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Tiptree Inc.
NASDAQ: TIPT

Publication Date:
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Price: $14.79/share

Market capitalization: ~$540 million

Insurance/Fortegra: $22 per share

Tiptree Capital: $3 per share

SOTP: $24.50 per share*

*SOTP may not add due to rounding

NOTE: This publication could be considered as advocating for corporate restructurings. Authors select companies for this report based on the potential for a future value-unlocking transaction. In many cases, these companies have or could come under activist investor pressure, media scrutiny, or general market speculation that a spin-off or asset sale is possible.

- Tiptree Inc. (NASDAQ: TIPT) operates two business segments: (1) Insurance (89.5% of sales and ~90% of adj. net income in 2022), which is a group of specialty insurance companies, operating as Fortegra, that focus on underwriting niche commercial and personal property & casualty insurance as well as offering capital-light, unregulated, fee-generating warranty solutions in the U.S. and Europe; and (2) Tiptree Capital, which seeks to acquire quality small & middle market businesses outside the insurance sector. Since its founding in 2007, TIPT has invested in ~20 companies with realized internal rates of return (IRRs) nearing 25% although its primary current investments are in cash & short-dated U.S. treasuries along with the mortgage originations and senior housing sectors.

- By our calculation, TIPT, at ~7.5x 2024E adj. net income, trades at a meaningful discount to the sum value of its parts, particularly its majority ownership in Fortegra, which has posted 20%-plus compound annual growth in sales and net income since 2017 but seemingly trades at a significant discount to the valuations awarded specialty insurance peers in both the public and private markets. In that context, following a scuttled attempt at an initial public offering (IPO) in April 2021, Fortegra secured a minority investment from Warburg Pincus in October 2021, which, at the time, appraised the business at a post-money valuation of ~$725 million (or ~13.5x trailing 12-month net income). Moreover, recent indications suggest that management, who collectively owns 31.5% of TIPT, is likely to revisit its strategic options for Fortegra (including an IPO, spin-off or sale) as its robust growth profile persists and new issue market conditions improve, which we think would unlock substantial value for shareholders. (Conversely, TIPT could monetize the investments held at Tiptree Capital.)

- Based on management guidance & commentary as well as peer and M&A valuations, TIPT's Insurance business, Fortegra, could be valued at ~$22 per share based on a 12.5x multiple of 2024E net income while Tiptree Capital could be valued at ~$3 per share based on a 0.5x multiple of book value (ex-NCI), yielding a base case sum of the parts value of $24.50 per share (with bull & bear cases of ~$29 and ~$20 per share, respectively).

- Potential catalysts include the separation/monetization of assets, including Fortegra and/or the investments held at Tiptree Capital, accretive M&A, share repurchases, and/or better than expected growth and margins, particularly at Fortegra. Risks include management execution, competition, regulation, increased adverse claims/investment losses, cyberattacks/technology breaches, persistent inflation and/or a recession.

Institutional Research Group

COMPANY BACKGROUND & SEGMENT FINANCIALS

Tiptree Inc. (NASDAQ: TIPT), headquartered in Greenwich, Connecticut, was founded in 2007 as a permanent capital vehicle by current executive chairman Michael Barnes (who also controls ~27.2% of the outstanding shares) to invest in high-quality, cash flowing, small & middle market companies across various industries. (Prior to founding Tiptree, Mr. Barnes was a founding partner of credit-focused hedge fund Tricadia Holdings, which was established in 2003. Earlier in his career, he oversaw various credit trading strategies at several Wall St. firms, including UBS, PaineWebber and Bear Stearns). Over the years, Tiptree has owned/acquired ~20 business across the insurance, specialty finance, asset management, real estate and infrastructure sectors. The company went public in 2013 and, most impactfully in terms of the current portfolio, entered the specialty insurance business in December 2014 via the purchase of Fortegra Financial Corp. (formerly NYSE: FRF) for $218 million (or $10 per share). In late-April 2021, the company withdrew plans for an initial public offering (IPO) of Fortegra, in which it had initially planned to sell ~17.3% or ~8.3 million shares at $15-$17 per share (although the range was later revised down to 7.7 million shares at $14-$16 per share and ultimately to 6 million shares at ~$11 per share amid a difficult market environment for new issues). Subsequently, in October 2021, TIPT announced a $200 million strategic investment from private-equity firm Warburg Pincus in exchange for ~24% ownership of the Fortegra insurance business (which represented an ~13.5x multiple on trailing 12-month net income, at the time). As well, in 2022, the company monetized its investments (made in 2018 & 2019) in the marine shipping sector via the sale of three dry bulk vessels and two product tankers, via two separate transactions, for a total of $117 million or a net gain of ~$35 million.

Currently, TIPT currently reports two segments (see Exhibit 1): 1) Insurance (~89.5% of consolidated sales and ~90% of adj. net income in 2022), which is a group of companies, operating as Fortegra, that design, market and underwrite specialty commercial and personal property & casualty insurance products as well as provide capital-light, unregulated, fee-generating warranty solutions; and 2) Tiptree Capital, which seeks to invests in undervalued small & middle market businesses outside the insurance sector and is primarily comprised, currently, of its Mortgage segment, operating as Reliance First Capital, its investment in Invesque (TSX: IVQ), a real estate investment company (REIT) focused on acquiring income producing health care real estate, along with cash & investments in relatively short duration U.S. Treasuries. (Since 2007, Tiptree Capital has made ~20 investments in a broad range of sectors and generated realized IRRs of nearly 25%.)

Exhibit 1 Tiptree Inc.: Consolidated Selected Financial Items, 2019–2024E
($ in millions; December-ending calendar years)

	2019	2020	2021	2022	2023E	2024E
Sales:						
Fortegra	$635.1	$691.1	$984.1	$1,248.8	$1,546.5	$1,631.9
Mortgage	$66.1	$112.2	$111.3	$70.2	$42.7	$40.5
Other	$71.5	$7.1	$105.1	$78.7	$5.2	$5.5
Total	**$772.7**	**$810.3**	**$1,200.5**	**$1,397.8**	**$1,594.4**	**$1,677.9**
Adjusted net income:						
Fortegra	$32.8	$43.4	$66.8	$83.8	$96.9	$104.6
Mortgage	$3.9	$28.6	$17.4	($4.7)	($7.6)	($7.1)
Other	$14.1	$4.5	$10.8	$13.6	$3.7	$2.5
Corporate	($23.2)	($25.1)	($31.1)	($29.4)	($24.9)	($25.0)
Total	**$27.6**	**$51.4**	**$63.9**	**$63.4**	**$68.1**	**$75.1**
Return on equity:						
Fortegra	12.3%	15.2%	22.2%	26.1%	26.0%	26.5%
Mortgage	12.0%	60.5%	28.8%	-8.1%	-13.3%	-11.8%
Other	8.7%	3.2%	9.5%	13.9%	3.2%	2.2%
Corporate	-	-	-	-	-	-
Total	**6.8%**	**13.1%**	**16.5%**	**13.6%**	**12.6%**	**13.3%**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

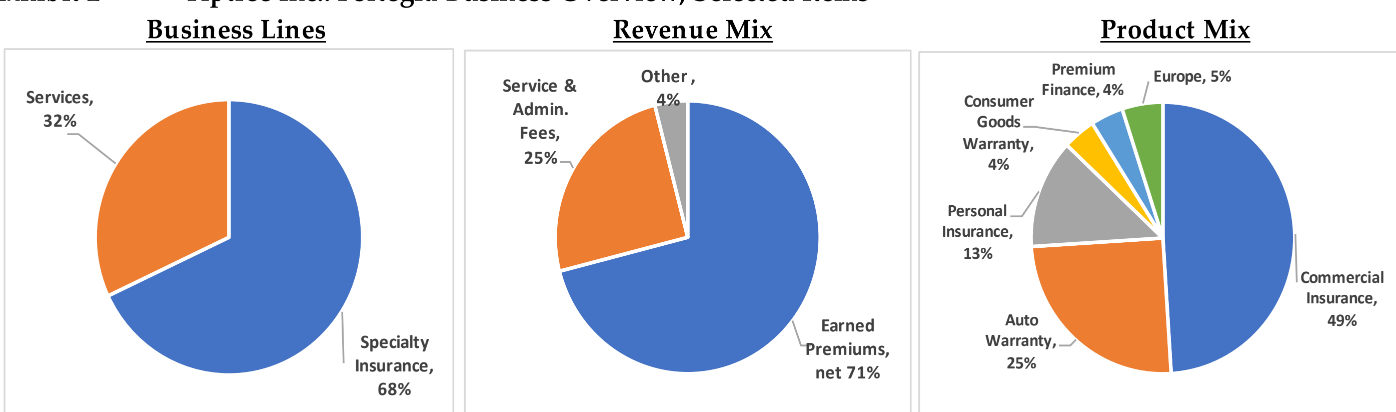
Insurance (aka Fortegra)

The Insurance segment, which operates as Fortegra under the leadership of Rick Kahlbaugh and is headquartered in Jacksonville, FL, accounted for 89.5% of consolidated sales and ~90% of adj. net income in 2022. Fortegra designs, markets and underwrites specialty commercial and personal property & casualty insurance (along with the related services) in the U.S. as well as provides extended warranty solutions in both the U.S. and Europe. The company generates top-line sales from traditional underwriting (i.e., premium collection) and unregulated fee revenue (i.e., warranty solutions) as well as investment income. On the latter front, at the end of 1Q 2023 Fortegra's fixed income portfolio was roughly 30% in cash and 45% in U.S. Treasuries with the remainder in A (13%), AA (4%), as BBB (3%) rated bonds as well as fixed income ETF's (5%); the portfolio has an overall AA rating, with an average duration of ~2.1 years and a book yield of 3.0% (compared with 1.2% in the prior year and 2.7% at the end of 2022; see Exhibit 3).

In terms of distribution, the company utilizes a large network of independent agents (among whom the so-called persistency rate has been 95%-plus over the last 5-years) while also partnering with agents embedded in consumer finance companies as well as online & big box retailers. In terms of compensation, the company employs risk sharing agreements to ensure "economic alignment" with its agent/distribution network; to that end, many of its underwriting programs have variable, retrospective commission structures, meaning that if a book of business is profitable TIPT will share a portion of that underwriting profitability with the agent but if the book is not profitable they will reduce the commissions paid (to "rationalize the economics"), which, in our view, is a key reason, along with the expertise of its ~90 member underwriting team (as well as its proprietary technology platform and investments in artificial intelligence and machine learning) as to why the company has not experienced a high degree of variability in profitability with its combined ratio, an industry measure of risk selection, pricing and underwriting efficiency, consistently being in the low-90's (with a 5-year average of 91.2%; see Exhibit 3). In terms of geographic coverage, the company operates (i.e., is active and licensed) in all 50 states with 12 offices across the country while also having offices in London, Prague and the Republic of Malta.

On the commercial side of the business, Fortegra's main focus is on casualty lines, including professional & contractual liability, directors & offices liability, general liability, energy, allied (or preventive) health, energy, inland marine, hospitality, contractors equipment, contractors liability, student legal liability and business owner policies. On the personal side, Fortegra's offerings include credit & collateral insurance, which protect loan balance repayment and items pledged as collateral for loans, as well as non-standard auto and other niche personal lines. In terms of Fortegra's unregulated, capital-light, fee-generating warranty solutions business, the company provides protection for losses on personal items, such as automobiles, mobile devices, consumer electronics, appliances, and furniture as well as offering vehicle service contacts (or extended warranties), roadside assistance & motor clubs, gap auto insurance, and other service contracts on various consumer goods. Broadly, Fortegra focus on higher-frequency, low severity events in its U.S. insurance operation (roughly two-thirds of the business) while the U.S. & European warranty businesses generate significant fee-based earnings that offer stability/predictability and consistent profitability.

Exhibit 2 Tiptree Inc.: Fortegra Business Overview, Selected Items



Source: Company reports.

In December 2014, Tiptree acquired Fortegra Financial Corp. (formerly NYSE: FRF), an insurance services company founded in 1978, which, among other things, provides payment protection products, motor club memberships, vehicle service contracts as well as device, warranty and administration services, for $218 million or $10 per share. Since that time, while the vast majority of growth has been organic, including the expansion of its UK casualty book via a strategic hire from Lloyd's of London in 2019 and the launch of an excess & surplus (E&S) line in October 2020, the company has utilized acquisitions to bulk up both its fee-based revenue base, which tends to be more consistent (compared with traditional underwriting, which can be somewhat lumpy) and help diversify its business outside the core regulated insurance market, as well as to expand its geographic presence, primarily in Europe. To that end, in July 2019, the company acquired a majority stake in Defend Insurance, a leading provider of specialty auto insurance and claims administration in the Central & Eastern Europe region, specifically Poland, Hungary, Slovakia and the Czech Republic, as well as the United Kingdom. Next, in January 2020, Fortegra purchased Smart AutoCare, a fast-growing provider of extended service contracts (or warranties that cover beyond the initial policies expiration) to the U.S. auto sector, for $160 million, including $50 million of incentive-based earn outs (i.e., $110 million in cash) or an ~8.3x cash EBITDA multiple (pre synergies). At the time, Smart AutoCare had ~$200 million of gross written & premium equivalents (as well as $120 million in liquid assets), which represented an ~40% expansion to Fortegra's existing warranty business. In December 2020, the company acquired Sky Auto for $25 million, which was complimentary to the SmartCare Auto transaction and added a direct-to-consumer channel for the auto warranty business. Next, in April 2022, the company purchased ITC Compliance, a provider of regulatory & compliance services to the retail auto sector in the United Kingdom, for $15 million. Most recently, In February 2023, Fortegra acquired majority interest in Premia Solutions, one of the largest providers of automotive protection products in the United Kingdom, for ~$21 million. (All told, acquisitions have added about ~4% to Fortegra's 20%-plus top-line growth CAGR over the last five years.)

As mentioned earlier, in late June 2022, Fortegra completed a $200 investment (at an ~13.5x trailing 12-month net income multiple) from private-equity firm, Warburg Pincus, consisting of $120 million of common equity (or ~17.4% ownership) along with $80 million of preferred stock (representing an additional 6.6% upon conversion), which pays an 8% annual dividend (payable in cash or in-kind). Additionally, the investment includes 7-year warrants, priced at a 33% premium to Warburg's initial investment valuation, which, if ultimately exercised in cash would result in Warburg owning an additional 3.8% of Fortegra (and Tiptree's ultimate ownership potentially being reduced to 68.6%). [Note: as of March 31, 2023, before the effect of the conversion of preferred stock and any potential exercise of the warrants, Tiptree owned 79.4% of Fortegra with 17.4% being controlled by Warburg Pincus and 3.2% being retained by Fortegra management.] In terms of the uses of proceeds, Tiptree used $140 million from the investment to repay all of the company's corporate level debt with the remaining $60 million being earmarked for deployment in support Fortegra's growth over the ensuing 12 to 24 months (e.g., the ITC and Premia acquisitions as well as organic initiatives). For historical context, recall the Warburg investment, which was announced in October 2021 but ultimately closed in June 2022, followed TIPT's withdrawal of plans for an initial public offering (IPO) of Fortegra in late-April 2021 citing difficult underlying market conditions for new issues, which saw the company forced to reduce its initial plans of selling ~17.3% or ~8.3 million shares of Fortegra at $15-$17 per share to 7.7 million shares at $14-$16 per share and ultimately to 6 million shares at ~$11 per share. (By our calculation, on its face, the Warburg investment came in slightly above the high-end of the company's initial IPO range although assuming the warrants are ultimately exercised the investment came in at a roughly $15 per share equivalent.)

On the fundamental front, over the last 5-years (i.e., 2017-2022), Fortegra has posted compound annual growth in gross written & premium equivalents (GWPE) of ~23%, of which about 20% was organic, to ~$2.0 billion. [Note: GWPE is common industry volume measure representing the aggregate amount of insurance policies written or assumed as well as all service contracts issued before policy acquisition costs, reinsurance/ceding costs and other deductions.] This growth in GWPE, combined with higher retention rates, has driven a ~28% CAGR in unearned premiums & deferred revenues, which are the future payments expected over the remaining life of a policy and represent a solid base of future potential earnings, to $2.1 billion (compared with $560 million in 2017). Total revenue, excluding net realized & unrealized gains, has posted a 21% CAGR to $1.27 billion in 2022 (compared with $490 million in 2017) while the company has consistently maintained a combined ratio in the low-90%'s driving a 26% 5-year CAGR in adjusted net income to $84 million (versus $26 million in 2017). [Note: the combined ratio, which equals the sum of the underwriting and expense ratios, is a common industry measure of underwriting profitability. It is essentially earned premiums and fees less claims & losses as well as employee compensation and SG&A expenses.] Return on equity has increased from ~11% in 2017 to ~26% in 2022, aided, in part, by ~800 basis points of lift from growth in the capital-light warranty business (along with growth in commercial and personal lines and the company's ability to maintain a combined ratio in the low-90's; see Exhibit 3).

Exhibit 3 Tiptree Inc.: Insurance Segment/Fortegra, Selected Financial Items, 2018–2024E
($ in millions; December-ending calendar years)

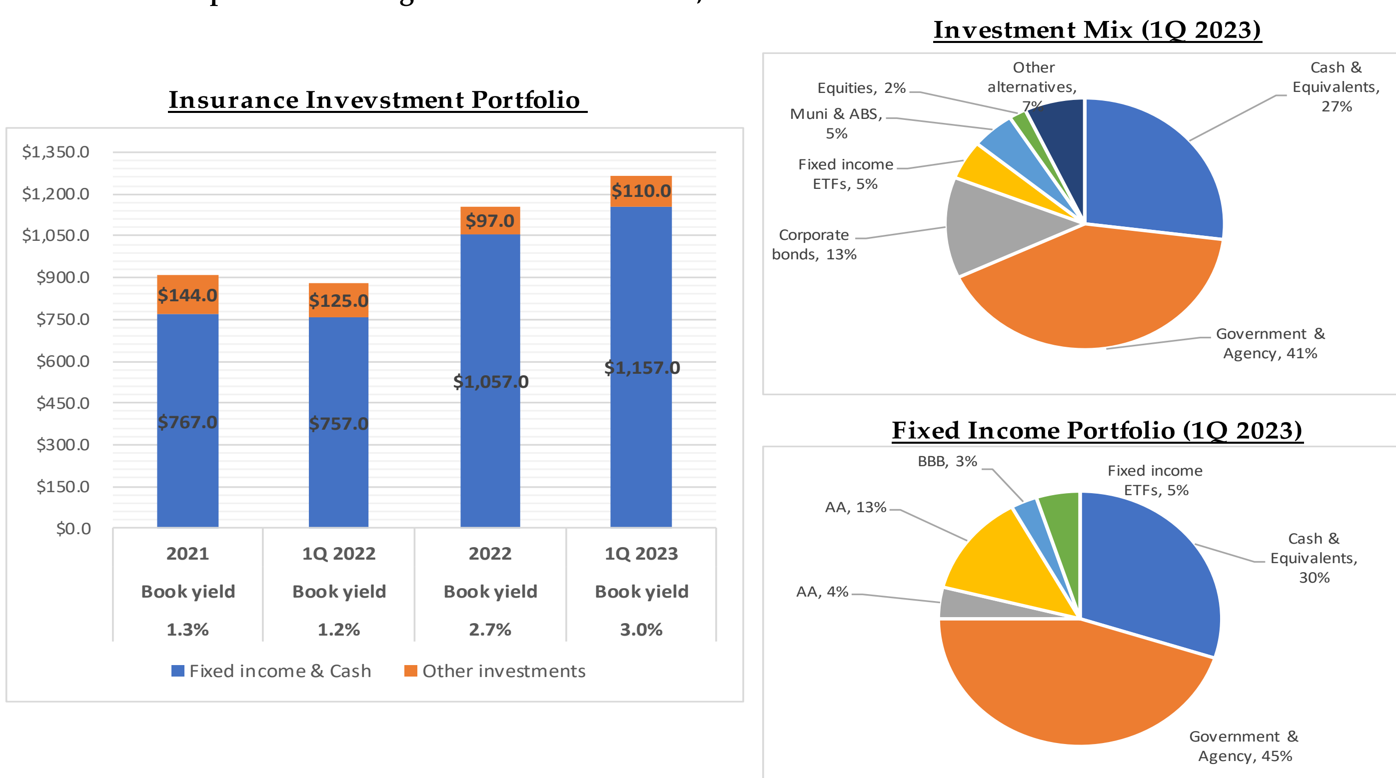
	2018	2019	2020	2021	2022	*3 mos.* 2022	*3 mos.* 2023	2023E	2024E
Earned premiums, net	$427.8	$499.1	$478.0	$685.6	$904.8	$208.4	$265.3	$1,108.3	$1,163.8
Service & administrative fees	$102.3	$106.2	$187.0	$260.5	$320.7	$71.8	$92.0	$392.9	$412.5
Ceding commissions	$9.7	$9.6	$21.1	$11.8	$13.9	$2.5	$3.6	$17.0	$17.9
Other revenue	$2.6	$4.6	$7.0	$10.4	$17.6	$3.2	$6.9	$28.1	$33.6
Underwriting & fee revenue	**$542.4**	**$619.5**	**$693.1**	**$968.2**	**$1,256.9**	**$286.0**	**$367.9**	**$1,546.3**	**$1,627.7**
Net investment income	$13.9	$8.7	$9.9	$17.9	$12.2	$3.2	$5.1	$20.2	$24.2
Net realized & unrealized gains	($11.7)	$6.9	($11.9)	($2.0)	($20.3)	($6.6)	($4.6)	($20.0)	($20.0)
Total revenue	**$544.6**	**$635.1**	**$691.1**	**$984.1**	**$1,248.8**	**$282.5**	**$368.4**	**$1,546.5**	**$1,631.9**
Income before taxes	**$14.2**	**$37.0**	**$26.9**	**$69.9**	**$68.2**	**$14.7**	**$19.4**	**$78.9**	**$88.1**
(-) Income tax (benefit)	($4.1)	($8.5)	($3.7)	($18.4)	($21.3)	($3.7)	($4.7)	($19.7)	($22.0)
(-) Net realized & unrealized gains (losses)	$11.7	($6.9)	$13.8	($3.7)	$20.3	$6.6	$4.6	$20.0	$20.0
(+) Intangibles amortization	$9.1	$7.5	$9.2	$15.3	$16.2	$3.9	$3.9	$16.2	$17.0
(+) Stock-based compensation	$3.5	$2.9	$2.3	$2.0	$2.4	$2.3	$0.0	$1.5	$2.0
(+) Non-recurring expenses	$2.6	$2.0	$3.4	$2.2	$3.4	$0.0	$2.1	$2.5	$2.0
(+) Non-cash fair value adjustments	-	-	-	-	($0.9)	-	($0.1)	-	-
(-) Tax on adjustments	($5.6)	($1.2)	($8.5)	($0.4)	($4.5)	($2.8)	($2.3)	($2.5)	($2.5)
Adjusted net income	**$31.3**	**$32.8**	**$43.4**	**$66.8**	**$83.8**	**$21.1**	**$22.9**	**$96.9**	**$104.6**
Performance metrics:									
Gross written premiums & equivalents	**$1,096.5**	**$1,297.0**	**$1,666.9**	**$2,194.0**	**$2,680.8**	**$600.9**	**$750.3**	**$3,267.4**	**$3,430.8**
U.S. Insurance	$886.8	$965.5	$1,063.7	$1,438.4	$1,690.1	$407.0	$503.0	$2,070.3	$2,173.9
U.S. Warranty Solutions	$208.9	$297.3	$550.0	$652.1	$852.8	$162.7	$211.9	$1,044.7	$1,097.0
Europe	$0.8	$34.2	$53.2	$103.6	$137.9	$31.2	$35.4	$152.3	$160.0
Unearned premiums & deferred revenue	**$675.2**	**$849.6**	**$1,259.9**	**$1,658.8**	**$2,006.6**	**$1,749.1**	**$2,068.7**	**$2,307.6**	**$2,423.0**
Unearned premiums	$599.4	$755.0	$860.7	$1,124.0	$1,357.4	$1,188.8	$1,403.2	$1,561.1	$1,639.1
Deferred revenue	$75.8	$94.6	$399.2	$534.9	$649.2	$560.3	$665.5	$746.5	$783.8
Margins:									
Underwriting ratio	76.4%	76.5%	74.6%	74.7%	77.6%	77.6%	78.3%	78.2%	78.1%
Expense ratio, as reported	16.0%	15.7%	16.9%	15.9%	13.1%	12.9%	13.0%	13.2%	13.2%
Combined ratio	**92.4%**	**92.2%**	**91.5%**	**90.6%**	**90.7%**	**90.5%**	**91.3%**	**91.4%**	**91.3%**
Equity:									
Shareholders' equity	$253.2	$266.4	$285.8	$300.8	$321.3	$299.1	$352.0	$372.7	$395.1
Return on equity	**12.3%**	**12.3%**	**15.2%**	**22.2%**	**26.1%**	**28.2%**	**26.1%**	**26.0%**	**26.5%**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

Management asserts that Fortegra's ability to drive consistent growth and underwriting profitability via the combination of traditional underwriting and unregulated fee revenue, which leads to more consistent/predictable cash flows and enhanced returns, is due to its "three-legged stool" approach, which consists of admitted programs (i.e., traditional lines of insurance that are approved/regulated by the underlying state's Department of Insurance) where the company focuses on more frequent but low severity losses, excess & surplus lines and unregulated, balance sheet-light, fee-generating warranty programs. [Note: while excess & surplus insurance broadly covers unexpected events that could cause damage that is either over & above or simply not covered by a standard insurance policy while warranties cover more mundane events that are in some ways routinely expected, such the aging and breakdown of everyday products, including cars, electronics and/or appliances. In other words, TIPT's wheelhouse in the specialty insurance market is, on one side, providing low-premium coverage for more frequent but lower severity events that are reasonably predictable and covering high-premium, less frequent but more severe events on the other.] Management contends that the complementary nature of these businesses will allow Fortegra "to grow and grow profitability, regardless of where pricing is in the P&C market cycle". Within that broader context, the company highlights several other factors that are keys to its growth, including: 1) its high persistency rate with agents, which has averaged 95%-plus over the last 5-years and helps generate large volumes of recurring revenue; 2) its focus on multi-year contracts that generate significant upfront cash flow and provide "great visibility" into future earnings; 3) its ability to add both new products for existing agents as well as expand its overall agent base; and 4) its ability to continue expanding geographically, which, in addition to its growing presence in the U.K. and Central & Eastern Europe the company sees additional growth opportunities in Western Europe and the Pacific Rim.

In 1Q 2023, gross written premiums & equivalents increased 25% to $750 million, driving ~18.5% year over year growth in unearned premiums & deferred revenue to ~$2.07 billion. Total revenue increased ~30.5% to ~$368.5 million, facilitated by robust growth in earned premium (or underwriting) and fee revenue as well as increased investment income, which is benefitting from the current rising interest rate environment. Adj. net income increased ~9% to ~$23 million, reflecting an 80-basis point deterioration in the combined ratio to 91.3%, while return on equity stood at ~26%. Looking ahead, management does not provide explicit financial guidance but most recent commentary suggests that, "the prevailing environment of economic uncertainty, market volatility and capital shortfalls in much of the insurance industry has led to continued favorable markets for specialty risks. We anticipate this hard market environment to extend and view it as an opportunity for Fortegra to grow as it has over the past several years." In terms of the interest rate environment, management notes that, "with the front end of the yield curve providing attractive current returns, the portfolio book yield has increased, while simultaneously maintaining a conservative risk profile. Going forward, we believe the portfolio will be a more meaningful driver of profits." To that end, as mentioned earlier, the book yield on the company's $1.3 billion investment portfolio rose to 3% in 1Q 2023 from 1.2% in the prior year period and 2.7% at the end of 2022 driven by "improving yields on money market funds and short duration fixed income securities" as the company "took advantage of the higher interest rate environment and deployed a greater portion of the portfolio into shorted-dated U.S. Treasuries (see Exhibit 4).

Exhibit 4 Tiptree Inc.: Fortegra Investment Portfolio, Selected Items



Source: Company reports.

For our part, in the spirt on conservatism, we project compound annual top-line growth of ~15% through 2024E to $1.63 billion with an ~12% CAGR in net income to ~$105 million and a return on equity of 26.5% at Fortegra (see Exhibit 3)

Tiptree Capital

Tiptree Capital, which encompasses all the company's investments outside the insurance business, seeks to acquire controlling interests in quality, small & middle market businesses that operate in industries with solid long-term growth opportunities, that have positive and durable cash flows, scalable business models (with embedded upside optionality) and strong management teams. The company has not set holding period, a differentiator that management contends gives it a competitive advantage toward "optimal value creation", which is internally viewed from a total return perspective (i.e., operating cash returns plus value appreciation).

Since its founding in 2007, the company has acquired ~20 businesses across the insurance, specialty finance, asset management, real estate and infrastructure sectors and generated a realized average internal rate of return (IRR) of 24.5%. (see Exhibit 5). Most recently, the company exited its investments in the marine transportation sector, which it entered in 2018-2019 with the long-term thesis that "continued global economic growth and a potential supply/demand imbalance in shipping capacity, given limited newbuilds and higher scrapping rates for seaborne vessels would drive attractive returns", by selling its three dry bulk vessels and two product tankers for total proceeds of $117 million or a net gain of $35 million.

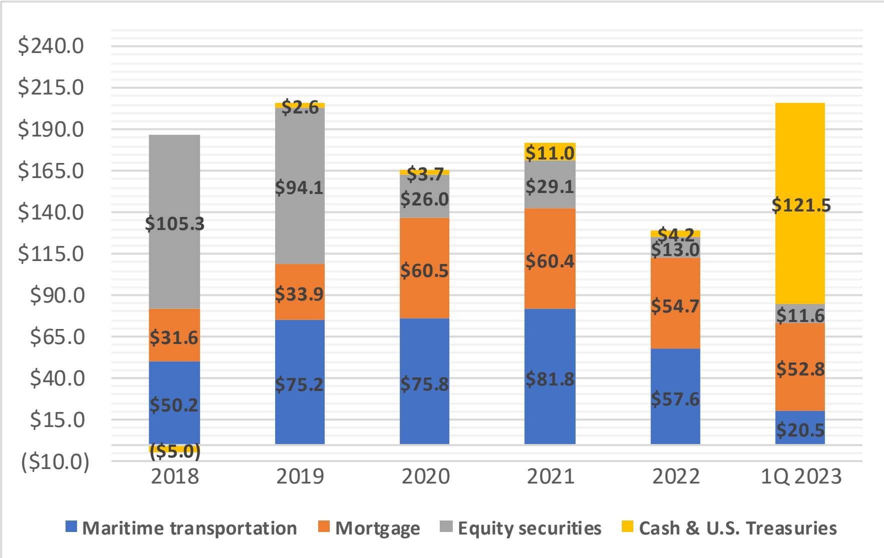
Exhibit 5 Tiptree Inc.: Tiptree Capital, Realized Investment IRR %
($ in millions)

Category	Investments	Invested Capital	Realized Investment	MOIC	IRR %
Financials	*Realized:* MFCA, Telos Asset Mgmt., PFG, Siena Capital Finance, CLO sub-notes, hedges, Luxury Mortgage	$310.1	$604.3	1.9x	25.3%
	Unrealized: Reliance First Capital, credit investments	$174.3	-	-	-
Real Assets	*Realized:* Star Asia Finance, Care Investment Trust	$179.9	$288.2	1.6x	21.5%
	Unrealized: Invesque, Marine	$32.1	-	-	-
Total	**Realized:**	**$490.0**	**$892.5**	**1.8x**	**24.5%**
	Unrealized:	**$206.4**	-	-	-

Source: Company reports.

Currently, the company reports Tiptree Capital under its Mortgage & Other segments, representing its primary investments (other than in cash & U.S. Treasuries) in the mortgage origination & servicing and senior housing sectors (see Exhibit 6). (To be sure, with the majority portion of Tiptree Capital's capital in cash & U.S. Treasuries the company continues to evaluate opportunities to allocate capital across a broad range of sectors, but anecdotally we discern management is not seeing all that much compelling, at the moment, in the marketplace and their primary focus remains on driving profitable growth and value creation at Fortegra.)

Exhibit 6 **Tiptree Inc.: Tiptree Capital's Equity Capital Allocation**



Source: Company reports.

The Mortgage business is primarily comprised of Reliance First Capital, which TIPT purchased in July 2015 for ~$24.5 million (including $7.5 million in cash, 1.625 million shares, $2.8 million in working capital adjustments and an earn-out of up to 2 million additional shares over 3 years). Reliance primarily originates and services agency-eligible (i.e., Federal Housing Administration or FHA and Veterans Administration or VA) as well as conventional and government loans, that can be transferred to Ginnie Mae pools or sold either on a servicing-retained or servicing-released basis to Fannie Mae or Freddie Mac (or other secondary market investors and aggregators). To that end, the company generates revenue from gains on sales, loan fees, servicing fees and net interest income. In terms of geography, Reliance, which is based in Melville, NY, currently operates in 42 states (up from 32 at the time of its purchase) with the exceptions being West Virginia, Missouri, Iowa, Wisconsin, Oklahoma, the Dakotas, Utah, Nevada and Hawaii.

Following the heady years of 2020-2021 in the mortgage industry, the environment grew decidedly more difficult in 2022 and so-far in early-2023 given the precipitous rise in interest rates (see Exhibit 7). In terms of recent commentary on the current environment management indicates that, "although our mortgage origination and servicing business experienced a modest loss for the first quarter, management's proactive cost reductions and the appreciation of our servicing book have kept the business near breakeven over this past year despite an unprecedented spike in interest rates. As mortgage rates now appear to stabilize at these higher levels, we maintain a positive outlook for our mortgage business." Further, management points out that even with the current headwinds (of both volume and margin) in 2022-2023, the mortgage business has "grown retained earnings substantially" over the last three years "resulting in a solid balance sheet that includes an MSR asset worth $40 million". [Note: MSR or Mortgage Servicing Rights provide the right to service residential mortgage loans in return for a portion of interest payments made over the life of the loan.]

Exhibit 7 Tiptree Inc.: Mortgage Segment, Selected Financial Items, 2019–2024E

($ in millions; December-ending calendar years)

	2019	2020	2021	2022	3 mos. 2022	3 mos. 2023	2023E	2024E
Net realized & unrealized gains	$53.8	$96.6	$92.3	$51.3	$20.4	$7.1	$25.7	$24.4
Other revenue	$12.3	$15.6	$19.0	$18.9	$5.0	$4.5	$17.0	$16.2
Total revenue	**$66.1**	**$112.2**	**$111.3**	**$70.2**	**$25.4**	**$11.6**	**$42.7**	**$40.5**
Income before taxes	**$3.0**	**$31.1**	**$28.4**	**$0.9**	**$4.3**	**($2.6)**	**($13.2)**	**($11.3)**
(-) Income tax (benefit)	($0.6)	($7.1)	($4.9)	($0.4)	($1.0)	$0.6	$3.2	$2.7
(-) Net realized & unrealized gains (losses)	$2.1	$4.0	($5.8)	($7.0)	($6.3)	$1.4	$3.5	$2.5
(+) Intangibles amortization	-	-	-	-	-	-	-	-
(+) Stock-based compensation	$0.2	$2.5	$0.3	-	-	-	-	-
(+) Non-recurring expenses	-	-	-	-	-	-	-	-
(+) Non-cash fair value adjustments	-	-	-	-	-	-	-	-
(-) Tax on adjustments	($0.6)	($2.0)	($0.6)	$1.8	$1.5	($0.3)	($1.0)	($1.0)
Adjusted net income	**$3.9**	**$28.6**	**$17.4**	**($4.7)**	**($1.6)**	**($0.9)**	**($7.6)**	**($7.1)**
Performance metrics:								
Origination volumes	**$1,142.6**	**$1,658.1**	**$1,608.3**	**$1,134.4**	**$59.0**	**$53.8**	**$1,020.9**	**$1,005.6**
Equity:								
Shareholders' equity	$32.8	$47.2	$60.4	$57.6	$59.0	$53.8	$57.0	$60.1
Return on equity	**12.0%**	**60.5%**	**28.8%**	**-8.1%**	**-10.6%**	**-6.3%**	**-13.3%**	**-11.8%**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

As noted earlier, Tiptree Capital's other investment is in the senior housing sector, which stems from its prior ownership of Care Investment Trust, which TIPT first invested in during 2010 and was acquired by Mainstreet Health Investments in February 2018 for $425 million (including the assumption of ~$260.7 million of property-level debt and the issuance of ~16.65 million at shares at $9.25 representing an ~34% interest in the merged entity). Following the deal, the combined company, which operates a portfolio of health care-related properties, including independent & assisted living, memory care, skilled nursing and transitional care facilities, was rebranded Invesque (TSX: IVQ). Today, TIPT owns ~16.98 million shares or ~30.15% of IVQ's outstanding shares, which at current market prices have a fair value of ~$17 million.

Exhibit 8 Tiptree Inc.: Other Segment, Selected Financial Items, 2019–2024E
($ in millions; December-ending calendar years)

	2019	2020	2021	2022	3 mos. 2022	3 mos. 2023	2023E	2024E
Senior living (Invesque)	$9.1	($65.1)	$3.1	($16.0)	($8.9)	($1.4)	($5.6)	($5.0)
Maritime transportation	$16.6	$22.7	$35.6	$64.9	$8.9	$0.4	$0.4	-
Other revenue	$45.8	$49.5	$66.4	$29.8	$17.0	$2.7	$10.4	$10.5
Total revenue	**$71.5**	**$7.1**	**$105.1**	**$78.7**	**$17.0**	**$1.6**	**$5.2**	**$5.5**
Senior living (Invesque)	$8.0	$2.0	-	-	-	-	-	-
Maritime transportation	$1.7	$2.3	$10.7	$12.7	$2.5	$0.2	$0.2	-
Other revenue	$4.4	$0.2	$0.1	$0.9	$0.0	$1.2	$3.5	$2.5
Adjusted net income	**$14.1**	**$4.5**	**$10.8**	**$13.6**	**$2.5**	**$1.4**	**$3.7**	**$2.5**
Equity:								
Shareholders' equity	$161.1	$138.6	$113.7	$98.4	$117.7	$114.2	$115.6	$116.7
Return on equity	**8.7%**	**3.2%**	**9.5%**	**13.9%**	**8.6%**	**4.9%**	**3.2%**	**2.2%**

Source: Company reports, Bloomberg and Institutional Research Group estimate.

Balance Sheet & Cash Flow

As mentioned earlier, TIPT used a portion of the proceeds from the Warburg Pincus transaction to eliminate all of its corporate level debt (see Exhibit 9). On the corporate level, the company has a $200 million revolving credit facility that matures on October 21, 2027.

Exhibit 9 Tiptree Inc.: Balance Sheet, Selected Items
($ in millions; December-ending calendar years)

	2020	2021	2022	1Q 2023
Cash & equivalents	**$136.9**	**$175.7**	**$538.1**	**$412.0**
Debt:				
Corporate debt:				
Insurance	$160.0	$162.2	$160.0	$235.0
Other	-	-	-	-
Corporate	$120.3	$114.1	-	-
Total	**$280.3**	**$276.2**	**$160.0**	**$235.0**
Asset based debt:				
Insurance	$27.5	$42.3	$60.6	$64.8
Other	$71.8	$86.1	$47.5	$56.3
Corporate	-	-	-	-
Total	**$99.3**	**$128.4**	**$108.1**	**$121.1**
Total debt:				
Insurance (less amort. discount)	$178.0	$196.0	$211.9	$291.2
Other (less amort. discount)	$71.8	$85.0	$47.4	$56.3
Corporate (less amort. discount)	$116.5	$112.3	-	-
Total	**$366.2**	**$393.3**	**$259.4**	**$347.5**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

As of 1Q 2023, TIPT pays a $0.05 per share quarterly dividend (up from $0.04 in the prior year) and is authorized to repurchase $11.95 million (on is existing $20 million authorization).

Exhibit 10 Tiptree Inc.: Sources & Uses of Cash Flow, Selected Items
($ in millions; September-ending fiscal years)

	2020	2021	2022	1Q 2022	1Q 2023	2023E	2024E
Net income	($25.2)	$44.1	$3.6	($0.9)	$3.2	$68.1	$75.1
Depreciation & amortization	$17.6	$24.4	$23.0	$6.2	$5.3	$26.3	$27.3
Other	$147.8	$135.8	$436.5	$143.8	$34.6	$50.0	$25.0
Cash flow from operations	**$140.2**	**$204.3**	**$463.1**	**$149.1**	**$43.0**	$144.4	$127.3
Cash from investing	($123.5)	($273.8)	$9.5	($18.7)	($247.5)	($250.0)	($125.0)
Cash from financing	$31.7	$73.7	($115.2)	($124.7)	$78.3	$75.0	$50.0
Net increase in cash	**$48.4**	**$4.3**	**$357.4**	**$5.6**	**($126.2)**	**($30.6)**	**$52.3**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

Corporate Governance, Compensation, Ownership & Recent Management Commentary

TIPT's Board, which includes three classes of directors (i.e., 3 Class I, 2 Class II and 2 Class III) that are elected in consecutive years, is currently comprised of 7 directors, of which 4 are deemed independent (with the exceptions being Mr. Michael Barnes, Mr. Jonathan Ilany and Mr. Randy Maultsby who are TIPT's executive chairman, chef executive officer and president, respectively). The Board has two standing committees, including the Audit and Compensation, Nominating & Governance (CNG), which are each comprised of the four independent directors (namely Messrs. Friedman & Smith and Mses. Mielle & Goldwasser, who is the lead independent director).

In August 2021, the Compensation, Nominating & Governance Committee changed its incentive compensation program to focus on the achievement of stock price improvement (rather than its previous book value benchmark). The current pay program offers an annual cash bonus equal to 3.5% of adjusted EBITDA to each the executive chairman, Michael Barnes, and the chief executive officer, Jonathan Ilany, and a one-time award of performance restricted stock units (PRSUs) to the aforementioned executives as well as TIPT's president, Randy Maultsby, based on achieving certain stock price hurdles (see Exhibit 11). For context, the maximum number of shares can only be earned in the event the team delivers compound annual total shareholder returns of ~20% over the entire performance period (i.e., August 2021-August 2031).

Exhibit 11 Tiptree Inc.: Management's Incentive Compensation Program

Price Target	Shares Earned	Determination Period	Minimum Annualized Return	Implied Incremental Increase in TIPT's Value (in millions)	Potential % Increase in Shares Outstanding
$15.00	233,333	Before August 4, 2023	24.35%	$182.2	0.67%
$20.00	466,667	Before August 4, 2025	19.83%	$183.7	1.34%
$30.00	700,000	Before August 4, 2027	20.70%	$374.4	1.98%
$45.00	933,333	Before August 4, 2029	21.14%	$582.7	2.59%
$60.00	1,166,667	Before August 4, 2031	19.99%	$624.7	3.16%

Source: Company reports.

In terms of insider ownership, all directors and executives as a group (of 9) control ~31.3% of TIPT's outstanding shares although we would note that those shares are primarily concentrated among the personal holdings of executive chairman Michael Barnes who controls roughly 27.2% of the shares. (As well, we would note that Arif Inayatullah, who is not considered an insider but is a long-time business partner and co-founder of Tricadia Capital Management along with Mr. Barnes, controls an additional almost 10% of the outstanding shares.) The top-10 institutional holders control roughly ~25.5% of the company (see Exhibit 12).

Exhibit 12 Tiptree Inc.: Insider and Institutional Ownership, Selected Items

	Shares held	% ownership
Holders:		
Michael Gene Barnes	10.1	27.2%
Arif Inayatullah	3.6	9.8%
Dimensional Fund Advisors	2.7	7.5%
BlackRock Inc.	1.6	4.4%
The Vanguard Group	1.1	3.0%
Bridgeway Capital Management	0.9	2.3%
Royce & Associates	0.7	1.8%
Cannell Capital	0.6	1.7%
State Street Corp.	0.5	1.2%
The TCW Group	0.5	1.2%
Geode Capital Management	0.5	1.2%
Heartland Advisors	0.3	0.8%
Cove Street Capital	0.3	0.8%
Point72 Asset Management	0.3	0.7%
Russell Investments Group	0.2	0.7%
Hillsdale Investment Management	0.2	0.6%
Jonathan Ilany	0.2	0.6%
Invesco Ltd.	0.2	0.5%
Northern Trust Corp.	0.2	0.5%
Franklin Resources Inc.	0.2	0.5%
Total	**24.7**	**67.1%**
Insiders:		
All executives & directors (9 people)	**11.6**	**31.3%**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

In terms of recent management commentary, given the lack of any sell-side research coverage, we have highlighted some excerpts from recent conference calls (see Exhibit 13) that we think inform the discussion on management's thinking on and willingness to pursue transactional-related opportunities to unlock value for shareholders, and provide a dot plot of sorts, based on the cadence of management's public statements, to timing (and credibility).

Exhibit 13 Tiptree Inc.: Relevant Management Commentary, Selected Items (March 2020 – March 2023)

Exchange between TIPT chairman, Michael Barnes, and an investor on the 4Q 2020 earnings call on March 12, 2020 (pre-IPO announcement)

Q: "This is for Michael. It is sort of a long-winded question, but there is zero chance Tiptree will ever get the valuation it deserves as long as you have two very disparate operations between Tiptree Capital, which is a hedge fund where virtually anything goes and a very outstanding insurance business. As you pointed out, the insurance business alone were it freestanding, I would argue it sell for more than twice on a per share basis, where the company is now trading. Why wouldn't you split the company, why won't you split the company, now that its big enough on insurance into two pieces to create shareholder value?" – ***Walter Schenker, MAZ Partners***

A: – "Walter, thanks for joining today. And I think its an excellent question. I'll tell you that. First, I agree with you – with the back of the envelope valuation of determination in terms of the insurance company having substantial value relative to what our GAAP book might state, and we do recognize that. I hear your point about the fact that we do have our Tiptree Capital which is opportunistic and focuses on best allocation of capital. And I will say we are always reviewing how we can best provide value to our Tiptree shareholders. We take everything into consideration. We have certainly been watching the markets in terms of valuations that insurers have right now particularly in our category. So I will tell you that we are always reviewing options, and it is our priority to provide value to Tiptree shareholders. I think I leave my comments with that. – ***Michael Barnes, TIPT's chairman and largest shareholder at ~27%***

Follow-up: "Okay. So may last comment that I'm smiling, but I do that a lot and it's giving me an opportunity to buy stock too. I guess the good news about having a convoluted hard to understand company is it's allowed insiders in the company and investors to buy stock, it would seem to be price relative to the value of the pieces. But thank you." – ***Walter Schenker, Principal at MAZ Partners***

<u>Management commentary on May 6, 2021, following the filing & withdrawal of plans to conduct an initial public offering (IPO) for a portion of Fortegra</u>

"As our shareholders are well aware, over the past several months, we have worked toward a potential IPO of Fortegra that would provide access to efficient long-term capital to accelerate its growth. Additionally, we saw several potential strategic benefits to Tiptree shareholders, including greater transparency of Fortegra's intrinsic value. Although last week we decided to hold off on proceeding with the IPO, what has been made clear throughout this process and as both 2020 and first quarter 2021 results demonstrate, is a distinctively attractive value of Fortegra's business platform.

We expect to see no disruption to Fortegra's robust growth prospects and their continuing to maintain consistent, best-in-class combined ratios and adjusted return on equity metrics. We believe the capital-light warranty business combined with the niche insurance lines are unique offering from a specialty insurer. We believe that Fortegra will ultimately be rewarded for the growth profile and durability of its model and we will continue to explore all available options to support Fortegra's growth and achieve our stated objectives. As a roughly 30% owner of Tiptree, I am confident in Fortegra's future and that Fortegra's true value will ultimately be reflected in Tiptree's share price." – ***Michael Barnes, TIPT's chairman and largest shareholder at ~27%***

<u>Exchanges between TIPT chairman, Michael Barnes, and investors on the 2Q 2021 earnings call on August 5, 2021 (post-IPO withdrawal)</u>

Q: "And my last general question would be so, what can you say again post Fortegra IPO attempt, is that a continually on a plate subject to opportunities in market conditions? Is this hey it didn't work …and we'll review it later or what could you say about the process?" – ***Jeffery Bronchick, CIO and Co-Founder of Cove Street Capital***

A: – "Thanks for the question, Jeff. No, I'm happy to speak about it. We started down the path looking at an IPO for Fortegra actually almost a year ago and knowing that – that would ultimately come to an IPO potential in April of this year. With the process frankly went relatively smoothly, and we had set out a number of objectives that we wanted to achieve in taking Fortegra public. One of the primary objectives was to create a platform for Fortegra to continue its growth in the future and to have a platform and a – in the public markets that we believe would allow it to access capital more efficiently that Tiptree could provide to it. We felt that as a specialty insurer, particularly in the capital-light warranty with a very attractive standalone platform with what we felt would be a very good valuation that would allow it to continue to grow raising its own capital independent of Tiptree.

Aside from that and by the way, I think we could have taken Fortegra public. We decided to pull the IPO based upon market conditions at the time and based upon the question as to whether we were truly achieving all of our market objectives beginning. Now that we pulled the IPO, I will tell you that it is very much something we are continuing to consider. We believe that we can continue to meet our growth targets without significant capital coming in, although we will again consider what capital needed for either acquisitions or growth as we go forward and whether we want to raise or bring in capital for that. But right now, as I think we have communicated previously we believe Fortegra continue to meet its growth objectives being part of Tiptree for the time being.

However, the objectives that we set out a year ago I think remain and so we are focused on at some point whether it would be optimal to revisit the IPO market again and I would say that that is very much in out thinking." – ***Michael Barnes, TIPT's chairman and largest shareholder at ~27%***

Q: "Okay. And let me just if I may ask one more question. I think mainly from Michael. But in valuing Fortegra and then getting comfortable on what you think intrinsic value is as opposed to that the stock price suggest. Michael two questions on that, one, can you help us how the IPO process help you get a – get comfortable on valuation with the obvious caveat that the IPO didn't happen?

And two, maybe Mike yes, there is a fair amount of private market transactions going on in this space because there aren't that many publicly traded companies aside from the insurance that you've played in some of your core businesses on the Fortegra side. So can you, is there an active private market and can you speak to where these assets trade there as sort of another foundation for what you think the intrinsic value Fortegra might be?" – ***Joe Salerno, Shareholder***

A: – "Absolutely. So I'll take from the IPO process so we decided to pull. We certainly did a postmortem to say what do we learn from this and how can we improve when we go back to the process. And in my view, it's a when not if. We very much believe still in the belief that Fortegra would be better suited to have its own platform to have more efficient capital raises in the future for the business.

When you look at valuation, it's not particularly complicated in this sector. Generally, those businesses are valued on a multiple of forward adjusted earnings. I you look at last 12 months Fortegra and its adjusted earnings which were just shy of $53 million for trailing 12 months. Generally, those businesses aren't valued on a trialing but a forward. So you can imagine our view that forward it's even greater and those multiples range depending on where you fit with respect to the peer group that you're associated with anywhere from 15 to 20 times.

So you can start to get an idea as to where we would see value in Fortegra pre-capital raise. Ans so on that basis, so we also do as I said of post warrant *[sic]* to say what were self-inflicted issues that we can improve upon when we go back. And I think we've identified a number of issues, there is a little bit of complexity to the offering in the story that was told, there is a little bit of show me in the discussion with investors, particularly in the E&S business who wanted to see some manifestation of the growth expectation there where we are shoeing and there is also we did a small offering. I think frankly there is some question liquidity that I think we can improve upon we did a slightly larger offering. So I think we've learned from that we have had a lot of discussion with the bankers involved and others as to how we can improve. I'll also be frank I think we bring a lot to the table with out investor base. I think we can do a better job making sure bankers cover our own investor base of those who would want to participate in the Fortegra IPO. So you should expect down the road, we certainly have as a priority for us revisiting that when appropriate.

Your question about private capital, there is a lot of private capital out there who certainly call this after the fact saying what can we do for you guys. There may be some opportunities to clean up Fortegra's capital structure in a more efficient way. Certainly we'll explore opportunistically and there may be opportunities to enhance IPO with the right partner, which is not uncommon thing to see and IPOs of a private partner participating but we'll see, look IPO's are hard. There's a lot oof market elements that need to come together for it to work. One of the biggest issues we face ironically was the market run up so much prior to our launching the IPO as well as having problems in the SPAC sector, which we had nothing to do with SPAC, but that kept some of the players on the sideline that we found a cool market because of the run-up at the time we launched people concern that the market has run too far and was because this was potentially ready for a downturn so.

We had a cool reception overall, not because of Fortegra or our business but the markets in general that didn't help and I think these other elements we're going to improve on. Private capital, we'll consider opportunistically when things make sense but to your question, yes, I actually think the capital is not only there but frankly somewhat more aggressive and their willingness to invest at attractive levels and levels that frankly aren't too far away from where we would consider IPO capital." ***– Michael Barnes, TIPT's chairman and largest shareholder at ~27%***

<u>Management commentary on October 12, 2021 during the Warburg Pincus Investment in Fortegra Conference Call</u>

"This morning, we are pleased to have announced a $200 million strategic investment in our insurance business Fortegra from Warburg Pincus, a leading global private equity firm focused on growth investing…The $200 million investment will be used to refine and recapitalize both of Fortegra's and Tiptree's balance sheet. $140 million of the proceeds will be directed to Tiptree, and will be primarily used to repay our existing corporate debt facility. The remaining $60 million we be deployed into Fortegra as growth capital needed over the coming 12 months to 24 months. Needless to say, we also believe this investment will position Fortegra well for any future strategic transactions….it is our highest priority to close the gap between out stock price and what we view as Tiptree's intrinsic value. We believe this is an important step toward further highlighting the underlying value of our largest investment…as we discussed with out investors since we pulled the Fortegra IPO in April, we were looking to find the right strategic intermediate step that would lead to long-term value creation for Tiptree shareholders. ***– Michael Barnes, TIPT's chairman and largest shareholder at ~27%***

<u>Management commentary and Q&A on November 11, 2021 during the 3Q 2021 earnings conference call</u>

"In early October, we announced a $200 million strategic investment in Fortegra from Warburg Pincus…our primary objective in this transaction was to source growth capital for Fortegra, to refine and recapitalize our balance sheet and to create greater transparency of value for investors and thereby seek to close the gap between Tiptree's stock price and intrinsic value. This transaction goes a long way in accomplishing these goals, and we believe it will provide a solid runway to continue Fortegra's growth over the next 2 years to 3 years." ***– Michael Barnes, TIPT's chairman and largest shareholder at ~27%***

Q: "Two questions. So obviously, Warburg Pincus is an amazing investor to have and congratulations on the valuation. But is there anything that they are looking to do in terms of accelerating growth within Fortegra that you could discuss?" ***– Andrew Tam, Shareholder***

A: – "So good question, Andrew, and thanks for that. I think – I can't speak for Warburg specifically, but what I can certainly say is that, one of the things that through our discussions as they were doing due diligence and deciding to make the investment. One of the things that certainly we all talked about was what they bring as a strategic partner, not just in their experience in the financial service sector and insurance, other related businesses that may have some synergies.

So, we see this certainly as adding more than just capital, we see this as them helping us be a true partner in the growth of Fortegra, possible bringing into play other sectors that they're involved in that may relate, and certainly as we do consider going forward to an IPO again, their experience or relationships I think are going to go a long way". – ***Michael Barnes, TIPT's chairman and largest shareholder at ~27%***

Exchanges between TIPT chairman, Michael Barnes, and investors during the 4Q 2021 earnings conference call on March 10, 2022 (pre-Marine Shipping sale)

Q: "Great to hear. So despite announcing that Warburg transaction, the stock hasn't moved much and continues to trade at over 50% discount to what I think is a conservative estimate of fair value. So it seems like more drastic actions might need to be taken by the Board. I think you agree that non-Fortegra assets have been somewhat over earning and are cyclical, so now it could be a good time to divest those. So why not sell the non-Fortegra assets to a third-party, are your team even at book value and then convert Tiptree to a pure-play Fortegra.

I think in that scenario you could see the stock immediately double and no one benefits more than you and your team given the lucrative comp package that was awarded last year. So if the Board is looking out for the best interest of all shareholders, this seems like the obvious choice but want to hear your perspective? And any thoughts you can share from the Board's perspective on that plan." – ***Chris Colvin, Breach Inlet Capital***

A: – "Yes. And I think, Chris, as we've said in the past and I think it's an excellent question you asked. It's certainly our objective and remains our highest priority to bridge that gap between where our shares trade and what we believe is fair intrinsic value. And you are correct. I think we ourselves sort of scratch our head as to why your shares trade where they are. And part of it is that we're not closed yet. We certainly acknowledge that until we get this closed, I think there'll always be a hesitancy for people to fully accept that, that's a done deal but we see it as continuing as I said before on path as expected.

With regard to the other assets selling Tiptree Capital, we are always looking to optimize returns. If we think there is a better buyer and holder with -- and willing to pay a price that we think is fair or above market, we will consider selling. We've always conducted our business that way.

Some of our assets which have been performing extremely well these last few years, for example, our mortgage origination servicing business, we think is better kept and has been producing and kicking off tremendous cash flow relative to its capital investment relative to its book value. And we're going to continue to I think enjoy those returns for some time.

So with regard to other assets, we will always consider divesting when we think it makes sense. But our objective for shareholders is to allocate capital, where we see best risk-adjusted returns that we can achieve in the marketplace. With regard to Fortegra, I agree they're not just hitting the numbers, exceeding their numbers. We think that's great. And I think when you look at Warburg investing, they didn't invest based upon the belief that, that was the end value. They clearly saw this business growing and of a greater value down the road and we agree. I think, even on conservative metrics, you're going to see Fortegra down the road if priced in the public markets and if we ever consider as we said in the past, we likely would another IPO, we think that, that value will be significantly higher.

So even the $25 that we show in our investor report we think it's conservative. But counter that, we will just continue to allocate capital where we see best return. We will nurture our investments until we see an exit that makes sense. We certainly don't want to just sell our winners and keep our losers. We'd rather do the opposite. And so we are going to manage our money that way. We will always consider share buybacks. And in fact, Chris, we will say based upon some conversations we've had, we wanted to note that we've purchased back 15 million shares, almost 36% of the shares outstanding at the end of 2014. So that is always in our mind. But, with the precious capital we have and with the objective of working with our partners at Warburg down the road to look for further acquisitions, look for growth capital, we want to certainly keep our capital appropriately, but we will consider buying back shares when appropriate. But for now it's steady as she goes. We're happy with our businesses. They're all performing well. But we will consider moving assets and moving capital when appropriate. I hope that answers your question." – ***Michael Barnes, TIPT's chairman and largest shareholder at ~27%***

Q: "Could an IPO be considered sometime in 2022 or is there anything standing in the way that, that's not an option? I'm not saying a promise, but...
" – ***Joe Salerno, Shareholder***

A: – "I would say that's too soon. I would say that first getting Warburg closed, getting the capital into Fortegra. There's still additional capital that can be drawn from the Warburg investment down the road. But I would say it is certainly both Warburg and our objective to maximize Fortegra's value down the road. Absent Warburg, I would have said we would have started to consider maybe re-IPOing Fortegra earlier, sometime probably in 2023 is where I think I said in the past.

I think that's pushed out a bit, given the capital that came in from Warburg which I think will help us grow Fortegra and help us have a more successful IPO, a larger business, a larger IPO. And we think that's going to be a much greater value to shareholders. So I would push that date out to probably sometime 18, 24 months out from that." – ***Michael Barnes, TIPT's chairman and largest shareholder at ~27%***

Q: "All right. Yes, look again, I think IPO-ing Fortegra, I understand why do you think that makes sense? But the issue isn't that Fortegra is tucked away somewhere. It's the other stuff is the problem in terms of what investors want and I think like -- and it's not that they're bad businesses they're great businesses. I'm not disputing that, but it's just at some point the definition of insanity is doing the same thing over and over and expecting a different result. And what the market's clearly told you they don't care. They don't want these assets? I think you're supposed to sell them, take the proceeds, push it into Fortegra and I think this thing is a $25, $35 stock easily." ***– Emmett Spiro, Shareholder***

A: – "We are considering all options.

Bridging that gap, we hear you and bridging that gap. It's our objective, too. And I'll just mention look in 2021 our Board and this goes back to a question Joe asked, I think. Our Board wanted to align management's consensus with share price and a new incentive plan was put in place to achieve ever-increasing share prices for incentives. That is our incentive and to reduce in the aggregate for the Senior Executive Officers, the aggregate of compensation based on EBITDA. And that was something we'd heard from shareholders and the Board acted. I think that's the right incentive.

So you should not we are very aligned not just as the largest shareholders, but with our incentives in place to achieve ever-increasing share price over the years. So there is very much a focus on how do we bridge that gap? How do we get our share price to reflect fair value? And I'll say, again, I think, $25 is the low end of the range in my opinion, I'm speaking my own view.

But I think you look at any common multiple, as to where specialty insurers are priced to market and it will take time to get Fortegra further grown bigger to the point that we do want to consider possible options for having it stand on its own. But I think when it does, you'll see a valuation that's materially higher than where Warburg put their money in. And that's why they did it." ***– Michael Barnes, TIPT's chairman and largest shareholder at ~27%***

<u>Exchange between TIPT chairman, Michael Barnes, and an investor on the 2Q 2022 earnings call on August 9, 2022</u>

Q: "I guess echoing Walter's comments to start with is just given the big discount between fair value and your trading price, we're also very supportive and would like to see more aggressive buybacks. I'd suggest considering a large Dutch tender to buy back a bunch of shares. But -- and I think that will be helpful. But the reality is the liquidity of your stock is low. I suspect some shareholders on the call don't want to see a large buyback because of that liquidity. And although that should help close the gap, I don't think that's really the answer. So since you wisely pulled the Fortegra IPO last April, you look your Fortegra earnings are up, I think like 150%. Warburg is invested in a value that, as you state, conservatively implies that Tiptree shares are worth over $25 a share, yet your share price is -- remains, like Walter said, 40% of that fair value and your trading price isn't up much from when you pulled the IPO. So we would strongly encourage the Board to look at spinning off Fortegra into a stand-alone public company. That seems like, one, the best path to crystallize and highlight the value of the asset. It would be far more cost and tax efficient than an IPO and something that I think Warburg Pincus seems like they could get on board with. So I guess I propose that and wanted to hear, Michael, your perspective on that idea." ***– Chris Colvin, Breach Inlet Capital***

A: – "Sure. Thank you, Chris, and I appreciate your comments. I'll start with the Dutch tender and share buyback. I would just say that, look, when we -- there are a couple of criteria I look at before we want to buy back shares. So one of them is that we have cash flush that we have no covenants that may be breached, which having paid off our holding company debt eliminates many of the questions that would be raised with respect to covenants, et cetera. You're shrinking. So we need to value the distribution of that capital and share buyback versus the objectives of growing and achieving economies of scale and expenses as well as other investment opportunities, particularly what opportunities may exist at continuing to support our existing businesses, Fortegra being the largest. So we try to evaluate all of this, coupled with the knowledge constraints that I mentioned and that you just paid reference to, low active trading, low float as well as constraints on any safe harbor program that one might put in place other than block sales, which, frankly, are relatively infrequent.

So we are always going to look at that opportunity. We have a dynamic conversation, I'd say if not every day certainly every week and certainly every quarter at our board meetings as to what the right objectives are. We carry forward these ideas to our Board and discuss them actively. And Jonathan and I with Randy and Sandra and Scott and others, we debate this all the time. So we're always going to consider that as an objective if we meet the criteria that we've set for ourselves to manage the company properly in light of other opportunities.

With respect to the spinoff of Fortegra, look, we just closed on Warburg. Fortegra has now got capital to grow. It's hitting its numbers and exceeding its numbers that have been targeted. We see a great path of growth for Fortegra. We have a private equity partner. So we acknowledge by taking on a private equity partner. There's going to be an objective from them to see a monetization at some point. That can come in a couple of different forms. It can come in an IPO, potentially it could come in a sale of the business. But a spin-off frankly, may be complicated. It's a -- there's a lot of considerations to go into that. And frankly, all opportunities, all scenarios will be considered. But we just settled, the dust is just settling. We have capital at Fortegra to continue the growth trajectory. So we're very happy with our investment in Fortegra. We want to see continued value to Tiptree shareholders. We have a long-term view, and we're going to manage that how we see best. And right now, we're going down that path. But I agree with you at some point, it will make sense to potentially is achieving its objectives and the market conditions are right, see a monetization event. Certainly, as I said, we have a partner that's going to want to do that, and we acknowledge that." ***– Michael Barnes, TIPT's chairman and largest shareholder at ~27%***

Exchange between TIPT chairman, Michael Barnes, and an investor on the 4Q 2022 earnings conference call on March 9, 2023

Q: "Michael, thanks for taking my question, and congrats on the progress last year. Fortegra's success has certainly been remarkable, and we look forward to seeing what Warburg and Rick can do together. And we also appreciate that you opportunistically divested shipping vessels and locked-in gains. I was hoping to hear your kind of latest thoughts on how you plan to close the gap between your conservative estimate at *[sic]* fair value of over $26 a share and the current trading price of less than $16. And when you answer that, maybe do you think potentially the best approach could be to spin off Tiptree Capital into its own public entity so that your team retains its permanent capital vehicle and allows public investors to invest alongside you and thereby converts tipped *[sic]* the current public company and to Fortegra, which eliminates future potential tax leakage and also highlights its standalone value. Thanks again for you thoughts." – ***Chris Colvin, Breach Inlet Capital***

A: – "Thanks, Chris and appreciate the complement *[sic]*, appreciate the question. So let me address the question in terms of closing the gap. The differentiation in terms of what we see is our sum of the parts versus where we trade is certainly something we focus on continually. We are highly incentivized given our incentive structure as a management team to close that gap and to achieve that.

We closed on the Warburg investment in Fortegra, which as you remarked, has had remarkable growth, and we want to see that growth continue. So part of our objective in forming a partnership with Warburg was to bring in capital to continue that growth trajectory. That closed at the end of June. So we've had about eight months to start to implement that. And as you've seen in the last 12 months, we've made a couple of bolt-on acquisitions that we see as further enhancing our cash flow to Fortegra. So we see that trajectory as positive and continuing. And I remarked on that in my comments.

We certainly – as you well know, we've explored the idea of an IPO in the past. It's certainly something that as we look forward, creating efficiencies of capital and to the extent that we would like to raise more capital or with a private equity partner down the road if there's the objective of that partner achieving some monetization event, certainly either an IPO or a considered sale is something that sits in the back of our mind. But right now we are focused on growth.

And we believe that as we are out there communicating Fortegra, its business, what is unique about Fortegra, its businesses, what is unique about Fortegra, that message will certainly sink in. As it relates – and if and when we pursue a potential IPO to establish efficiencies of capital and potentially for the growth of Fortegra, we think transparency of the public print would hopefully filter through to shareholders of Tiptree as well. So we're certainly going to be out there telling our story. We're going to be out there communicating separately Fortegra, and its uniqueness and its continued growth. We're going to look to potentially establish an independent and more efficient capital platform, capital raise platform for both debt and equity for Fortegra opportunistically. So those are the steps we're going to be taking/

What – I think I'd say with regard to the consideration of efficiency of taxes, et cetera, that is something we always think about. And you've been very proactive, let's say, in reaching out to us to make suggestions, et cetera, which we appreciate. We have a team internally that meets regularly to consider taxes overall for the organization.

One of the items on list certainly is as we look forward, to potentially doing an IPO of Fortegra or any other monetization event, what impact it would have to our shareholders. And it certainly would be our objective to maintain as much value for shareholders as possible. We'll explore all options and take the one that we think is best for shareholder value. So I think I'll end my answer there. But thank you for your question, Chris" – ***Michael Barnes, TIPT's chairman and largest shareholder at ~27%***

Source: Company reports, and Bloomberg.

Exhibit 14 Tiptree Inc.: Public Comparables

($ in millions, except per share amounts; shares in millions)

7/11/2023	Tiptree Inc	Markel Group Inc	RLI Corp	American International Group Inc	Allianz SE	Assurant Inc	AXA SA	Mr Cooper Group Inc	Ocwen Financial Corp	PennyMac Financial Services Inc	Walker & Dunlop Inc
Ticker	TIPT	MKL	RLI	AIG	ALV GY	AIZ	CS FP	COOP	OCN	PFSI	WD
Price	$14.79	$1,390.44	$136.38	$58.75	$207.85	$126.53	$25.82	$50.66	$29.78	$70.73	$85.10
Shares Out	36.7	13.3	45.4	723.8	403.3	53.2	2,294.0	68.1	7.6	49.9	33.3
M Cap	543.4	18,557.8	6,188.7	42,520.5	83,828.8	6,725.3	59,219.8	3,447.6	227.5	3,531.2	2,837.3
Net Debt	(943.7)	(14,489.1)	(2,640.9)	(220,302.0)	#VALUE!	(6,113.7)	#VALUE!	4,942.0	11,302.3	7,250.0	1,461.8
EV	619.8	19,559.3	6,365.8	70,130.5	117,159.8	7,328.5	65,745.8	8,522.6	11,569.1	10,784.7	4,299.1
Revenue											
2021E	1,200.5	11,780.8	1,134.3	47,904.0	146,359.3	10,187.0	99,313.2	3,273.0	990.0	3,226.6	1,208.0
2022E	1,397.8	10,910.2	1,661.3	44,110.1	153,404.5	10,174.4	103,007.2	2,542.7	957.8	1,995.6	1,303.4
2023E	1,594.4	15,029.7	1,458.8	49,567.1	158,049.0	10,610.0	104,354.5	1,624.0	1,080.3	1,531.5	1,115.8
2024E	1,677.9	16,025.0	1,556.8	44,698.0	144,059.0	10,983.2	108,093.5	1,914.6	1,166.7	1,854.5	1,205.4
CAGR	*11.8%*	*10.8%*	*11.1%*	*-2.3%*	*-0.5%*	*2.5%*	*2.9%*	*-16.4%*	*5.6%*	*-16.9%*	*-0.1%*
EV / Sales											
2021E	0.5x	1.7x	5.6x	1.5x	0.8x	0.7x	0.7x	2.6x	11.7x	3.3x	3.6x
2022E	0.4x	1.8x	3.8x	1.6x	0.8x	0.7x	0.6x	3.4x	12.1x	5.4x	3.3x
2023E	0.4x	1.3x	4.4x	1.4x	0.7x	0.7x	0.6x	5.2x	10.7x	7.0x	3.9x
2024E	0.4x	1.2x	4.1x	1.6x	0.8x	0.7x	0.6x	4.5x	9.9x	5.8x	3.6x
Average		*1.5x*						*5.9x*			
EPS											
2021E	$1.87	$71.95	$3.56	$4.73	$22.86	$9.33	$2.77	$8.48	$4.32	$15.55	$8.08
2022E	$1.74	$63.86	$4.59	$4.46	$17.42	$9.66	$3.04	$2.38	$9.09	$7.21	$6.72
2023E	$1.80	$87.51	$5.04	$6.58	$23.40	$11.21	$3.35	$5.31	$1.99	$5.78	$5.19
2024E	$1.96	$91.65	$5.09	$7.66	$26.23	$13.89	$3.58	$7.09	$5.64	$8.76	$5.96
P/E											
2021E	7.9x	19.3x	38.3x	12.4x	9.1x	13.6x	9.3x	6.0x	6.9x	4.5x	10.5x
2022E	8.5x	21.8x	29.7x	13.2x	11.9x	13.1x	8.5x	21.3x	3.3x	9.8x	12.7x
2023E	8.2x	15.9x	27.0x	8.9x	8.9x	11.3x	7.7x	9.5x	15.0x	12.2x	16.4x
2024E	7.5x	15.2x	26.8x	7.7x	7.9x	9.1x	7.2x	7.1x	5.3x	8.1x	14.3x
Average		***12.3x***						*8.7x*			
Dividend Yield	1.1%	0.0%	5.9%	2.2%	-	2.2%	-	0.0%	0.0%	1.1%	2.9%
FCF Yield	9.6%	12.4%	4.0%	10.4%	-	17.1%	12.2%	-	-	-	1.9%
ROE	13.6%	17.8%	21.3%	5.5%	11.7%	7.1%	6.5%	13.0%	-29.4%	21.2%	17.3%
P/Book Value	1.3x	1.4x	5.1x	1.2x	1.5x	1.6x	1.5x	0.7x	0.5x	0.8x	1.5x
		2.0x						***0.9x***			

Source: Company reports, Bloomberg and Institutional Research Group estimates.

VALUATION

Insurance

Peers to Fortegra could include a range of publicly-traded insurance businesses, including specialty insurers, such as Markel Corporation (NYSE: MKL), and RLI Corporation (NYSE: RLI) along with larger, more traditional players, such as American International Group (NYSE: AIG) and Allianz SE (ALV GY) as well as warranty-focused concerns, such as Assurant (NYSE: AIZ) and AXA SA (CS FP), which trade, on average, at ~12.5x 2024E EPS albeit with the specialty players that are most similar to Fortegra's core business, trading at nearly 21x (in a range of ~15x-27.0x; see Exhibit 14). In terms of relevant M&A in the non-Life Insurance sector, the average purchase multiple has been around ~16.5x in recent years, per Chainbridge Research's *DealBase* (see Exhibit 15). Additionally, we would note Warburg Pincus' investment in Fortegra, which closed in June 2022 (but was announced in October 2021), represented a ~13.5x multiple of trailing 12-month net income (and management's recent commentary has suggested other private market transactions have been in the 15x-20x range).

Exhibit 15 Tiptree Inc.: Sector M&A Activity in the Non-Life Insurance Sector, Selected Items
(Transaction values in target currency; millions)

Announced	Target	Acquirer	Transaction Value	P/B	P/E
8/12/2019	Genworth MI Canada Inc	Brookfield Business Partners LP	4381	1.0x	9.5x
5/8/2019	EMC Insurance Group Inc	Employers Mutual Casualty Co	805	1.3x	9.9x
9/17/2018	Jardine Lloyd Thompson Group PLC	Marsh & McLennan Cos Inc	4848	-	31.4x
8/27/2018	Aspen Insurance Holdings Ltd	Apollo Global Management LLC	2448	1.1x	-
8/21/2018	Navigators Group Inc/The	Hartford Financial Services Group Inc/The	2186	1.7x	34.6x
8/13/2018	esure Group PLC	Bain Capital Private Equity LP	1254	4.4x	15.6x
5/15/2018	Vittoria Assicurazioni SpA	Vittoria Capital SpA,Yafa Holding SpA	1148	1.3x	14.1x
3/18/2018	Stewart Information Services Corp	Fidelity National Financial Inc	1168	2.8x	25.1x
3/4/2018	XL Group Ltd	AXA SA	16304	1.9x	-
2/12/2018	Infinity Property & Casualty Corp	Kemper Corp	1490	2.1x	24.4x
1/21/2018	Validus Holdings Ltd	American International Group Inc	7953	1.7x	-
1/8/2018	AmTrust Financial Services Inc	Management Group,Stone Point Capital LLC	4704	2.2x	-
11/26/2017	Euler Hermes Group SAS	Allianz SE	5186	2.3x	17.4x
7/25/2017	State National Cos Inc	Markel Corp	881	2.9x	17.6x
7/4/2017	Novae Group Ltd	Axis Capital Holdings Ltd	382	1.5x	-
3/8/2020	Willis Towers Watson PLC	Aon PLC	35741	-	28.6x
11/23/2014	Platinum Underwriters Holdings Ltd	RenaissanceRe Holdings Ltd	1639	1.0x	10.3x
12/16/2014	Catlin Group Ltd	XL Group Ltd	2255	1.4x	9.2x
2/16/2015	Brit Ltd	Fairfax Financial Holdings Ltd	1009	1.5x	8.1x
3/30/2015	Montpelier Re Holdings Ltd	Sompo International Holdings Ltd	1324	0.9x	8.1x
4/13/2015	PartnerRe Ltd	EXOR NV	6535	1.1x	9.1x
6/9/2015	HCC Insurance Holdings Inc	Tokio Marine Holdings Inc	7449	2.5x	19.4x
6/30/2015	Chubb Corp/The	Chubb Ltd	28615	1.8x	15.1x
9/7/2015	Ms Amlin Ltd	MS&AD Insurance Group Holdings Inc	3391	2.4x	14.6x
10/4/2016	Sompo International Holdings Ltd	Sompo Holdings Inc	6158	1.5x	17.0x
12/18/2016	Allied World Assurance Co Holdings GmbH	Fairfax Financial Holdings Ltd	4422	1.4x	17.9x
5/2/2017	OneBeacon Insurance Group Ltd	Intact Financial Corp	1708	1.7x	24.8x
7/6/2020	National General Holdings Corp	Allstate Corp/The	3911	2.0x	10.2x
8/4/2020	Hastings Group Holdings PLC	Sampo Oyj,Rand Merchant Investment Holdings Ltd	1659	4.5x	19.2x
7/12/2020	Benefytt Technologies Inc	Madison Dearborn Partners LLC	664	-	13.9x
8/5/2020	Sirius International Insurance Group Ltd	Third Point Reinsurance Ltd	1095	1.2x	-
10/8/2020	Watford Holdings	Arch Capital	642	1.0x	13.6x
10/25/2020	Genworth MI Canada	Brookfield Business Partners	3980	1.0x	8.9x
11/17/2020	RSA Insurance	Consortium	7636	2.2x	20.1x
7/11/2021	State Auto Financial	Liberty Mutual	2354	2.3x	-
3/20/2022	Alleghany Corp	Berkshire Hathaway	13914	1.3x	20.3x
2/7/2023	Argo Group	Brookfield Reinsurance	1498	0.9x	4.1x
Average				**1.8x**	**16.4x**

Source: Chain Bridge Research's *DealBase*.

Applying a 12.5x multiple to 2024E net income and subtracting a $41.1 million tax deferred liability related to the Warburg transaction, which we note is "only due if and when" TIPT decides to sell any of its shares, yields a segment value available to TIPT of ~$856 million or almost $22 per share, based on an ultimate as converted ownership of 68.6% (which assumes Warburg's conversion/exercise of both its preferred stock and warrants; see Exhibit 16).

Exhibit 16 Tiptree Inc.: Estimated Value of Fortegra Based on 2024E Net Income
($ in millions, except per share amounts; shares in millions; December-ending calendar years)

		Fortegra	
2023E Revenue		$1,546.5	
Revenue growth est.		5.5%	
2024E Revenue		$1,631.9	
2024E Net income		$104.6	
Applied multiple	11.5x	**12.5x**	13.5x
Market capitalization	$1,203.0	**$1,307.6**	$1,412.2
TIPT's ownership	*68.6%*	*68.6%*	*68.6%*
Value to TIPT	$825.2	$897.0	$968.7
Deferred tax liability	*($41.1)*	*($41.1)*	*($41.1)*
Total value to TIPT	**$784.1**	**$855.9**	**$927.6**
Diluted shares	39.5	39.5	39.5
Per share basis	**$19.86**	**$21.67**	**$23.49**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

Tiptree Capital

Peers to the Mortgage business, which, by our calculation, only comprises ~30% of segment book value of $220.5 million, could include origination & servicing concerns, such as Mr. Cooper Group (NASDAQ: COOP), PennyMac Financial Services (NYSE: PFSI), Ocwen Financial Corp. (NYSE: OCN), which acquired PHH Corp. in October 2018, and Walker & Dunlop, Inc. (NYSE: WD), which trade at slightly below 1.0x book value (in a range of 0.5x-1.5x).

Applying a low-end peer multiple of 0.5x to Tiptree Capital's total net book value, excluding non-controlling interest (NCI) and including corporate net assets, of $220.5 million at the end of 1Q 2023, yields a segment value of roughly $110.5 million, or nearly $3 per share (see Exhibit 17).

Exhibit 17 Tiptree Inc: Estimated Value of Tiptree Capital Based on Book Value (ex-NCI)
($ in millions, except per share amounts; shares in millions; December-ending calendar years)

		Tiptree Capital	
Book Value		$220.5	
Applied multiple	0.0x	**0.5x**	1.0x
Value to TIPT	$0.0	**$110.3**	$220.5
Diluted shares	39.5	39.5	39.5
Per share basis	**$0.00**	**$2.79**	**$5.58**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

Sum-of-the-Parts Valuation

All told, our base case sum-of-the-parts value is ~$24.50 per share (with bull and bear cases of ~$29 per share and ~$20 per share, respectively; see Exhibit 18).

Exhibit 18 Tiptree Inc.: Sum-of-the-Parts Valuation
($ in millions, except per share amounts; shares in millions; December-ending calendar years)

		Tiptree	
	Bear	**Base**	**Bull**
Fortegra	$19.86	$21.67	$23.49
Tiptree Capital	$0.00	$2.79	$5.58
Tiptree Inc.	**$19.86**	**$24.47**	**$29.08**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

Simply for context, we note that TIPT's management conducts its own internal calculation, with a similar methodology, that puts its current "conservative" fair value at $26.70 per share, comprised of $20.88 per share for Fortegra and $5.82 for Tiptree Capital. The Fortegra valuation represents the 13.5x Warburg transaction multiple applied to 1Q 2023 trailing 12-month (TTM) net income of $86.5 million multiplied by TIPT as converted ownership, for only the preferred stock, of 72.4% less the $41.1 million deferred tax liability (based on a diluted share count of ~38 million) while the Tiptree Capital calculation is simply 1x net book value of $220.5 million, which includes corporate net assets but excludes non-controlling interest (NCI).

Summary & Conclusion

In our view, TIPT, at ~7.5x 2024 adj. net income, trades at a meaningful discount to the sum value of its parts, particularly its majority ownership in Fortegra, which has posted 20%-plus compound annual growth in sales and net income since 2017 but seemingly trades at a significant discount to the valuations awarded specialty insurance peers in both the public and private markets. In that context, following a scuttled attempt at an initial public offering (IPO) in April 2021, Fortegra secured a minority investment from Warburg Pincus in October 2021, which, at the time, appraised the business at a post-money valuation of ~$725 million (or ~13.5x trailing 12-month net income). Moreover, recent indications suggest that management, who collectively owns 31.5% of TIPT, is likely to revisit its strategic options for Fortegra (including an IPO, spin-off or sale) as its robust growth profile persists and conditions in the new issue market improve, which we think would unlock substantial value for shareholders. (Conversely, TIPT could monetize the investments held at Tiptree Capital, which we think would simplify the story as well as provide incremental growth capital for Fortegra.)

Based on management guidance & commentary as well as peer and M&A valuations, TIPT's Insurance business, Fortegra, could be valued at ~$22 per share based on a 12.5x multiple of 2024E net income while Tiptree Capital could be valued at ~$3 per share based on a 0.5x multiple of book value (ex-NCI), yielding a base case sum of the parts value of $24.50 per share (with bull & bear cases of ~$29 and ~$20 per share, respectively).

Again, for context, we note that TIPT's management conducts its own internal calculation, with a similar methodology, that puts its current "conservative" fair value at $26.70 per share, comprised of $20.88 per share for Fortegra and $5.82 for Tiptree Capital. The Fortegra valuation represents the 13.5x Warburg transaction multiple applied to 1Q 2023 trailing 12-month (TTM) net income of $86.5 million multiplied by TIPT as converted ownership, for only the preferred stock, of 72.4% less the $41.1 million deferred tax liability (based on a diluted share count of ~38 million) while the Tiptree Capital calculation is simply 1.0x net book value of $220.5 million, which includes corporate net assets but excludes NCI.

Potential catalysts include the separation/monetization of assets, including Fortegra and/or the investments held at Tiptree Capital, accretive M&A, share repurchases, and/or better than expected growth and margins, particularly at Fortegra. Risks include management execution, competition, regulation, increased adverse claims/investment losses, cyberattacks/technology breaches, persistent inflation and/or a recession.