved from 64% to 72%. This increased apportionment to Shareholders was what was responsible for the difference in the relative improvements between the increase in Net Income (14.33%) and the increase in EPS (which reflected an improvement of 24.56%).

After being enhanced by more than 100% in the 2005 financial year, the Asset Base of SFC grew marginally in the first three months of the year, from \$6.42 billion to \$6.44 billion (less than 4%). Shareholders' Equity continued to be affected by Net Losses Recognised Directly in Equity; the likely result of soft market conditions and falling share prices in the regional equities markets, which would impact on the Group's Available for Sale Investments. This is especially significant as these losses (\$34 million) outweighed the Net Income for the Period.

Sagicor Life Incorporated boasts of its BBB+ Rating from one of the world's leading credit rating firm on Wall Street, Standard and Poors (S&P). S&P has also given Sagicor Finance Limited a BBB rating for its long-term senior unsecured debt rating to the issue of up to US\$150 million of senior unsecured obligations, with up to ten years maturity, which the Group took advantage of by successfully issuing Debt Securities in the US market, raising US\$150 million.

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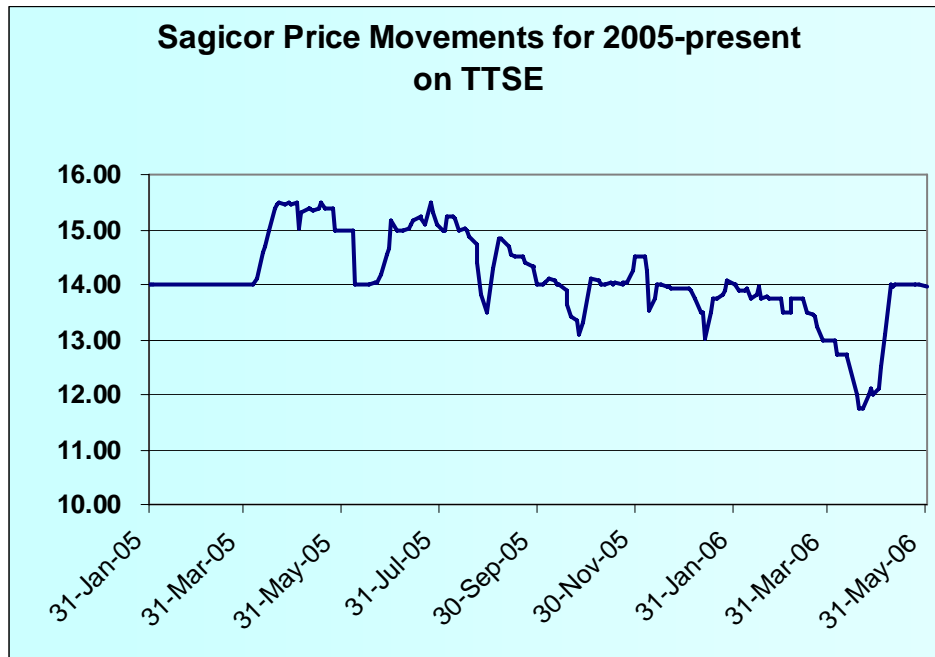
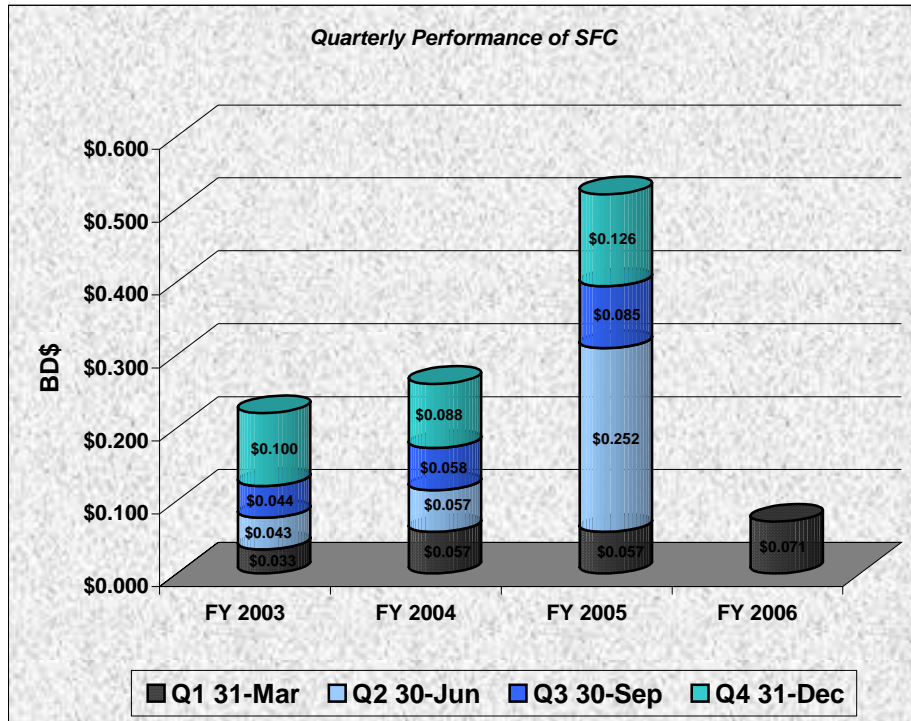
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The share price of SFC has demonstrated a high level of volatility since April 2005, reaching as high as TT\$15.50, to as low as TT\$11.75. At the current price of TT\$13.80, and the translated EPS of TT\$1.625, the shares are trading at the relatively low P/E multiple of 8.49 times. It should be noted though; that this trailing EPS includes Q2-2005 (BD\$0.252/TT\$0.81), which was four times the EPS of Q2-2004. It is unlikely that this EPS can be repeated in the coming quarter, and as such we can expect to see the running EPS fall significantly next quarter and as such the P/E multiple would increase.

The initial target we estimated for the EPS of the SFC seems to be in line with the current performance of the Group. This estimate used a revised 2005 year-end EPS figure, which excluded the Gains Arising out of Business Combinations (without Tax implications) of \$0.375 or TT\$1.17. Based on this revised EPS, and applying the forecasted growth of 20%-25%, the result is an estimated EPS range for 2006 of \$0.45 (TT\$1.41) to \$0.47 (TT\$1.47). Given the expected strengthening in the market in the second half of the year, we expect this share to trade at the higher range of 10-12 times, resulting in a price range of \$14.75 to \$16.00. We do caution though, that a component of the issued share capital is in the hands of policyholders who received these shares for free. These individuals have placed a constant pressure on the share price, as these shares can be sold for a profit at any range. The existence of this kind of holding will continue to add to the volatility of the share price in the short term. We believe however, in the fundamental strength of this company over the medium to long term and maintain our BUY recommendation on the shares of Sagicor Financial Corporation.

Sagicor Financial Corporation			
Consolidated Income Statement			
	31-Mar-06	31-Mar-05	% Change
Revenue			
Net Premium Revenue	179,318	140,664	27.48%
Net Investment Income	122,802	112,800	8.87%
Total Revenue	302,120	253,464	19.20%
Benefits	171,512	150,669	13.83%
Expenses	98,971	75,004	31.95%
Total benefits and Expenses	270,483	225,673	19.86%
Income from Ordinary Activities	31,637	27,791	13.84%
Income Taxes	(5,332)	(4,783)	11.48%
Net Income for the Year	26,305	23,008	14.33%
Net Income Attributable to:			
Shareholders	18,867	14,711	28.25%
Participating Policy Holders	515	1,403	-63.29%
Minority Interest	6,923	6,894	0.42%
	26,305	23,008	14.33%
EPS per Share	0.071	0.057	24.56%



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West Indies Stockbrokers Limited, 1st Floor Albion Plaza, 22-24 Victoria Avenue, Port of Spain, Trinidad (868) 623-4861 Fax (868)-627-5002 e-mail: info@wisett.com Member of the Trinidad and Tobago Stock Exchange Ltd.