

Tiptree Inc.

NASDAQ: TIPT

Investor Presentation - First Quarter 2020

May 2020

Financial information for the three months ended March 31, 2020

Disclaimers

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This document contains "forward-looking statements" which involve risks, uncertainties and contingencies, many of which are beyond Tiptree's control, which may cause actual results, performance, or achievements to differ materially from anticipated results, performance, or achievements. All statements contained herein that are not clearly historical in nature are forward-looking, and the words "anticipate," "believe," "estimate," "expect," "intend," "may," "might," "plan," "project," "should," "target," "will," "view," or similar expressions are intended to identify forward-looking statements. Such forward-looking statements include, but are not limited to, statements about Tiptree's plans, objectives, expectations and intentions. The forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, many of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecast in the forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to those described in the section entitled "Risk Factors" in Tiptree's Annual Report on Form 10-K, and as described in the Tiptree's other filings with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as to the date of this release. The factors described therein are not necessarily all of the important factors that could cause actual results or developments to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could affect our forward-looking statements. Consequently, our actual performance could be materially different from the results described or anticipated by our forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Except as required by the federal securities laws, we undertake no obligation to update any forward-looking statements.

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NON-GAAP MEASURES

In this document, we sometimes use financial measures derived from consolidated financial data but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Certain of these data are considered "non-GAAP financial measures" under the SEC rules. These non-GAAP financial measures supplement our GAAP disclosures and should not be considered an alternative to the GAAP measure. Management's reasons for using these non-GAAP financial measures and the reconciliations to their most directly comparable GAAP financial measures are posted in the Appendix.

Overview & Financial Highlights

Overview

Financial Results

Revenue

\$129.7 million
(29.5)% vs. prior year

Net loss¹

\$(60.6) million
vs. prior year income of \$4.3 million

Operating EBITDA²

\$15.8 million
25.4% vs. prior year

Book Value per share²

\$9.73
(15.5)% vs. 12/31/19

First quarter 2020 highlights

Overall

- ☑ Year-to-date total return of (15.2)%³, driven by unrealized mark-to-market losses reflecting the market disruptions caused by COVID-19
- ☑ Operating EBITDA of \$15.8 million, up 25% driven by growth in insurance business and improved returns in Tiptree Capital
- ☑ Refinanced our existing facility with Fortress (Feb'20), extending the maturity and increasing the principal amount to \$125 million
- ☑ Cash and cash equivalents of \$108.8 million as of March 31, 2020, of which \$84.0 million resides outside our statutory insurance companies

Tiptree Insurance

- ☑ Gross written premiums of \$277 million, up 40%, with net written premiums of \$133 million, up 10%, driven by growth in warranty and specialty programs
- ☑ Expect warranty sales growth to slow in Q2'20 as certain auto dealers and retail partners are impacted by the economic shut-down and social distancing measures
- ☑ Combined ratio of 93.3%, consistent with prior years
- ☑ Acquired Smart AutoCare (Jan'20), a vehicle warranty solutions provider in the U.S.

Tiptree Capital

- ☑ Operating EBITDA grew year over year, with a full quarter of shipping operations and steady performance from our mortgage business
- ☑ In April'20, Invesque suspended its dividend to conserve liquidity until the impact of COVID-19 on its operations is better known

¹ Net income before non-controlling interests which includes continuing and discontinued operations.

² For a reconciliation of Non-GAAP metrics Operating EBITDA and book value per share to GAAP financials, see the Appendix.

³ Defined as cumulative dividends paid of \$0.04 per share plus book value per share as of March 31, 2020

Financial Results

(\$ in millions, except per share information)

Consolidated financial metrics

	Q1'19	Q1'20	V%
Total Revenues	\$183.9	\$129.7	(29.5)%
Net income (loss) before NCI	\$4.3	\$(60.6)	(1,509.3)%
Diluted EPS	\$0.11	\$(1.74)	(1,681.8)%
Operating EBITDA ¹	\$12.6	\$15.8	25.4 %
Adjusted EBITDA ¹	\$14.6	\$(70.9)	(585.6)%
Total shares outstanding	34.5	34.3	(0.6)%
Book Value per share ¹	\$ 11.12	\$ 9.73	(12.5)%

Key drivers

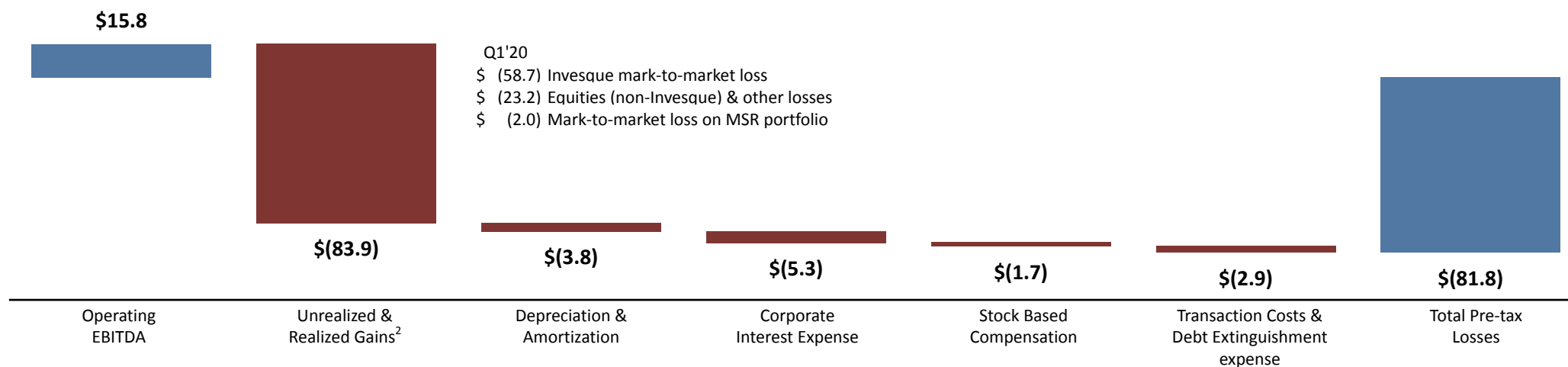
Highlights:

- Revenues up 18.7%, excluding investment gains and losses, driven by improvement in Insurance top-line results (including Smart Auto acquisition)
- Stable growth in insurance underwriting income & Operating EBITDA
- Full quarter of results from our 5 vessels

Challenges:

- Earnings volatility from unrealized mark to market on our Invesque common shares and other securities held at fair value
- Invesque dividend suspension will reduce Operating EBITDA beginning in Q2'20

Q1'20 Operating EBITDA to Pre-tax Income Bridge



Capital Allocation

(\$ in millions, except per share information)

Q1'20 financials by component

Business Lines	Tiptree Equity	Total Capital ^{1,2}	Operating EBITDA ¹
	Q1'20	Q1'20	Q1'20 LTM
Tiptree Insurance	\$268.1	\$531.4	\$64.0
- Underwriting			\$49.9
- Investments		Reduced by \$51.1m of acquisition purchase price amortization (or \$1.49 per share after-tax)	\$14.1
Tiptree Capital	\$149.0	\$149.0	\$24.2
Corporate	\$(83.2)	\$41.8	\$(21.3)
- Corporate expenses			\$(15.7)
- Corporate incentive comp expense			\$(5.6)
Total Tiptree	\$333.9	\$722.2	\$66.9
- Corporate interest expense ²			\$(20.0)
- Total shares outstanding			34.3

Q1'20 Last Twelve Month Highlights

Operating EBITDA of \$66.9m, up 14.2% from Q1 2019

- Return on average total capital (ROATC%) of 9.7%

Tiptree Insurance: 13.2% ROATC%

- Growth in insurance underwriting income and fee revenue
- Continued growth in unearned premiums and deferred revenue (an indicator of future revenues)

Tiptree Capital: 13.4% ROATC%

- \$2.5m of dividends received from Invesque
- Positive contributions from all investments

Recent transactions - Q1'20

- Acquired Smart AutoCare - Enterprise valuation of \$160m, representing a multiple of 8.3x adjusted cash EBITDA
- Increased corporate debt facility to \$125m

TiptreeInsurance

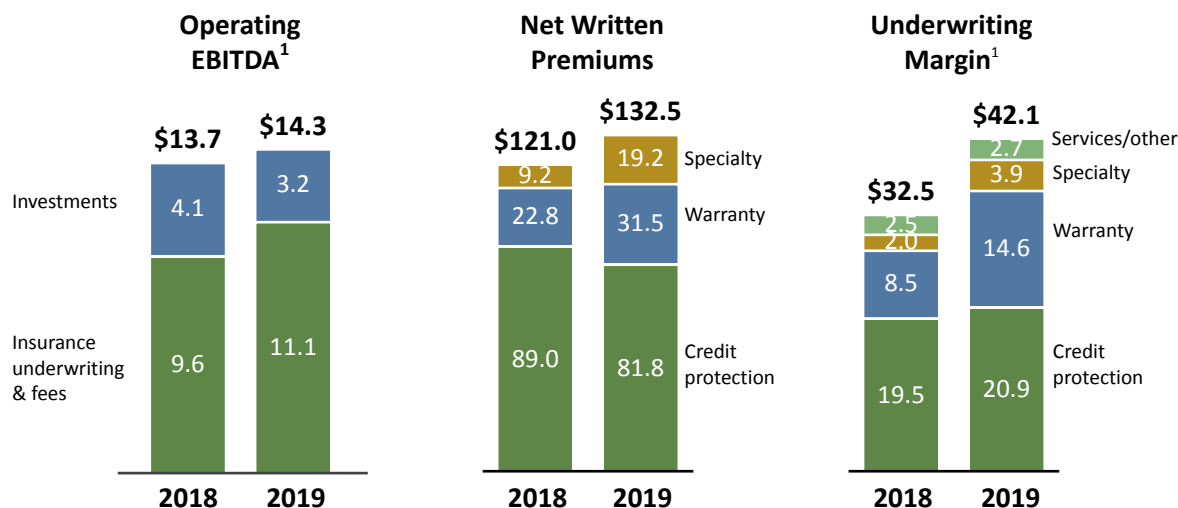
Tiptree Insurance - Financial Performance Highlights

(\$ in millions)

Financial metrics

	Q1'19	Q1'20	V%
Gross Written Premiums	\$198.4	\$276.8	39.5 %
Revenue	\$154.6	\$143.3	(7.3)%
Pre-tax income (loss)	\$8.1	\$(27.1)	(434.6)%
Net portfolio income (loss) ¹	\$9.1	\$(29.7)	(426.4)%
Combined ratio ¹	93.5%	93.3%	(0.2)%
Total Capital ¹	\$465.2	\$531.4	14.2 %
Unearned premiums & Deferred revenue	\$664.4	\$1,033.1	55.5 %

Insurance products



Q1'20 Highlights & Outlook

- Continuing to expand through product offerings and onboarding new clients, with a focus on growth and stable profitability

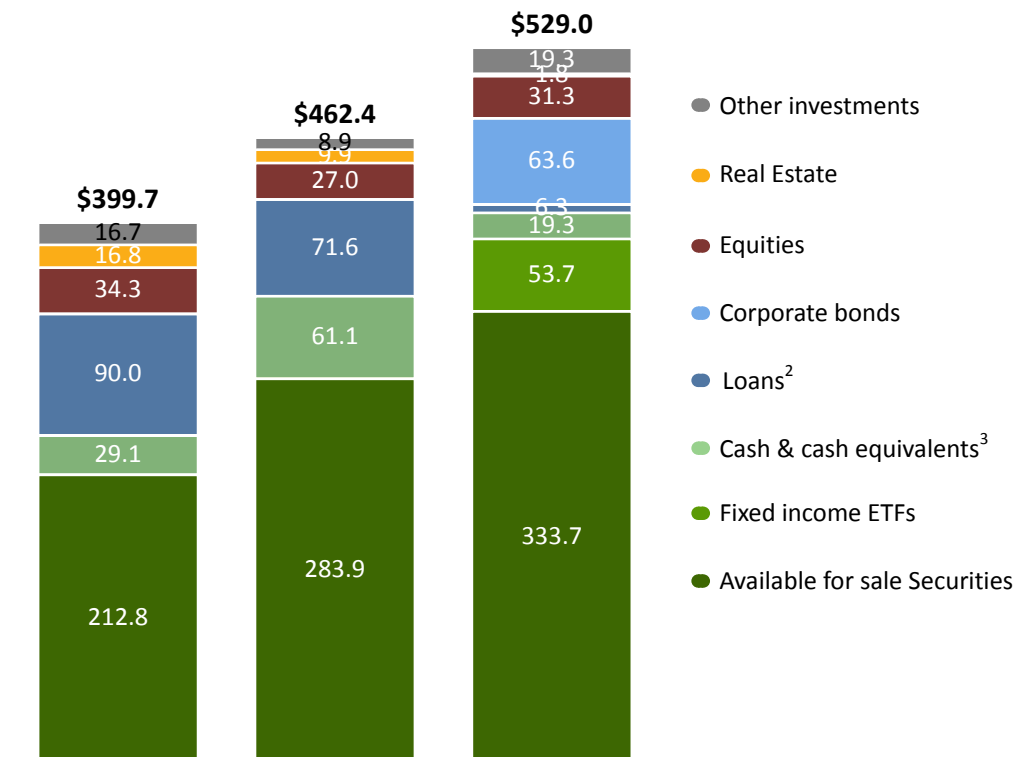
 - \$1,033m of unearned premiums and deferred revenue, representing 55.5% year-over-year growth (\$158m from Smart AutoCare acquisition)
 - Net written premiums grew by \$11.5m, or 9.5% driven by growth in warranty and specialty programs
 - Consistent profitability with combined ratio of 93.3%
 - Expect to see slowing sales growth and claims in Q2 in response to reduced economic activity, particularly in brick/mortar auto & retail warranty programs
- Produced stable underwriting results

 - Underwriting margin of \$42.1m, up 29.5%, driven by strong performance in all product lines
 - Continued investment in strategic growth initiatives, including premium finance
- Net portfolio loss of \$29.7m, a reduction of \$38.9m from prior year period

 - Decrease driven by realized and unrealized losses of \$33.2m, versus gains of \$5.2m in the prior year

Insurance Investment Portfolio

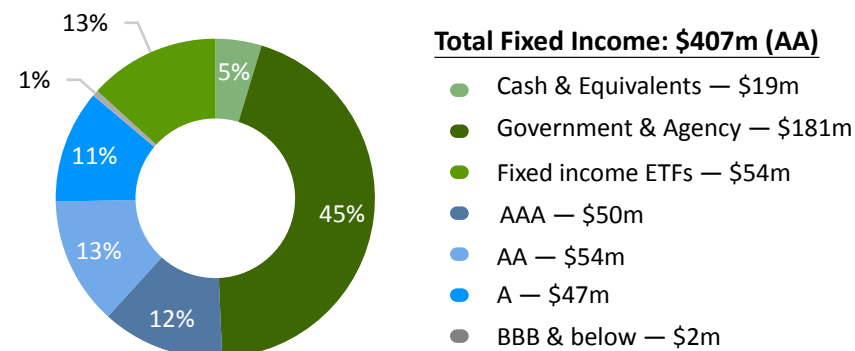
(\$ in millions)



Investment approach

We manage our investment portfolio to achieve a balance of:

- Short-term liquidity to cover claims obligations
- Enhanced risk-adjusted returns through selective alternative investments with a focus on longer-term higher yielding assets



Total Fixed Income: \$407m (AA)

- Cash & Equivalents — \$19m
- Government & Agency — \$181m
- Fixed income ETFs — \$54m
- AAA — \$50m
- AA — \$54m
- A — \$47m
- BBB & below — \$2m

Financial highlights

- Net investments grew \$67m, or 14.4% from Q1'19, driven by growth in net written premiums and the acquisition of Smart AutoCare
- \$19m of cash and cash equivalents available to invest
- Unrealized and realized losses of \$26.1m on equities in Q1'20 compared to gains of \$1.8m in Q1'19 (\$10.2m related to Invesque)

	Q1'18	Q1'19	Q1'20	Financials ¹
	\$4.2	\$4.3	\$3.5	Net investment income
	0.2	0.2	—	Other income
	5.1	0.2	(17.0)	Realized gains
	(8.5)	1.9	(16.6)	Unrealized gains (losses)
	(1.8)	3.1	0.4	Unrealized gains (losses) on AFS securities
	(1.2)	(0.6)	—	Interest expense
	\$(2.0)	\$9.1	\$(29.7)	Net Portfolio Income
	(2.1)%	2.0%	(5.6)%	Total Return % ⁴
	\$(5.5)	\$1.8	\$(26.1)	Equity realized & unrealized gains (losses)

¹ See the appendix for a reconciliation of Non-GAAP measures Net Investments and Net Portfolio Income to GAAP financials.

² Net of non-recourse asset based financing for 2018 period.

³ Cash and cash equivalents, plus restricted cash, net of due to/due from brokers[, cash pledged for securities sold but not purchased,] and borrowings under the revolving line of credit. See appendix for reconciliation to GAAP financials.

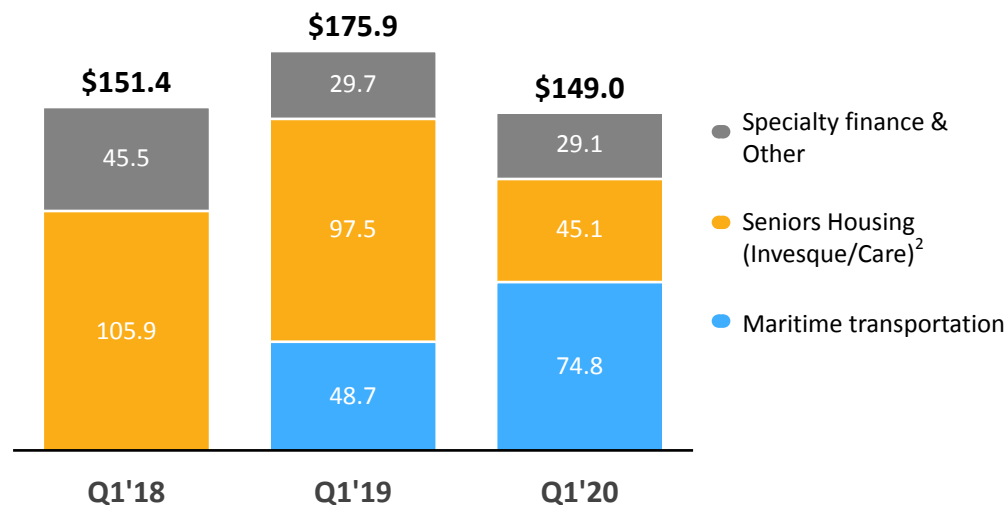
⁴ Total Return % represents the ratio of annualized net investment income, realized and unrealized gains (losses) (including on AFS securities which is included in AOCI) less investment portfolio interest expense to the average of the prior five quarters Net Investments.

TiptreeCapital

Tiptree Capital - Financial Performance Highlights

(\$ in millions)

Invested Capital¹



Return on Invested Capital¹

	Pre-tax income		Operating EBITDA	
	Q1'19	Q1'20	Q1'19	Q1'20
Senior living (Invesque) ²	4.6	(46.0)	2.5	2.5
Maritime transportation	0.5	1.2	1.1	2.5
Specialty finance/other	0.8	(1.5)	1.1	1.1
Total	\$5.9	\$(46.3)	\$4.7	\$6.1

Q1'20 Highlights & Outlook

Seniors Housing (Invesque):

- Full quarter of dividends received from Invesque of \$2.5m
- Impacts from market conditions relating to COVID-19
 - \$48.5m of negative marks on common shares in Tiptree Capital
 - Invesque recently announced suspension of dividends to preserve liquidity and strengthen balance sheet

Maritime transportation:

- Improvements driven by increased investment and full quarter of operations on vessels purchased in 2019
- Improved demand in tanker sector driven by over-supply of oil globally, partially offset by dampening performance in dry-bulk sector

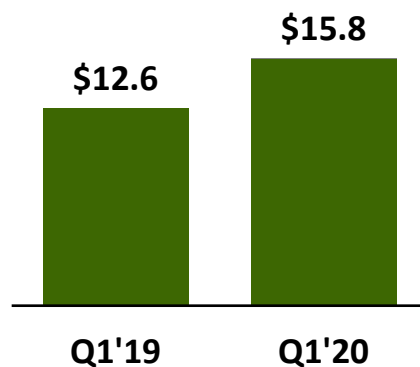
Specialty finance/other:

- Mortgage Operating EBITDA driven by strong origination volumes
- Mortgage pre-tax income impacted by \$2.0m of mark to market losses on MSR portfolio

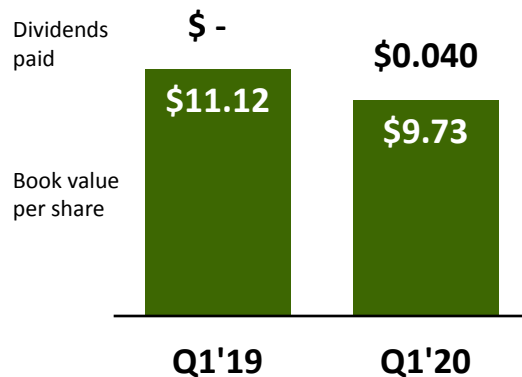
Outlook

(\$ in millions)

Operating EBITDA¹



BVPS & Dividends Paid¹



Q1'20 Highlights

- ✓ Year-to-date returns negatively impacted by mark-to-market losses from broader market conditions
- ✓ Steady underlying operational performance in Q1'20
- ✓ Continued execution on growth initiatives in our insurance operations
- ✓ Acquired Smart AutoCare and refinanced existing facility with Fortress

Looking ahead

- ① Continue growth in insurance
 - Growth in written premiums while maintaining underwriting standards
 - Expect softening in Q2'20 in certain sectors related to economic impacts of social distancing
- ② Maintain focus on liquidity and business execution while navigating current market conditions
- ③ Focus on growing and improving long-term, net investment income

Appendix

Non-GAAP Reconciliations

Operating EBITDA and Adjusted EBITDA

Management uses Operating EBITDA, Adjusted EBITDA and book value per share as measurements of operating performance which are non-GAAP measures. Management believes the use of Operating EBITDA and Adjusted EBITDA provides supplemental information useful to investors as it is frequently used by the financial community to analyze financial performance, and to analyze a company's ability to service its debt and to facilitate comparison among companies. Management uses Operating EBITDA as part of its capital allocation process and to assess comparative returns on invested capital amongst our businesses and investments. Adjusted EBITDA is also used in determining incentive compensation for the Company's executive officers. The Company defines EBITDA as GAAP net income of the Company adjusted to add consolidated interest expense, consolidated income taxes and consolidated depreciation and amortization expense as presented in its financial statements. Adjusted EBITDA represents EBITDA adjusted to (i) subtract interest expense on asset-specific debt incurred in the ordinary course of its subsidiaries' business operations, (ii) adjust for the effect of purchase accounting, (iii) adjust for certain non-cash fair value adjustments, and (iv) any significant non-recurring expenses. Operating EBITDA represents Adjusted EBITDA plus stock based compensation expense, less realized and unrealized gains and losses and less third party non-controlling interests. Operating EBITDA and Adjusted EBITDA are not measurements of financial performance or liquidity under GAAP and should not be considered as an alternative or substitute for GAAP net income.

Book value per share

Management believes the use of book value per share provides supplemental information useful to investors as it is frequently used by the financial community to analyze company growth on a relative per share basis.

Invested Capital and Total Capital

Management evaluates the return on Invested Capital and Total Capital, which are non-GAAP financial measures, when making capital investment decisions. Invested Capital represents its total equity investment, including any re-investment of earnings, and acquisition costs, net of tax. Total Capital represents Invested Capital plus Corporate Debt. Management believes the use of these financial measures provide supplemental information useful to investors as they are frequently used by the financial community to analyze how the Company has allocated capital over-time and provide a basis for determining the return on capital to shareholders. Management uses both of these measures when making capital investment decisions, including reinvesting cash, and evaluating the relative performance of its businesses and investments.

Insurance - Underwriting Margin

We generally limit the underwriting risk we assume through the use of both reinsurance (e.g., quota share and excess of loss) and retrospective commission agreements with our partners (e.g., commissions paid adjust based on the actual underlying losses incurred), which manage and mitigate our risk. Period-over-period comparisons of revenues are often impacted by the PORCs and clients' choice as to whether to retain risk, specifically with respect to the relationship between service and administration expenses and ceding commissions, both components of revenue, and the offsetting policy and contract benefits and commissions paid to our partners and reinsurers. Generally, when losses are incurred, the risk which is retained by our partners and reinsurers is reflected in a reduction in commissions paid. In order to better explain to investors the net financial impact of the risk retained by the Company of the insurance contracts written and the impact on profitability, we use the Non-GAAP metric - Underwriting Margin.

Insurance - Combined Ratio

Expressed as a percentage, the combined ratio represents the relationship of policy and contract benefits, commission expense (net of ceding commissions), employee compensation and benefits, and other expenses to net earned premiums, service and administrative fees, and other income. Investors use this ratio to evaluate our ability to profitably underwrite the risks we assume over time and manage our operating costs. As such, we believe that presenting underwriting margin and the combined ratio provides useful information to investors and aligns more closely to how management measures the underwriting performance of the business.

Insurance Investment Portfolio - Net Investments and Net Portfolio Income

In managing our investment portfolio we analyze net investments and net portfolio income, which are non-GAAP measures. Our presentation of net investments equals total investments plus cash and cash equivalents minus asset based financing of investments. Our presentation of net portfolio income equals net investment income plus realized and unrealized gains and losses and minus interest expense associated with asset based financing of investments. Net investments and net portfolio income are used to calculate average annualized yield, which management uses to analyze the profitability of our investment portfolio. Management believes this information is useful since it allows investors to evaluate the performance of our investment portfolio based on the capital at risk and on a non-consolidated basis. Our calculation of net investments and net portfolio income may differ from similarly titled non-GAAP financial measures used by other companies. Net investments and net portfolio income are not measures of financial performance or liquidity under GAAP and should not be considered a substitute for total investments or net investment income.

Non-GAAP Reconciliations - Adjusted and Operating EBITDA

(\$ in millions)

	Three Months Ended March 31,	
	2020	2019
Net income (loss) attributable to common stockholders	\$ (60.0)	\$ 3.9
Add: net (loss) income attributable to non-controlling interests	(0.6)	0.4
Income (loss)	\$ (60.6)	\$ 4.3
Corporate debt related interest expense ⁽¹⁾	5.3	5.0
Consolidated income tax expense (benefit)	(21.2)	0.9
Depreciation and amortization expense ⁽²⁾	3.8	3.0
Non-cash fair value adjustments ⁽³⁾	(0.8)	(0.6)
Non-recurring expenses ⁽⁴⁾	2.6	2.0
Adjusted EBITDA	\$ (70.9)	\$ 14.6
Add: Stock based compensation expense	1.7	1.4
Add: Vessel depreciation, net of capital expenditures	1.1	0.6
Less: Realized and unrealized gains (losses) ⁽⁵⁾	(83.9)	4.0
Less: Third party non-controlling interests ⁽⁶⁾	—	—
Operating EBITDA	\$ 15.8	\$ 12.6
Total Adjusted EBITDA	\$ (70.9)	\$ 14.6
Total Operating EBITDA	\$ 15.8	\$ 12.6

- (1) Corporate debt interest expense includes interest expense from secured corporate credit agreements, junior subordinated notes and preferred trust securities. Interest expense associated with asset-specific debt in Tiptree Insurance and Tiptree Capital is not added-back for Adjusted EBITDA and Operating EBITDA.
- (2) Represents total depreciation and amortization expense less purchase accounting amortization related adjustments at our insurance companies. Following the purchase accounting adjustments, current period expenses associated with deferred costs were more favorably stated and current period income associated with deferred revenues were less favorably stated. Thus, the purchase accounting effect related to our insurance companies increased EBITDA above what the historical basis of accounting would have generated.
- (3) For our maritime transportation operations, depreciation and amortization is deducted as a reduction in the value of the vessel.
- (4) Acquisition, start-up and disposition costs, including debt extinguishment, legal, taxes, banker fees and other costs.
- (5) Adjustment excludes Mortgage realized and unrealized gains and losses - Performing and NPLs, as those are recurring in nature and align with those business models.
- (6) Removes the Operating EBITDA associated with third party non-controlling interests. Does not remove the non-controlling interests related to employee based shares.

Non-GAAP Reconciliations - Adjusted and Operating EBITDA

(\$ in millions)	For the Three Months Ended March 31, 2020				Three Months Ended March 31, 2019			
	Specialty Insurance	Tiptree Capital	Corporate Expenses	Total	Specialty Insurance	Tiptree Capital	Corporate Expenses	Total
Pre-tax income (loss)	\$ (27.1)	\$ (46.3)	\$ (8.4)	\$ (81.8)	\$ 8.1	\$ 5.9	\$ (8.9)	\$ 5.1
Adjustments:								
Corporate debt related interest expense ⁽¹⁾	3.3	—	2.0	5.3	3.4	—	1.6	5.0
Depreciation and amortization expense ⁽²⁾	2.2	1.4	0.2	3.8	2.2	0.8	0.1	3.1
Non-cash fair value adjustments ⁽³⁾	—	(0.8)	—	(0.8)	—	(0.6)	—	(0.6)
Non-recurring expenses ⁽⁴⁾	2.2	—	0.4	2.6	1.3	—	0.7	2.0
Adjusted EBITDA	\$ (19.4)	\$ (45.7)	\$ (5.8)	\$ (70.9)	\$ 15.0	\$ 6.1	\$ (6.5)	\$ 14.6
Add: Stock based compensation expense	0.3	0.2	1.2	1.7	0.6	0.1	0.7	1.4
Add: Vessel depreciation, net of capital expenditures	—	1.1	—	1.1	—	0.6	—	0.6
Less: Realized and unrealized gains (losses) ⁽⁵⁾	(33.4)	(50.5)	—	(83.9)	1.9	2.1	—	4.0
Operating EBITDA	\$ 14.3	\$ 6.1	\$ (4.6)	\$ 15.8	\$ 13.7	\$ 4.7	\$ (5.8)	\$ 12.6

(\$ in millions)	Trailing Twelve Months Ended March 31, 2020			
	Specialty Insurance	Tiptree Capital	Corporate Expenses	Total
Pre-tax income (loss)	\$ 5.8	\$ (31.2)	\$ (32.4)	\$ (57.8)
Adjustments:				
Corporate debt related interest expense ⁽¹⁾	13.3	—	6.7	20.0
Depreciation and amortization expense ⁽²⁾	8.6	4.4	0.8	13.8
Non-cash fair value adjustments ⁽³⁾	—	(3.3)	—	(3.3)
Non-recurring expenses ⁽⁴⁾	4.6	0.2	—	4.8
Adjusted EBITDA	\$ 32.3	\$ (29.9)	\$ (24.9)	\$ (22.5)
Add: Stock based compensation expense	2.9	0.3	3.6	6.8
Add: Vessel depreciation, net of capital expenditures	—	3.4	—	3.4
Less: Realized and unrealized gains (losses) ⁽⁵⁾	(28.8)	(50.5)	—	(79.3)
Less: Third party non-controlling interests ⁽⁶⁾	—	0.1	—	0.1
Operating EBITDA	\$ 64.0	\$ 24.2	\$ (21.3)	\$ 66.9

- (1) Corporate debt interest expense includes interest expense from secured corporate credit agreements, junior subordinated notes and preferred trust securities. Interest expense associated with asset-specific debt in Tiptree Insurance and Tiptree Capital is not added-back for Adjusted EBITDA and Operating EBITDA.
- (2) Represents total depreciation and amortization expense less purchase accounting amortization related adjustments at our insurance companies. Following the purchase accounting adjustments, current period expenses associated with deferred costs were more favorably stated and current period income associated with deferred revenues were less favorably stated. Thus, the purchase accounting effect related to our insurance companies increased EBITDA above what the historical basis of accounting would have generated.
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- (6) Removes the Operating EBITDA associated with third party non-controlling interests. Does not remove the non-controlling interests related to employee based shares.

Non-GAAP Reconciliations - BVPS, Invested & Total Capital, Insurance Investment Portfolio

(\$ in millions, except per share information)

	As of March 31,	
	2020	2019
Total stockholders' equity	\$ 344.4	\$ 394.6
Less: Non-controlling interests	10.5	11.0
Total stockholders' equity, net of non-controlling interests	\$ 333.9	\$ 383.6
Total shares outstanding	34.3	34.5
Book value per share	\$ 9.73	\$ 11.12

(\$ in millions)

	As of March 31,	
	2020	2019
Total stockholders' equity	\$ 344.4	\$ 394.6
Less: Non-controlling interests	10.5	11.0
Total stockholders' equity, net of non-controlling interests - other	\$ 333.9	\$ 383.6
Plus Insurance accumulated depreciation and amortization, net of tax ⁽¹⁾	51.1	44.8
Plus: Acquisition costs	4.0	4.2
Invested Capital	\$ 389.0	\$ 432.6
Plus corporate debt ⁽²⁾	333.2	238.7
Total Capital	\$ 722.2	\$ 671.3

(\$ in millions)

	As of March 31,		
	2020	2019	2018
Total Investments	\$ 509.7	\$ 401.3	\$ 467.2
Investment portfolio debt ⁽¹⁾	(48.2)	—	(96.6)
Securities sold, not yet purchased	(32.5)	—	—
Cash and cash equivalents	78.5	58.7	27.2
Restricted cash ⁽²⁾	33.1	1.0	3.1
Receivable due from brokers ⁽³⁾	—	1.4	2.9
Liability due to brokers ⁽³⁾	(11.6)	—	(4.2)
Net investments - Non-GAAP	\$ 529.0	\$ 462.4	\$ 399.6

(\$ in millions)

	For the Three Months Ended March 31,		
	2020	2019	2018
Net investment income	\$ 3.5	\$ 4.3	\$ 4.2
Other income	—	0.2	0.2
Realized gains (losses)	(17.0)	0.2	5.1
Unrealized gains (losses)	(16.6)	1.9	(8.5)
Unrealized gains (losses) on AFS securities	0.4	3.1	(1.8)
Interest expense	—	(0.6)	(1.2)
Net portfolio income (loss)	\$ (29.7)	\$ 9.1	\$ (2.0)
Average Annualized Yield % ⁽⁴⁾	(5.6)%	2.0%	(2.1)%

Management uses Book value per share, which is a non-GAAP financial measure. Management believes the use of this financial measure provides supplemental information useful to investors as it is frequently used by the financial community to analyze company growth on a relative per share basis. Tiptree's book value per share was \$9.73 as of March 31, 2020 compared with \$11.12 as of March 31, 2019. Total stockholders' equity, net of other non-controlling interests for the Company was \$333.9 million as of March 31, 2020, which comprised total stockholders' equity of \$344.4 million adjusted for \$10.5 million attributable to non-controlling interest at certain operating subsidiaries that are not wholly owned by the Company, such as Luxury and management interests in subsidiaries. Total stockholders' equity, net of other non-controlling interests for the Company was \$383.6 million as of March 31, 2019, which comprised total stockholders' equity of \$394.6 million adjusted for \$11.0 million attributable to non-controlling interest at subsidiaries that are not wholly owned by the Company.

Management evaluates the return on Invested Capital and Total Capital, which are non-GAAP financial measures, when making capital investment decisions. Invested capital represents its total cash investment, including any re-investment of earnings, and acquisition costs, net of tax. Total Capital represents Invested Capital plus Corporate Debt. Management believes the use of these financial measures provide supplemental information useful to investors as they are frequently used by the financial community to analyze how the Company has allocated capital over-time and provide a basis for determining the return on capital to shareholders. Management uses both of these measures when making capital investment decisions, including reinvesting distributable cash flow, and evaluating the relative performance of its businesses and investments.

- (1) As of March 31, 2020, add-back of \$74.4 million of accumulated intangible amortization at our insurance companies. On an exchanged basis, assumes 35% tax rate on total accumulated amortization before 2018 and 21% post 2018.
- (2) Corporate debt consists of Secured Corporate Credit Agreements, plus preferred trust securities.

The insurance investment portfolio consists of insurance premiums written, cash generated from operations, and assets contributed by Tiptree. The investment portfolio of our regulated insurance companies, captive reinsurance company and warranty business are subject to different regulatory considerations, including with respect to types of assets, concentration limits, affiliate transactions and the use of leverage. Our investment strategy is designed to achieve attractive risk-adjusted returns across select asset classes, sectors and geographies while maintaining adequate liquidity to meet our claims payment obligations.

- (1) For 2019 and 2020, consists of borrowings under the revolving line of credit at our insurance company. For the 2018 and 2017 periods, consists of asset-based financing on loans, at fair value including certain credit investments, net of deferred financing costs, see Note 11 - Debt, net for further details.
- (2) Restricted cash available to invest within certain credit investment funds which are consolidated under GAAP.
- (3) Receivable due from and Liability due to brokers for unsettled trades within certain credit investment funds which are consolidated under GAAP.
- (4) Average Annualized Yield % represents the ratio of annualized net investment income, other income, realized and unrealized gains (losses) less investment portfolio interest expense to the average of the prior two quarters (five quarters for trailing twelve months) total investments less investment portfolio debt plus cash.

Non-GAAP Reconciliations - Insurance Combined Ratio, Underwriting Revenues & Margin

(\$ in millions)

	Three Months Ended March 31,	
	2020	2019
Revenues:		
Net earned premiums	\$ 121.3	\$ 119.0
Service and administrative fees	43.7	25.9
Ceding commissions	6.5	2.5
Other income	1.9	0.8
Underwriting revenues - Non-GAAP	\$ 173.4	\$ 148.2
Less underwriting expenses:		
Policy and contract benefits	60.9	40.8
Commission expense	70.4	74.9
Underwriting margin - Non-GAAP	\$ 42.1	\$ 32.5
Less operating expenses:		
Employee compensation and benefits	17.0	12.0
Other expenses (excluding non-recurring expenses)	14.0	11.1
Combined Ratio	93.3%	93.5%
Plus investment revenues:		
Net investment income	3.5	4.3
Net realized and unrealized gains	(33.6)	2.1
Less other expenses:		
Interest expense	3.6	4.1
Non-recurring expenses	2.2	1.2
Depreciation and amortization expense	2.3	2.3
Pre-tax income (loss)	\$ (27.1)	\$ 8.2

The following table provides a reconciliation between underwriting margin and pre-tax income. We generally limit the underwriting risk we assume through the use of both reinsurance (e.g., quota share and excess of loss) and retrospective commission agreements with our partners (e.g., commissions paid adjust based on the actual underlying losses incurred), which manage and mitigate our risk. Period-over-period comparisons of revenues are often impacted by the PORCs and clients' choice as to whether to retain risk, specifically with respect to the relationship between service and administration expenses and ceding commissions, both components of revenue, and the offsetting policy and contract benefits and commissions paid to our partners and reinsurers. Generally, when losses are incurred, the risk which is retained by our partners and reinsurers is reflected in a reduction in commissions paid. In order to better explain to investors the net financial impact of the risk retained by the Company of the insurance contracts written and the impact on profitability, we use the Non-GAAP metric - Underwriting Margin.

Expressed as a percentage, the combined ratio represents the relationship of policy and contract benefits, commission expense (net of ceding commissions), employee compensation and benefits, and other expenses to net earned premiums, service and administrative fees, and other income. Investors use this ratio to evaluate our ability to profitably underwrite the risks we assume over time and manage our operating costs. As such, we believe that presenting underwriting margin and the combined ratio provides useful information to investors and aligns more closely to how management measures the underwriting performance of the business.