



## Enstar Group Limited Reports First Quarter Results

May 7, 2020

Hamilton, Bermuda - May 7, 2020 - 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 months ended March 31, 2020.

Enstar reported consolidated net losses of \$516.8 million (or loss of \$23.98 per fully diluted ordinary share) for the three months ended March 31, 2020, compared to consolidated net earnings of \$358.8 million (or earnings of \$16.57 per fully diluted ordinary share) for the three months ended March 31, 2019. Our results for the three months ended March 31, 2020 included the impact of unrealized investment losses of \$612.6 million due to the disruption in financial markets resulting from the COVID-19 pandemic, of which \$423.2 million subsequently reversed as unrealized gains during the month ended April 30, 2020.

The table below illustrates the recent impact of unrealized gains (losses) on our results:

	Three Months Ended March 31, 2020	Period from April 1, 2020 to April 30, 2020
(in thousands of U.S. dollars)		
Net unrealized gains (losses) on investments:		
Fixed maturity securities, trading and funds held <sup>(1)</sup>	\$ (286,310)	\$ 235,577
Other investments and equities	(350,084)	197,362
Total net unrealized gains (losses) on investments	(636,394)	432,939
less: Noncontrolling interest share	23,803	(9,775)
Earnings impact of net unrealized gains (losses) on investments	\$ (612,591)	\$ 423,164

<sup>(1)</sup> 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. Historically, we have generally accounted for our fixed income portfolio as trading, which is reflected in earnings. However, from October 1, 2019, we have elected to use available-for-sale accounting for all newly acquired business and, where permissible, as trading fixed income securities mature, we are reinvesting the proceeds into available-for-sale securities.

Similar to many other companies, the COVID-19 pandemic has impacted our insurance business. During the three months ended March 31, 2020, our Non-life Run-off segment had no net incurred losses and loss adjustment expenses related to the COVID-19 pandemic. However, our StarStone and Atrium segments have recorded COVID-19 related underwriting losses, after non-controlling interests, of \$22.2 million and \$5.1 million, respectively, in the three months ended March 31, 2020.

Non-GAAP operating loss<sup>1</sup> was \$336.2 million (or loss of \$15.60 per fully diluted ordinary share<sup>1</sup>) for the three months ended March 31, 2020, compared to non-GAAP operating income of \$199.7 million (or income of \$9.22 per fully diluted ordinary share) for the three months ended March 31, 2019.

Enstar's ordinary shareholders' equity at March 31, 2020 amounted to \$3,766.6 million (or \$172.83 per fully diluted ordinary share), compared to \$4,332.2 million (or \$197.93 per fully diluted ordinary share) at December 31, 2019. The Form 10-Q, which is available on Enstar's website, [www.enstargroup.com](http://www.enstargroup.com), contains a more detailed description of Enstar's business and financial results.

<sup>1</sup> 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.

## About Enstar

Enstar is a multi-faceted insurance group, with approximately \$19.1 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 approximately 100 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](http://www.enstargroup.com).

## Non-GAAP Financial Measures

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, we believe 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) excludes: (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 we have elected the fair value option, (iii) gain (loss) on sale 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 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. When applicable, we eliminate the impact of gain (loss) on sale of subsidiaries and net earnings (loss) from discontinued operations because these are not reflective of the performance of our core operations.

We 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. 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 substitutes for those calculated in accordance with U.S. GAAP.

## Reconciliation of Non-GAAP Financial Measures

Non-GAAP operating income (loss) 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 (loss) attributable to Enstar ordinary shareholders, the most directly comparable GAAP financial measure, as illustrated in the table below:

	Three Months Ended	
	March 31,	
	2020	2019
	(expressed in thousands of U.S. dollars, except share and per share data)	
Net earnings (loss) attributable to Enstar ordinary shareholders	\$ (516,821)	\$ 358,751
Adjustments:		
Net realized and unrealized (gains) losses on fixed maturity investments and funds held - directly managed <sup>(1)</sup>	283,385	(246,151)
Change in fair value of insurance contracts for which we have elected the fair value option	(58,237)	56,041
Tax effects of adjustments <sup>(2)</sup>	(27,074)	21,849
Adjustments attributable to noncontrolling interest <sup>(3)</sup>	(17,495)	9,170
Non-GAAP operating income (loss) attributable to Enstar ordinary shareholders <sup>(4)</sup>	<u>\$ (336,242)</u>	<u>\$ 199,660</u>
Diluted net earnings (loss) per ordinary share <sup>(5)</sup>	\$ (23.98)	\$ 16.57
Adjustments:		
Net realized and unrealized (gains) losses on fixed maturity investments and funds held - directly managed <sup>(1)</sup>	13.15	(11.37)
Change in fair value of insurance contracts for which we have elected the fair value option	(2.70)	2.59
Tax effects of adjustments <sup>(2)</sup>	(1.26)	1.01
Adjustments attributable to noncontrolling interest <sup>(3)</sup>	(0.81)	0.42
Diluted non-GAAP operating income (loss) per ordinary share <sup>(4)(5)</sup>	<u>\$ (15.60)</u>	<u>\$ 9.22</u>
Weighted average ordinary shares outstanding:		
Basic	21,549,844	21,463,499
Diluted	21,779,906	21,645,862

<sup>(1)</sup> Represents the net realized and unrealized gains and losses related to fixed maturity securities included in net earnings (loss). 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 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> Non-GAAP financial measure.

<sup>(5)</sup> 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 Statements

### Forward-Looking 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. In particular, the evolving COVID-19 pandemic has caused significant economic and financial turmoil globally, as well as uncertainty and volatility in the financial markets, which has caused declines in the market value of our invested assets. Due to the global uncertainty, we are unable to predict the longer-term effects of the pandemic on our business at this time. Important risk factors regarding Enstar can be found under the heading "Risk Factors" in our Form 10-K for the year ended December 31, 2019 and in our Form 10-Q for the three months ended March 31, 2020 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.*

### Uncertainties Relating to the COVID-19 Pandemic

*We expect that uncertainty and volatility in financial markets will continue to impact the value of our investments. In particular, there can be no assurance that the unrealized gains we have seen in our investment portfolio during the month of April 2020 will not be offset by realized or unrealized losses in our investment portfolio during the balance of our fiscal quarter ending June 30, 2020 or thereafter. The scope, duration and magnitude of the direct and indirect effects of the COVID-19 pandemic are changing rapidly and are difficult to anticipate. As with others in our industry, we are subject to economic factors such as interest rates, foreign exchange rates, underwriting events, regulation, tax policy changes, political risks and other market risks that can impact our strategy, operations, and results. The underwriting losses related to the COVID-19 pandemic disclosed in this press release represent our estimates of net incurred losses and loss adjustment expenses through March 31, 2020. Given the uncertainties associated with COVID-19 and its impact, and the limited information upon which our current estimates have been made, our preliminary reserves and the underlying estimated level of claim losses and costs arising from COVID-19 may materially change.*

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Source: Enstar Group Limited