

Tiptree Inc.

2019

Annual Report to Shareholders

April 22, 2020

To Our Fellow Shareholders,

Tiptree's book value per-share as of year-end 2019 was \$11.52, which combined with dividends, resulted in a total return for the year of 8.2%. Investors who participated in our June 2007 initial capital raise have experienced a compounded annual return of 9.5% through the end of 2019 (as measured by growth in book value per share plus dividends received), as compared to 8.6% for the S&P 500 and 7.3% for the Russell 2000 over the same period. In 2019, we increased the amount of annual cash dividends for the third consecutive year to 15.5 cents per share (a 14.8% increase).

More recently, as investors struggle to fully understand the impact of Covid-19 on different business sectors, there has been extraordinary market price volatility. This uncertainty is likely to continue for some time, and may result in unanticipated risks and challenges. Although no industry is unaffected from the dramatic social constraints enacted globally to contain the virus, we currently see a modest direct impact to our own businesses and liquidity positions and believe we are positioned to absorb the significant changing outlooks for interest rates, commodity prices, global trade and consumer demand. In short, we believe we are positioned to ride out this storm as it evolves but continue to closely monitor the ever changing crisis as it relates to our businesses.

For the 2019 year, we earned \$18.4 million of net income and \$63.6 million of Operating EBITDA¹ from our operations and investing activities. After deducting corporate interest expense, that equates to a 10.0% cash earnings return on our invested capital. Most importantly, we made significant progress on our strategic goals of expanding our insurance operations, improving our returns on insurance float, and growing while refining investments held within Tiptree Capital. We manage Tiptree with a long-term perspective, with our primary goal to maximize intrinsic value per share. We believe this is achieved by growing our cash earnings per share in the businesses we own, in addition to realizing capital appreciation on our investments over a longer-term horizon.

We view the foundation of our business consisting of three key cornerstones that will be the drivers of cash earnings growth and total return for shareholders: (1) insurance underwriting and fee business, (2) insurance portfolio investment returns, and (3) returns on investments held at Tiptree Capital. We manage each with a long-term perspective and as owners with our executive officers, directors and related trusts holding more than 30% of Tiptree's outstanding shares.

Our consolidated results for 2019 are summarized below:

TIPTREE CONSOLIDATED RESULTS

<u>GAAP FINANCIAL HIGHLIGHTS</u> (dollars in millions, except per share data)	2019	2018	2017	2016	2015
Net income attributable to Common Stockholders	18.4	23.9	3.6	25.3	5.8
Diluted earnings per Common Share	0.50	0.69	0.11	0.78	0.17
Cash dividends paid per share	0.155	0.135	0.12	0.10	0.10
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Total assets	2,198.3	1,864.9	1,989.7	2,890.1	2,495.0
Total investments and cash and cash equivalents	870.1	782.9	636.0	778.5	739.4
Debt	374.5	354.1	346.1	554.9	502.3
Total stockholders' equity	411.4	399.3	396.8	390.1	397.7

¹ For a reconciliation to GAAP financials, see "Non-GAAP Measures" beginning on p. 41 of the attached Form 10-K.

<u>NON-GAAP FINANCIAL HIGHLIGHTS¹</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Adjusted EBITDA	63.0	28.8	38.0	78.9	58.4
Operating EBITDA	63.6	54.9	60.9	60.5	53.1
Total Capital	704.8	666.5	641.1	625.8	598.1
Shares outstanding ²	34.6	35.9	37.9	36.4	42.9
Book Value per share ²	11.52	10.79	9.97	10.14	8.90
Total cash returned to shareholders	14.4	19.1	11.8	47.8	8.2

TIPTREE INSURANCE

Our focus is on providing niche and specialty insurance coverages 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. Over the last 3 years, which were record years for catastrophes, our underwriting results were not materially impacted, as we have been able to maintain a high portion of fee earnings and successfully deploy risk mitigation strategies which have contributed to a combined ratio that remains in the low 90's.

Extended service contracts (warranties) are a natural extension of Fortegra's product offerings and share characteristics that have generated success. We believe offering a vertically integrated product set (including insurance, administration, roadside assistance, and premium finance) gives us a competitive advantage versus other market players. On January 3rd, 2020, we completed the acquisition of Smart AutoCare which advances Tiptree to a leading position in warranty and niche insurance products. In addition, the expansion of our insurance operations to Europe gained solid traction in 2019 generating \$32 million of premiums.

The table below highlights results since Tiptree acquired Fortegra in December 2014.

Year	Gross Written Premiums	Operating EBITDA ¹	Combined Ratio ¹
2014 ³	\$525.0	\$38.9	89.8%
2015	686.0	42.8	87.4
2016	708.3	49.3	89.5
2017	768.3	53.3	93.2
2018	868.1	64.5	92.5
2019	1,015.3	63.3	92.6
Compound Annual Growth Rate	14.1%	10.2%	

For the year, gross written premiums grew to \$1.015 billion, up 17.0% over 2018 and net written premiums were up 15.1% to \$537.2 million. Operating EBITDA¹ was \$63.3 million, which represents a 13.4% return on total capital. And as previously mentioned, we maintained our combined ratio in the

¹ For a reconciliation to GAAP financials, see "Non-GAAP Measures" beginning on p. 41 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.

³ Reflects Fortegra results for 2014 prior to adjustments for purchase accounting and inclusion in Tiptree's financial statements.

low 90's, demonstrating our continued ability to underwrite profitably, while increasing written premiums.

INSURANCE RELATED INVESTMENT PORTFOLIO

Fortegra's investment portfolio was \$540 million at year-end 2019, up 16.5% from 2018 as a result of increases in retained paid-in-premiums. Our total return for 2019 was 5.4%, up from 0.3% in 2018. The majority of our investments are high quality, short duration fixed income securities (to match our liabilities at roughly 2.3 years) and therefore performed well against relative benchmarks. Throughout 2019 we actively reduced exposure to corporate credit, particularly in the middle market sector, and increased allocations to higher-rated government and agency backed securities. As we look to 2020 and beyond, we believe the corporate distressed sector will present significant investment opportunities. We have recently completed the allocation of \$75 million to that strategy, and our colleagues at Corvid Peak (formerly Tricadia) will lead the efforts on that front.

Year	Insurance Investments ¹	Total Stockholders' Equity	Investment leverage
2014	\$186	\$402	0.5x
2015	274	398	0.7x
2016	358	390	0.9x
2017	396	397	1.0x
2018	463	399	1.2x
2019	540	411	1.3x

Much has been written regarding the value of insurance related "float" which can be regarded as the equivalent of interest free leverage available for investment. When combined with core insurance underwriting profits, the added returns on "float" can make for very attractive returns on stockholder equity. Although we are pleased with the growth in the insurance and warranty business and corresponding "float", we have not yet realized our full potential in this arena.

TIPTREE CAPITAL

Over the years, Tiptree has invested in a broad range of businesses and assets including asset management, specialty finance originators and servicers, real estate, shipping, insurance and a broad range of specialized credit investments. Realized investments since our founding have yielded an aggregate 24.5% gross IRR², with the holding periods for those investments ranging from 5-10 years. Unlike typical private equity buyers, our investment horizon is not limited to a specific time period, but instead driven by optimizing returns.

Tiptree Capital currently holds three primary investments: publicly listed shares in Invesque Inc. (a senior housing investment platform), shipping related investments (Tiptree Marine) and a residential

¹ For a reconciliation to GAAP financials, see "Non-GAAP Measures" beginning on p. 41 of the attached Form 10-K.

² IRR presented gross before corporate taxes and corporate expenses. IRR represents the internal rate of return on invested capital based on the realized proceeds of cash or marketable securities and including the timing of contributions and distributions. Our IRR calculation reflects the impact of asset specific leverage and may differ from those used by others. Past performance is not indicative of future results.

mortgage originator and servicer (Reliance First Capital). 2019 was a good year with Operating EBITDA of \$22.8 million, up from \$13.7 million in 2018 and with all businesses performing profitably.

LOOKING AHEAD

We are excited for Tiptree's future and confident in the long-term trajectory of the company. We are focused on long-term total investment returns, understanding that short-term market volatility (like that we are currently experiencing) may present temporary challenges to our performance objectives. However, we believe our ability to provide consistent returns as measured by Operating EBITDA¹ and our shareholders' total return as measured by growth in book value per share and dividends received makes Tiptree an attractive long-term investment.

We like speaking with our investors and welcome thoughts on the markets or ideas that we can incorporate into our investment process. As always, please reach out if you have new investment ideas or any suggestions or inquiries.

We would also like to thank the employees of Tiptree and our subsidiaries for their efforts in 2019. We had a successful year moving our strategic objectives forward – one that we believe will position Tiptree for growth in years to come.

With best regards,

Michael Barnes	Jonathan Ilany
Executive Chairman	Chief Executive Officer

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