



Enstar Group Limited Reports Second Quarter Results

August 5, 2021

- **Net Earnings of \$377.3 million and \$560.5 million for the Three and Six Months Ended June 30, 2021**
- **Non-GAAP Operating Income¹ of \$290.5 million and \$574.3 million for the Three and Six Months Ended June 30, 2021**
- **Fully diluted book value per share of \$304.59 as of June 30, 2021, an increase of 43.0% year over year**
- **After giving effect to strategic share repurchases completed subsequent to June 30, 2021, pro forma fully diluted book value per share² of \$319.25**

HAMILTON, Bermuda, Aug. 05, 2021 (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, 2021.

Enstar reported consolidated net earnings of \$377.3 million (or \$17.28 per fully diluted ordinary share) and \$560.5 million (or \$25.60 per fully diluted ordinary share) for the three and six months ended June 30, 2021, respectively, compared to consolidated net earnings of \$798.6 million (or \$36.65 per fully diluted ordinary share) and \$281.7 million (or \$12.93 per fully diluted ordinary share) for the three and six months ended June 30, 2020, respectively.

The key drivers of net earnings for the three months ended June 30, 2021 were:

- Net realized and unrealized gains of \$405.2 million, including \$330.0 million relating to our consolidated variable interest entity, other investments and equities, as well as \$75.3 million relating to fixed income securities.

The key drivers of net earnings for the six months ended June 30, 2021 were:

- Net realized and unrealized gains of \$384.4 million for six months ended June 30, 2021, including \$515.4 million relating to our consolidated variable interest entity, other investments and equities, partially offset by \$130.9 million in unrealized losses relating to fixed income securities; and
- Earnings from equity method investments of \$115.0 million.

Non-GAAP operating income¹ was \$290.5 million (or \$13.31 per fully diluted ordinary share) and \$574.3 million (or \$26.23 per fully diluted ordinary share) for the three and six months ended June 30, 2021, respectively, compared to non-GAAP operating income of \$567.6 million (or \$26.05 per fully diluted ordinary share) and \$229.8 million (or \$10.55 per fully diluted ordinary share) for the three and six months ended June 30, 2020, respectively.

Enstar's ordinary shareholders' equity at June 30, 2021 amounted to \$6.7 billion (or \$304.59 per fully diluted ordinary share), compared to \$6.2 billion (or \$281.20 per fully diluted ordinary share) at December 31, 2020. After giving effect to strategic share repurchases completed subsequent to June 30, 2021, Enstar's pro forma fully diluted book value per share² was \$319.25. 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 (loss) and non-GAAP operating income (loss) 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 ordinary shareholders and diluted net earnings (loss) per ordinary share, respectively) are provided below, along with a discussion of the rationale for the presentation of these items.

² Pro forma fully diluted book value per share is a Non-GAAP measure that reflects adjustments to the numerator and denominator of fully diluted book value per share to give effect to share repurchase transactions completed subsequent to June 30, 2021 as described below. A reconciliation of pro forma fully diluted book value per share to fully diluted book value per share, along with a discussion of the rationale for the presentation of this item, is provided below.

Enstar is a NASDAQ-listed leading global insurance group that offers innovative capital release solutions through its network of group companies in Bermuda, the United States, the United Kingdom, Continental Europe, Australia, and other international locations. A market leader in completing legacy acquisitions, Enstar has acquired over 100 companies and portfolios since its formation in 2001. For further information about Enstar, see www.enstargroup.com.

Non-GAAP Operating Income

In addition to presenting net earnings (loss) attributable to Enstar ordinary shareholders and diluted earnings (loss) per ordinary share determined in accordance with U.S. GAAP, Enstar's management believes that presenting non-GAAP operating income (loss) attributable to Enstar ordinary shareholders and diluted non-GAAP operating income (loss) per ordinary share, non-GAAP financial measures as defined in SEC Regulation G, provides investors with valuable measures of our performance.

Non-GAAP operating income (loss) is net earnings attributable to Enstar ordinary shareholders excluding: (i) net realized and unrealized (gains) losses on fixed maturity investments and funds held - directly managed included in net earnings (loss), (ii) change in fair value of insurance contracts for which the fair value option has been elected, (iii) (gain) loss on sales of subsidiaries, if any, (iv) net (earnings) loss from discontinued operations, if any, (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, included in net earnings (loss), and change in fair value of insurance contracts for which the fair value option has been elected 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 sales of subsidiaries and net (earnings) loss from discontinued operations because these are not reflective of the performance of our core operations. Diluted Non-GAAP operating income (loss) per ordinary share is diluted net earnings per ordinary share excluding the per diluted share amounts of each of the adjustments used to calculate non-GAAP operating income.

Enstar's management believe these non-GAAP measures enable readers of our consolidated financial statements to analyze our results in a way that is more aligned with the manner in which our management measures our underlying performance. Enstar's management 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 substitutes for those calculated in accordance with U.S. GAAP.

Non-GAAP operating income attributable to Enstar ordinary shareholders is calculated by the addition or subtraction of certain items from within our consolidated statements of earnings to or from net earnings attributable to Enstar ordinary shareholders, the most directly comparable GAAP financial measure, as illustrated in the table below:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	(expressed in thousands of U.S. dollars, except share and per share data)			
Net earnings attributable to Enstar ordinary shareholders	\$ 377,326	\$ 798,553	\$ 560,523	\$ 281,732
Adjustments:				
Net realized and unrealized (gains) losses on fixed maturity investments and funds held - directly managed ⁽¹⁾	(110,145)	(417,364)	96,039	(139,803)
Change in fair value of insurance contracts for which the fair value option has been elected	17,713	134,043	(57,759)	75,806
Net gain on sales of subsidiaries	—	—	(14,894)	—
Net loss from discontinued operations	—	1,152	—	3,221
Tax effects of adjustments ⁽²⁾	4,869	39,264	(11,279)	13,299
Adjustments attributable to noncontrolling interest ⁽³⁾	777	11,994	1,641	(4,417)
Non-GAAP operating income attributable to Enstar Group Limited ordinary shareholders ⁽⁴⁾	<u>\$ 290,540</u>	<u>\$ 567,642</u>	<u>\$ 574,271</u>	<u>\$ 229,838</u>
Diluted net earnings per ordinary share	\$ 17.28	\$ 36.65	\$ 25.60	\$ 12.93
Adjustments:				

Net realized and unrealized (gains) losses on fixed maturity investments and funds held - directly managed ⁽¹⁾	(5.04)	(19.15)	4.40	(6.42)
Change in fair value of insurance contracts for which the fair value option has been elected	0.81	6.15	(2.64)	3.48
Net gain on sales of subsidiaries	—	—	(0.68)	—
Net loss from discontinued operations	—	0.05	—	0.15
Tax effects of adjustments ⁽²⁾	0.22	1.80	(0.52)	0.61
Adjustments attributable to noncontrolling interest ⁽³⁾	0.04	0.55	0.07	(0.20)
Diluted non-GAAP operating income per ordinary share ⁽⁴⁾	<u>\$ 13.31</u>	<u>\$ 26.05</u>	<u>\$ 26.23</u>	<u>\$ 10.55</u>

Weighted average ordinary shares outstanding:

Basic	21,631,749	21,565,240	21,597,236	21,557,542
Diluted	21,832,218	21,789,242	21,892,744	21,788,331

(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 4 - "Investments" to our condensed consolidated financial statements included within Item 1 of our Quarterly Report on Form 10-Q for the period ended June 30, 2021 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.

Pro Forma Fully Diluted Book Value Per Share - Non-GAAP

In addition to presenting fully diluted book value per share calculated as of June 30, 2021, Enstar has presented pro forma fully diluted book value per share, which reflects adjustments to fully diluted book value per share as of June 30, 2021 to give effect to share repurchases that were completed subsequent to June 30, 2021. On July 22, 2021, Enstar completed a repurchase of 3,749,400 of our ordinary shares held by funds managed by Hillhouse Group for a price of \$234.52 per share, totaling \$879.3 million in aggregate. The shares represented these funds' entire interest in Enstar, which constituted 16.9% of total ordinary shares and 9.4% of voting ordinary shares. Subsequent to June 30, 2021, Enstar also repurchased 45,311 shares for \$10.7 million as part of its ordinary share Repurchase Program before terminating the Repurchase Program on July 15, 2021. Enstar management believes that the presentation of pro forma fully diluted book value per share to give effect to these transactions provides readers of Enstar's financial statements with useful information regarding the impact of this significant strategic share repurchase that had a material impact on the number of Enstar's outstanding ordinary shares. Enstar does not expect to present this measure in future periods.

Pro forma fully diluted book value per share is calculated by adjusting the numerator and denominator of fully diluted book value per share to give effect to the completed share repurchase transactions described above. A reconciliation of fully diluted book value per share to pro forma fully diluted book value per share is set forth below:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
	(expressed in thousands of U.S. dollars, except share and per share data)	
Numerator:		
Total Enstar shareholder's equity	\$ 7,187,308	\$ 6,674,395
Less: Series D and E preferred shares	<u>510,000</u>	<u>510,000</u>
Total Enstar ordinary shareholders' equity (A)	6,677,308	6,164,395
Proceeds from assumed conversion of warrants ⁽¹⁾	—	20,229
Numerator for fully diluted book value per ordinary share calculations (B)	\$ 6,677,308	\$ 6,184,624
July Share Repurchases ⁽²⁾	<u>(890,023)</u>	<u>—</u>

Numerator for pro forma fully diluted book value per ordinary share calculations (C)	\$	5,787,285	\$	—
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Denominator:

Ordinary shares outstanding (D) ⁽³⁾		21,604,803		21,519,602
Effect of dilutive securities:				
Share-based compensation plans ⁽⁴⁾		317,380		298,095
Warrants ⁽¹⁾		—		175,901
Fully diluted ordinary shares outstanding (E)		<u>21,922,183</u>		<u>21,993,598</u>
July Share Repurchases ⁽²⁾		<u>(3,794,711)</u>		<u>—</u>
Pro forma fully diluted ordinary shares outstanding (F)		<u><u>18,127,472</u></u>		<u><u>—</u></u>

Book value per ordinary share:

Basic book value per ordinary share = (A) / (D)	\$	309.07	\$	286.45
Fully diluted book value per ordinary share = (B) / (E)	\$	304.59	\$	281.20
Pro forma fully diluted book value per ordinary share = (C) / (F)	\$	319.25	\$	—

(1) Warrants to acquire 175,901 Series C Non-Voting Ordinary Shares for an exercise price of \$115.00 per share were exercised on a non-cash basis during the six months ended June 30, 2021, which resulted in a total of 89,590 Series C Non-Voting Ordinary Shares being issued in the period.

(2) Represents shares repurchased in transactions described above.

(3) Ordinary shares outstanding includes voting and non-voting shares but excludes ordinary shares held in the Enstar Group Limited Employee Benefit Trust (the "EB Trust") in respect of awards made under our joint share ownership plan ("JSOP"), a sub-plan to our Amended and Restated 2016 Equity Incentive Plan.

(4) Share-based dilutive securities include restricted shares, restricted share units, and performance share units ("PSUs"). The amounts for PSUs and ordinary shares held in the EB Trust in respect of the JSOP are adjusted at the end of each period end to reflect the latest estimated performance multipliers for the respective awards. The JSOP shares did not have a dilutive effect as of June 30, 2021.

Cautionary Statements

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 our Annual Report on Form 10-K for the year ended December 31, 2020 and in our Quarterly Report on Form 10-Q for the interim period ended June 30, 2021 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