



Enstar Group Limited Reports 2018 Year-End Results

March 1, 2019

- **Net Losses of \$162.4 million for the Year Ended December 31, 2018**
- **Non-GAAP Operating Income¹ of \$61.6 million for the Year Ended December 31, 2018**

HAMILTON, Bermuda, March 01, 2019 (GLOBE NEWSWIRE) -- Enstar Group Limited (Nasdaq: ESGR) filed its annual report on Form 10-K with the SEC earlier today, reporting its earnings and financial position for the year ended December 31, 2018.

Enstar reported consolidated U.S. GAAP net losses of \$162.4 million (or a \$7.84 loss per fully diluted ordinary share) for the year ended December 31, 2018, compared to consolidated net earnings of \$311.5 million (or \$15.95 per fully diluted ordinary share) for the year ended December 31, 2017.

The key drivers of the change in net earnings (losses) were:

- Net unrealized losses on fixed income investments of \$211.4 million in 2018, compared to net unrealized gains of \$69.8 million in 2017. Many insurance companies predominantly use available-for-sale accounting where unrealized amounts are recorded directly to shareholders' equity and therefore do not impact earnings. Unrealized amounts would only become realizable in the event of a sale of the specific securities prior to maturity or a credit default.
- Net unrealized losses on equities and other investments of \$173.8 million in 2018, compared to net unrealized gains of \$118.9 million in 2017. These net unrealized losses were mostly experienced in the fourth quarter of 2018 during a period of heightened market volatility.
- Net losses in our StarStone segment of \$158.6 million in 2018, compared to net earnings of \$2.8 million in 2017, primarily due to the frequency and severity of current year large losses across certain lines of business being higher than experienced in the past, notably in the international property, construction, marine cargo and marine hull and war classes of business.

These were partially offset by:

- Reduction in net claims reserves of \$306.1 million in 2018 in our Non-life Run-off segment, compared to \$190.7 million in 2017.
- Net investment income of \$270.7 million in 2018, compared with \$208.8 million in 2017, due to growth in invested assets and improved yields on fixed income investments.

Non-GAAP operating income¹ was \$61.6 million (or \$2.95 per fully diluted ordinary share) for the year ended December 31, 2018, compared to \$283.3 million (or \$14.51 per fully diluted ordinary share) for the year ended December 31, 2017.

Enstar's ordinary shareholders' equity at December 31, 2018 was \$3,391.9 million (or \$155.94 per fully diluted ordinary share), compared to \$3,136.7 million (or \$159.19 per fully diluted ordinary share) at December 31, 2017. The Form 10-K, which is available on Enstar's website, www.enstargroup.com, contains a more detailed description of Enstar's business and financial results.

¹ Non-GAAP operating income and non-GAAP operating income per fully diluted ordinary share are non-GAAP financial measures as defined in SEC Regulation G. The reconciliations of these non-GAAP measures to the most comparable GAAP financial measures (net earnings (loss) attributable to Enstar Group Limited ordinary shareholders and diluted net earnings (loss) per ordinary share, respectively) are provided below, and a discussion of the rationale for the presentation of these items is included later in this press release.

About Enstar

Enstar is a multi-faceted insurance group, with approximately \$16.6 billion in assets, that offers innovative capital release solutions and specialty underwriting capabilities through its network of group companies in Bermuda, the United States, the United Kingdom, Continental Europe, Australia, and other international locations. Enstar is a market leader in completing legacy acquisitions, having acquired over 90 companies and portfolios since its formation in 2001. Enstar's active underwriting businesses include the StarStone group of companies, an A- rated global specialty insurance group with multiple global underwriting platforms, and the Atrium group of companies, which manage and underwrite specialist insurance and reinsurance business for Lloyd's Syndicate 609. For further information about Enstar, see www.enstargroup.com.

Non-GAAP Financial Measures

In addition to presenting net earnings (losses) attributable to Enstar Group Limited ordinary shareholders and diluted earnings (losses) per ordinary share determined in accordance with U.S. GAAP, we believe that presenting non-GAAP operating income (loss) attributable to Enstar Group Limited ordinary shareholders and diluted non-GAAP operating income (loss) per ordinary share, non-GAAP financial measures as defined in Item 10(e) of Regulation S-K, provides investors with valuable measures of our performance.

Non-GAAP operating income (loss) excludes: (i) net realized and unrealized (gains) losses on fixed maturity investments and funds held - directly

managed, (ii) change in fair value of insurance contracts for which we have elected the fair value option, (iii) gain (loss) on sale of subsidiaries, (vi) net earnings (loss) from discontinued operations, (v) tax effect of these adjustments where applicable, and (vi) attribution of share of adjustments to noncontrolling interest where applicable. We eliminate the impact of net realized and unrealized (gains) losses on fixed maturity investments and funds held - directly managed and change in fair value of insurance contracts for which we have elected the fair value option because these items are subject to significant fluctuations in fair value from period to period, driven primarily by market conditions and general economic conditions, and therefore their impact on our earnings is not reflective of the performance of our core operations. We eliminate the impact of gain (loss) on sale of subsidiaries and net earnings (loss) from discontinued operations as these are non-recurring rather than being reflective of the performance of our core operations.

Further, we believe these non-GAAP measures enable readers of the consolidated financial statements to more easily analyze our results in a manner more aligned with the manner in which our management analyzes our underlying performance. We believe that presenting these non-GAAP financial measures, which may be defined and calculated differently by other companies, improves the understanding of our consolidated results of operations. These measures should not be viewed as a substitute for those calculated in accordance with U.S. GAAP.

Reconciliation of Non-GAAP Financial Measures

Non-GAAP operating income (loss) attributable to Enstar Group Limited ordinary shareholders is calculated by the addition or subtraction of certain items from within our consolidated statements of earnings to or from net earnings (loss) attributable to Enstar Group Limited ordinary shareholders, the most directly comparable GAAP financial measure, as illustrated in the table below, for the years ending December 31, 2018, 2017 and 2016:

	Year Ended		
	December 31,		
	2018	2017	2016
Net earnings (loss) attributable to Enstar Group Limited ordinary shareholders	\$ (162,354)	\$ 311,458	\$ 264,807
Adjustments:			
Net realized and unrealized (gains) losses on fixed maturity investments and funds held - directly managed (1)	243,093	(70,747)	4,387
Change in fair value of insurance contracts for which we have elected the fair value option	6,664	30,256	—
Loss on sale of subsidiary	—	16,349	—
Net loss from discontinued operations	—	(14,183)	(12,359)
Tax effects of adjustments (2)	(16,588)	5,364	4,956
Adjustments attributable to noncontrolling interest (3)	(9,166)	4,840	5,990
Non-GAAP operating income attributable to Enstar Group Limited ordinary shareholders (4)	\$ 61,649	\$ 283,337	\$ 267,781
Diluted net earnings (loss) per ordinary share(5)	\$ (7.84)	\$ 15.95	\$ 13.62
Adjustments:			
Net realized and unrealized (gains) losses on fixed maturity investments and funds held - directly managed (1)	11.70	(3.62)	0.23
Change in fair value of insurance contracts for which we have elected the fair value option	0.32	1.55	—
Loss on sale of subsidiary	—	0.84	—
Net loss from discontinued operations	—	(0.73)	(0.64)
Tax effects of adjustments (2)	(0.79)	0.27	0.25
Adjustments attributable to noncontrolling interest (3)	(0.44)	0.25	0.31
Diluted non-GAAP operating income per ordinary share (4)	\$ 2.95	\$ 14.51	\$ 13.77
Weighted average ordinary shares outstanding - diluted	20,904,176	19,527,591	19,447,241

(1) Represents the net realized and unrealized gains and losses related to fixed maturity securities. Our fixed maturity securities are held directly on our balance sheet and also within the "Funds held - directly managed" balance. Refer to Note 6 - "Investments" in the notes to our consolidated financial statements included within Item 8 of this Annual Report on Form 10-K for further details on our net realized and unrealized gains and losses.

(2) Represents an aggregation of the tax expense or benefit associated with the specific country to which the pre-tax adjustment relates, calculated at the applicable jurisdictional tax rate.

(3) Represents the impact of the adjustments on the net earnings (loss) attributable to noncontrolling interest associated with the specific subsidiaries to which the adjustments relate.

(4) Non-GAAP financial measure.

(5) During a period of loss, the basic weighted average ordinary shares outstanding is used in the denominator of the diluted loss per ordinary share computation as the effect of including potentially dilutive securities would be anti-dilutive.

Cautionary Statement

This press release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include statements regarding the intent, belief or current expectations of Enstar and its management team. Investors are cautioned that

any such forward-looking statements speak only as of the date they are made, are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. Important risk factors regarding Enstar can be found under the heading "Risk Factors" in Enstar's Form 10-K for the year ended December 31, 2018 and are incorporated herein by reference. Furthermore, Enstar undertakes no obligation to update any written or oral forward-looking statements or publicly announce any updates or revisions to any of the forward-looking statements contained herein, to reflect any change in its expectations with regard thereto or any change in events, conditions, circumstances or assumptions underlying such statements, except as required by law.

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Source: Enstar Group Limited