

Tiptree Inc.

2020

Annual Report to Shareholders

April 22, 2021

To Our Fellow Shareholders,

Despite many challenges in 2020, primarily as a result of COVID-19, Tiptree-controlled operating businesses continued to grow profitably for the year, reflecting the resilience of our diversified operations. Although we are pleased with the positive results from our core operations, they were unfortunately diminished by unrealized mark-to-market losses in our publicly traded equity investments, particularly with regard to our holdings in Invesque Inc., a real estate investment company focused on senior care properties, a sector hit particularly hard by the pandemic.

As of year-end 2020, Tiptree's book value per-share was \$10.90, which combined with dividends, resulted in a negative total return for the year of 4.0%. However, we believe that Tiptree's overall intrinsic value increased significantly in 2020, and is materially greater than our end-of-year GAAP book value would suggest. With this in mind, we note the recently announced IPO of The Fortegra Group, Inc. ("Fortegra") which we believe has the potential to unlock significant value for Tiptree shareholders. Additionally, given our confidence in the strength of core operating trends, Tiptree repurchased close to 2.4 million shares in 2020, representing approximately 7% of the outstanding shares at year-end 2019. These repurchases were executed throughout the year at an average 43% discount to book value per share. In combination with shares which senior management has directly purchased in open market transactions, insider ownership has increased to approximately 32% as of December 31, 2020.

As described in prior communications, we view the foundation of our business as consisting of three key cornerstones that will be the drivers of growth for shareholders: (1) insurance underwriting and fee business, (2) insurance portfolio investment returns, and (3) returns on investments held at Tiptree Capital. When allocating capital we prioritize scalable, cash-flowing businesses which have great management, embedded upside optionality, and which also provide portfolio diversification to Tiptree's sources of revenue. We prefer majority ownership interests in our operating businesses and provide guidance and capital when called upon, but generally try to stand back to let our talented management teams work their magic without our meddling.

Our consolidated results for 2020 are summarized below:

TIPTREE CONSOLIDATED RESULTS

<u>GAAP FINANCIAL HIGHLIGHTS</u> (dollars in millions, except per share data)	2020	2019	2018	2017	2016
Net income attributable to Common Stockholders	(29.2)	18.4	23.9	3.6	25.3
Diluted earnings per Common Share	(0.86)	0.50	0.69	0.11	0.78
Cash dividends paid per share	0.16	0.155	0.135	0.12	0.10
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Total assets	2,995.8	2,198.3	1,864.9	1,989.7	2,890.1
Total investments and cash and cash equivalents	948.3	870.1	782.9	636.0	778.5
Debt, net	366.2	374.5	354.1	346.1	554.9
Total stockholders' equity	373.5	411.4	399.3	396.8	390.1

<u>NON-GAAP FINANCIAL HIGHLIGHTS¹</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Adjusted EBITDA	4.5	68.1	26.7	38.4	78.2
Adjusted Net Income	54.1	27.6	22.3	21.4	30.3
Shares outstanding	32.7	34.6	35.9	37.9	36.4
Book Value per share ²	10.90	11.52	10.79	9.97	10.14
Total cash returned to shareholders	19.3	14.4	19.1	11.8	47.8

INSURANCE

Our subsidiary, Fortegra, is focused on providing niche and specialty insurance coverages and warranty programs which are generally underserved or require specialized product knowledge. We prioritize high frequency contracts which experience low severity claims activity and have limited exposure to catastrophic events. On January 3rd, 2020, we completed the acquisition of Smart AutoCare which advanced Fortegra to a leading position in warranty and niche insurance products. The expansion of our insurance operations to Europe continued to gain traction in 2020, and the launch of Fortegra Specialty Insurance Company in late September 2020 provides additional growth opportunities in the excess and surplus product lines. For the year, gross written premiums and equivalents reached \$1.7 billion, up 29% in total, while adjusted return on equity continues to trend positively, reaching an annualized 18.6% in the fourth quarter of 2020. Our combined ratio also improved to 91.5% for the year, demonstrating our ability to continue to grow profitably in our insurance business despite the economic headwinds we experienced in 2020.

INSURANCE RELATED INVESTMENT PORTFOLIO

One of the unique aspects of operating in the insurance industry is the value proposition related to the investment returns earned on paid-in-premiums held for future claims, commonly referred to as “float”. When combined with core insurance underwriting profits, the added returns on float can make for very attractive returns on stockholder equity; in a sense, the float can be regarded as the equivalent of interest-free leverage available for investment. Tiptree management’s long and successful history of overseeing large asset management operations presents a unique competitive advantage to Fortegra relative to its peers. This advantage is further enhanced from Tiptree’s 2019 acquisition of Corvid Peak Capital Management LLC, a registered investment advisor with a 17 year track record of institutional investment management. We believe our ability to source unique and attractive investments for Fortegra’s float creates a distinct and positive differential to other specialty insurance companies. We are exceptionally pleased with the growth in Fortegra’s insurance and warranty business and the corresponding float, and we anticipate it continuing to grow significantly over the coming years.

Fortegra’s investment portfolio was at \$713 million at year-end 2020, up 26% from 2019 as a result of increases in retained paid-in-premiums. Approximately 83% of investments are held in high quality (AA average credit rating), short duration fixed income securities to match our potential claims-paying liabilities. The remainder is allocated between a portfolio of high yielding credit securities, publicly traded equities or invested in a fund managed by Corvid Peak which oversees a credit based

¹ For a reconciliation to GAAP financials, see “Non-GAAP Measures” beginning on p. 67 of the attached Form 10-K. Combined ratio has been adjusted for impacts of purchase price accounting amortization for 2014-2017.

² For periods prior to April 10, 2018, book value per share assumes the full exchange of the limited partner units of TFP for Common Stock.

alternative investment strategy specializing in sourcing unique opportunities in performing, stressed and distressed corporate debt and equity.

TIPTREE CAPITAL

Tiptree Capital has invested in a broad range of businesses over the years, but currently holds three primary investments: publicly listed shares in Invesque (mentioned above), shipping related investments (Tiptree Marine) and a residential mortgage originator and servicer (Reliance First Capital). Tiptree Capital's adjusted net income for the year, not including unrealized mark-to-market, was \$33 million, up substantially from 2019, driven by strong performance in our mortgage operations which had a record year; origination volumes were up 45% year-over-year, with notable improvements in gain on sale margins. In addition, we have been able to retain mortgage servicing rights at relatively low valuations, providing opportunity for value appreciation in future rising interest rate environments. Our investments in shipping were stable for the year, and for the first few months of 2021 we have seen unseasonably high charter rates as the result of a technical imbalance in global shipping supply and demand. Unfortunately, these positive operating results were overshadowed by the unrealized mark-to-market loss on our public shareholdings of Invesque. Although 2020 was unquestionably a very challenging year for the senior care real estate market given the devastating effects of COVID-19, there is a growing optimism as national vaccine distribution proliferates and senior care property management begins to normalize.

LOOKING AHEAD

2020 is a year which many might prefer to forget. What we will never forget is the outstanding performance of our devoted employees who, when faced with reoccurring obstacles, raised their game to meet the many challenges. More importantly, we will not forget the devastating personal toll the pandemic wrought on our friends, families and colleagues throughout the year. In spite of the tremendous uncertainties 2020 presented, and the constant undertone of grief, we are proud of Tiptree's team of professionals and those of our related companies. We could not be more excited for Tiptree's future and we are confident in the long-term outlook of the company.

We welcome any and all questions and suggestions from our shareholders and look forward to speaking with you.

With best regards,

Michael Barnes	Jonathan Ilany
Executive Chairman	Chief Executive Officer