Enstar Fourth Quarter and Full Year 2023 Audio Update with Dominic Silvester and Matt Kirk

PETER KALAEV, GROUP TREASURER

Hello everyone, I'm Peter Kalaev, Group Treasurer. Thank you for listening to Enstar's Fourth Quarter and Full Year 2023 Earnings Audio Review with CEO Dominic Silvester and CFO Matt Kirk.

Before we begin, I'd like to remind everyone that this presentation contains forward-looking statements and non-GAAP financial measures. Forward-looking statements in this presentation include, but are not limited to, statements about Enstar's expectations for future and pending transactions, run-off liability earnings, the performance of its investment portfolio and the impact of rising interest rates on Enstar's business. These statements are inherently subject to risks, uncertainties and assumptions that may cause actual results to differ materially from the statements being made as of the date of this update or in the future. Additional information regarding these statements and our non-GAAP financial measures is outlined in the text that appears below the link to this recording. With that, I will turn it over to Dominic.

DOMINIC SILVESTER, CEO

Thank you, Peter.

2023 was a year of solid delivery for Enstar - we built on our 30-year history as the dominant legacy player through our partnerships with QBE and AIG and achieved profitable growth while maintaining balance sheet strength. As a result, we entered 2024 ideally placed to continue our significant contributions to the market and drive long-term shareholder value.

Before Matt takes you through our 2023 performance in detail, I want to call out a few notable achievements:

We finished 2023 with an excellent quarter driven largely by the positive performance of our investment portfolio, in addition to recording strong technical savings and a tax benefit related to the enactment of Bermuda's new corporate income tax. This led to a Return on Equity for the full year of 24.2% and growth in book value per share of 31.0%.

Our ability to drive better outcomes through our excellent claims management known as the "Enstar Effect" – continues to pay dividends, and we completed our sixteenth straight year of generating favorable run-off liability earnings since going public in 2007 - which reflects outstanding efforts from the entire team.

As I noted, the fourth quarter was a favourable period for investments as our portfolio continued to benefit from high interest rates, resulting in total investment return, or TIR, in the fourth quarter of $683 million, and over $1.3 billion for the full year.

We remain disciplined towards asset allocation to maximise returns over the long-term whilst managing asset specific short-term volatility. One of the best ways to measure our performance is over the longer term horizon of five years, which more closely aligns with the lifespan of our transactions and their underlying patterns of profitability. Over the most recent five years, the average annual growth in book value per share was 18% and we achieved an average adjusted ROE of 17.7%.

Along with our strong operational results, we completed high-quality transactions during the year, proving again that we can play a major part in the strategic planning for many successful insurance businesses:

- We completed a $2 billion loss portfolio transfer with QBE, our longstanding partner, as well as an approximate $180 million loss portfolio transfer with RACQ Insurance. The QBE transaction speaks particularly well to our expertise in creating innovative solutions - in addition to covering QBE's discontinued business, it was the first time we delivered a tailored solution for seasoned liabilities within active lines of business, which we consider a unique and emerging opportunity.
- We also completed a bespoke transaction with AIG, providing protection on their retained exposure to adverse development on Validus Re's loss reserves, following AIG's sale of the business to RenRe. The agreement came together quickly and again demonstrates our versatility in creating solutions to support our partners' strategic goals.

Active capital management remains a top priority. We repurchased a total of $532 million of shares in 2023 at a price that was value accretive to shareholders.

Finally, we received an upgrade from S&P on our long-term issuer credit rating to BBB+, which further validates our outstanding performance, leadership, and strong capitalization.

As we progress through 2024, the legacy market continues to provide opportunities and we see the pipeline deal size growing. Further, as the market evolves in response to client needs, there is more demand from primary insurance companies as they look to us as strategic, long-term partners.

We know from our 30-year history that legacy isn't a short-term game, and the barriers to entry are very high. Given the strength of our business model and our unrivalled track record, we remain confident in our position in the market, and will succeed by staying highly disciplined and focused on the management of existing liabilities and how we assess potential transactions.

Despite the macro-economic challenges the world faces, our sustainable business model, robust risk management and strong capital and liquidity base, position us well. With so many talented and dedicated global colleagues, we are confident of remaining the legacy partner of choice, whilst creating significant value for our shareholders in the years ahead.

Before turning to Matt, I wanted to welcome Brent Hoffman to Enstar as our new Chief Claims Officer. Brent joined us in January, taking over from Paul Brockman, who continues in his role as Chief Operating Officer. Paul has been a tremendous leader of our claims function and we are pleased to be able to transition this position to someone of Brent's caliber - he has distinguished leadership experience in claims, coming to us from Everest, and prior to that serving for nearly a decade as Global Head of Claims at AXA XL. Paul and Brent will work closely together, and I have no doubt that their collective strengths will support our continued ability to deliver superior claims management and outcomes.

Over to you Matt.

MATTHEW KIRK, CFO

Thanks, Dominic.

We had a strong fourth quarter to cap off a solid 2023, recording $599 million of net income attributable to Enstar ordinary shareholders, with a return on equity, or ROE, of 13.7% and adjusted ROE of 9.0%. As a reminder, Adjusted ROE is a performance measure that excludes net realized and unrealized gains and losses on fixed maturity investments and funds held-directly managed, as well as other adjustments as detailed in our Form 10-K.

For the full year, we recorded net income attributable to Enstar ordinary shareholders of $1.1 billion, ROE of 24.2% and adjusted ROE of 18.8%. In addition, we registered book value and fully diluted book value per share growth of 31.0% and 30.0%, respectively.

Our full year results were driven by:

- Total investment returns of over $1.1 billion,
- Favourable Run-off Liability Earnings, or RLE, of $131 million – which was $227 million on an adjusted basis,
- A $205 million tax benefit from the enactment of a Bermuda corporate income tax, which I will touch on later, and,
- A $194 million non-recurring gain from the completion of our unwind of Enhanzed Re and the novation of its business.

Diving into our investment return, we generated $647 million of net investment income, or NII, due to the investment return from consideration received from the QBE, RACQ and AIG transactions, as well as our existing fixed income portfolio, which includes floating rate assets with term SOFR rates above 5%, which comprise approximately 17% of our total investable assets. We also experienced favourable returns on our non-core equity investments of $410 million, primarily driven by strong global equity market performance and the tightening of high yield and leveraged loan credit spreads. We recorded net realized and unrealized gains of $66 million to net income, and $222 million of unrealized gain to equity through OCI, driven primarily by the reversal of the bond market in November and December after the US Federal reserve began to indicate rate cuts for 2024.

Our cumulative unrealized loss position as of December 31, 2023 stands at $725 million, which has adversely impacted book value by approximately $50 dollars per share. As these assets provide liquidity for the settlement of our claim liabilities, we generally hold them to maturity with a view that the unrealized losses will naturally reverse as the securities approach maturity.

Consistent with prior practices, we perform the majority of our portfolio reviews in the fourth quarter. The positive RLE result was driven by favorable development across multiple acquisition years in our workers' compensation and property lines of business as well as reductions in our provision for ULAE. Partially offsetting our favourable development was the decision to strengthen reserves on our general casualty line of business in response to trends in the industry and in part, in our own book, as well as a charge to increase the value of certain portfolios that are held at fair value due to decreases in the global corporate bond yields.

It is important to note that our overall results can fluctuate by a material amount from year to year, which is why we focus on a longer-term time horizon. For instance, our investment portfolio can see marked shifts in unrealized gains and losses given our volume of investment holdings. However, if you view the long-term history of Enstar, there is a clear trajectory of profitable growth and expansion of book value.

Our capital and liquidity position remains strong to support future transactions. We refinanced and upsized our revolving credit agreement from $600 million to $800 million and extended its term by five years through May 2028. The facility remains fully unutilized and available to us as of December 31st. We also maintain a solid group solvency ratio after allocating to recent transactions and our most recent share repurchase.

From a regulatory standpoint, the Government of Bermuda recently enacted the Corporate Income Tax Act of 2023, which will apply a 15% corporate income tax to certain Bermuda businesses, effective for tax years beginning on or after January 1st, 2025. Under U.S. GAAP, we are required to recognize the effects of changes in tax laws in the period the change is enacted, regardless of the effective date. The Act includes various tax elections, including an Economic Transition Adjustment, which is intended to support a fair and equitable transition into the Bermuda corporate income tax regime. As a result, we have recognized a $205 million deferred tax asset, with a corresponding income tax benefit.

We produced strong performance in 2023, and we continue to consistently deliver our core strategy of providing innovative legacy solutions to high-quality partners throughout the world. We maintain our disciplined approach to completing profitable legacy transactions and remain ideally placed to take advantage of a healthy pipeline and create additional long-term value for our shareholders.

Finally, on behalf of myself, Dominic and the executive team, I want to thank our global employees for their expertise and hard work. They make Enstar the legacy leader.

Thank you for your time and your continued interest in Enstar.