



Enstar Group Limited Reports Second Quarter Results

August 6, 2019

- **Net Earnings of \$231.8 million for the Three Months Ended June 30, 2019**
- **Net Earnings of \$590.6 million for the Six Months Ended June 30, 2019**
- **Non-GAAP Operating Income of \$302.9 million for the Six Months Ended June 30, 2019**
- **Increase in fully diluted book value per share of 17.6% during 2019 (non-annualized)**

HAMILTON, Bermuda, Aug. 06, 2019 (GLOBE NEWSWIRE) -- Enstar Group Limited (Nasdaq: ESGR) filed its quarterly report on Form 10-Q with the SEC earlier today, reporting its earnings and financial position for the three and six months ended June 30, 2019.

Enstar reported consolidated net earnings of \$231.8 million (or \$10.70 per fully diluted ordinary share) and \$590.6 million (or \$27.26 per fully diluted ordinary share) for the three and six months ended June 30, 2019, respectively, compared to consolidated net earnings of \$8.2 million (or \$0.40 per fully diluted ordinary share) and net losses of \$33.0 million (or \$(1.65) per fully diluted ordinary share) for the three and six months ended June 30, 2018, respectively.

The key drivers of the net earnings for the three months ended June 30, 2019 were:

- Net realized and unrealized gains on fixed income investments of \$194.7 million for the three months ended June 30, 2019, compared to net realized and unrealized losses of \$64.7 million for the three months ended June 30, 2018. 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 realized and unrealized gains on equities and other investments of \$75.0 million for the three months ended June 30, 2019, compared to net realized and unrealized gains of \$10.3 million for the three months ended June 30, 2018.
- The Atrium segment contributed net earnings of \$6.1 million for the three months ended June 30, 2019.

These were partially offset by:

- Net losses in the StarStone segment of \$33.2 million for the three months ended June 30, 2019 as the leadership team continues to re-position the underwriting portfolio.

Non-GAAP operating income¹ was \$103.2 million (or \$4.76 per fully diluted ordinary share¹) and \$302.9 million (or \$13.98 per fully diluted ordinary share¹) for the three and six months ended June 30, 2019, respectively, compared to non-GAAP operating income of \$83.0 million (or \$4.01 per fully diluted ordinary share) and \$122.6 million (or \$6.09 per fully diluted ordinary share¹) for the three and six months ended June 30, 2018, respectively.

Enstar's ordinary shareholders' equity at June 30, 2019 amounted to \$4,004.8 million (or \$183.40 per fully diluted ordinary share), compared to \$3,391.9 million (or \$155.94 per fully diluted ordinary share) at December 31, 2018. The Form 10-Q, 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 \$18.2 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 95 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 Enstar's 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(expressed in thousands of U.S. dollars, except share and per share data)			
Net earnings (loss) attributable to Enstar Group Limited ordinary shareholders	\$ 231,842	\$ 8,244	\$ 590,593	\$ (32,966)
Adjustments:				
Net realized and unrealized (gains) losses on fixed maturity investments and funds held - directly managed ⁽¹⁾	(194,676)	64,696	(440,827)	202,802
Change in fair value of insurance contracts for which we have elected the fair value option	37,962	17,233	94,003	(23,008)
Tax effects of adjustments ⁽²⁾	20,536	(4,734)	42,385	(15,960)
Adjustments attributable to noncontrolling interest ⁽³⁾	7,569	(2,488)	16,739	(8,290)
Non-GAAP operating income (loss) attributable to Enstar Group Limited ordinary shareholders ⁽⁴⁾	\$ 103,233	\$ 82,951	\$ 302,893	\$ 122,578
Diluted net earnings (loss) per ordinary share	\$ 10.70	\$ 0.40	\$ 27.26	\$ (1.65)
Adjustments:				
Net realized and unrealized (gains) losses on fixed maturity investments and funds held - directly managed ⁽¹⁾	(8.99)	3.13	(20.35)	10.08
Change in fair value of insurance contracts for which we have elected the fair value option	1.75	0.83	4.34	(1.14)
Tax effects of adjustments ⁽²⁾	0.95	(0.23)	1.96	(0.79)
Adjustments attributable to noncontrolling interest ⁽³⁾	0.35	(0.12)	0.77	(0.41)
Diluted non-GAAP operating income (loss) per ordinary share ⁽⁴⁾	\$ 4.76	\$ 4.01	\$ 13.98	\$ 6.09
Weighted average ordinary shares outstanding - diluted	21,675,451	20,671,232	21,661,769	20,140,367

⁽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. The changes in the value of these managed funds held balances are described in our financial statement notes as: (i) funds held - directly managed, (ii) embedded derivative on funds held - directly managed, and (iii) the fair value option on funds held - directly managed. Refer to Note 4 - "Investments" in the notes to our consolidated financial statements included within Item 1 of our Quarterly Report on Form 10-Q 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.

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