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TIPT posts solid 4Q 2023 (and full year) results, again driven by Fortegra; increases quarterly dividend by 20% to \$0.06 per share; no incremental commentary on the IPO withdrawal or its private capital options was provided on this morning's conference call; maintain fair value of \$24.50 per share

- Last night, after the market close, Tiptree posted consolidated 4Q 2023 top-line growth of 20.8% to \$446.4 million with 43.1% growth in adj. net income to \$13.9 million. Consolidated return on equity (ROE) rose 370 basis points to 13.6%. For the full year 2023, consolidated sales rose 18% to ~\$1.6 billion with adj. net income growth of 16.7% to \$61.9 million and ROE up 160 bps to 15.2%
- At Fortegra, the company's primary operating business, 4Q 2023 sales increased 25.4% to ~\$433.2 million with a 37.5% rise in gross written premiums and equivalents (GWPE) while adj. net income advanced ~36.2% to \$32.6 million. The combined ratio was flat at 89.8% and Fortegra's return on equity improved 160 bps to 30.9%, largely driven by continued growth in the company's capital-light warranty business. For full year 2023, Fortegra's sales rose ~27.5% to \$1.59 billion with a 21.4% jump in GWPE while net income has increased 38.0% to \$115.7 million. The combined ratio improved 10 bps to 90.3% while ROE improved 310 bps to 29.2%.
- The book yield on Fortegra's \$1.33 billion investment portfolio rose to 3.3% in 4Q 2023 (from 2.7% 4Q 2022) while the overall rating of its holdings was AA. The average duration is 2.5 years (compared with ~2.1 years in the previous quarter).
- 4Q 2023 sales at Tiptree Capital fell ~45% to \$13.2 million, in part driven by the sale of the company's shipping assets in 2022, while net income was \$(407K) compared with \$(787K) in 4Q 2022). For the full year 2023, segment sales fell ~62.5% to ~\$56 million net income of \$(159K) versus \$8.96 million in 2022.
- Corporate expenses were essentially flat at \$12.1 million in 4Q 2023 (versus \$12.5 million in the prior year quarter) and down to \$40.2 million for the full year 2023 (versus \$46.4 million in 2022) primarily due to the repayment of TIPT's corporate level debt.
- In conjunction with 4Q 2023 results, the company declared a \$0.06 dividend, which represents a 20% increase from the prior payout of \$0.05.
- On this morning's conference call, TIPT did specifically address the recent withdrawal of its planned initial public offering (IPO) of Fortegra, particularly in regards to the potential private capital options (i.e., Warburg's investment in October 2021), other than to say, "although the recent market environment has been un conducive for a public offering we firmly believe Fortegra is strategically well positioned to maintain the trajectory of consistent growth and sustained underwriting profitability over the long term".

UPDATE

Tiptree Inc.
NASDAQ: TIPT

Publication Date:
February 29, 2024

Price: \$17.67/share

Market capitalization: ~\$650M

Insurance/Fortegra: \$22/share

Tiptree Capital: \$3/share

SOTP: \$24.50 per share*

*SOTP may not add due to rounding

(See the report dated 7/12/2023 and updates from 8/3/2023, 11/2/2023, 1/29/2024 and 2/7/2024 more info.)

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- Our base case fair value for TIPT remains \$24.50 per share based on a 12.5x multiple of projected 2024E net income at Fortegra (prorated for TIPT's ultimate 68.6% ownership as well as a ~\$41 million deferred tax liability) and a 0.5x multiple of book value, ex-NCI, at Tiptree Capital (see Exhibit #1 on page 2).

Exhibit #1 Tiptree Inc.: Sum-of-the-Parts Fair Value Estimate

(\$ in millions, except per share figures)