ENSTAR

Enstar First Quarter 2024 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 First Quarter 2024 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 changing 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.

After a strong end to 2023, we maintained our momentum into the first quarter. We delivered solid results from our investment portfolio and generated positive performance from our run-off liability earnings. This led to a Return on Equity of 2.4% and growth in book value per share of 1.7%.

Matt will cover our financial performance in more detail shortly, but in summary the results reflect continued progress against our strategy as we stay focused on meeting the growing risk management needs of the re/insurance sector and creating long-term value for our shareholders.

Turning to some strategic highlights:

- Following the end of the quarter, we announced a loss portfolio transfer agreement with SiriusPoint to reinsure $400 million of workers' compensation business for the underwriting years 2018 through 2023. SiriusPoint will cede net reserves of approximately $400 million and Enstar will provide $200 million of cover in excess of the ceded reserves.

  This transaction expands our industry leading workers' compensation line of business – one of our largest, and one where we have deep experience and proven success in managing. Further, it is another example of Enstar's versatility in providing bespoke legacy and strategic solutions for our partners.

- Our strong capital position was endorsed by S&P during the quarter, as our primary reinsurer, Cavello Bay, was assigned an Insurer Financial Strength Rating of 'A' with stable outlook.

  S&P recognized our status as a leader in the legacy market, while citing our world-class claims management capabilities. The rating was a welcome validation of the resilience of our business model, and we believe it will provide us with additional flexibility to structure future legacy transactions.

We remain optimistic about the continuing growth of our pipeline of M&A opportunities but maintain our highly disciplined approach to ensure we continue to deliver attractive risk-adjusted return for Enstar and our shareholders. We remain mindful of the persistent macro and geopolitical challenges and continue to take them into account as we pursue growth.

In summary, we have had a good start to the year and look forward to taking advantage of opportunities across our business through 2024.

Over to you Matt.

MATTHEW KIRK, CFO

Thanks, Dominic.

We had a positive first quarter, recording $119 million of net income attributable to Enstar ordinary shareholders, with a return on equity, or ROE, of 2.4% and adjusted ROE of 2.6%. Adjusted ROE is a performance measure that primarily excludes net realized gains and losses and fair value changes on fixed maturity investments and funds held (which we previously called unrealized gains and losses in the income statement). In addition, we continued to deliver on our history of strong book value accretion. We grew book value by 1.7% and fully diluted book value per share growth by 1.4%, to $349.41 and $341.53, respectively.

First quarter results were largely driven by positive total investment returns of $222 million. We generated $160 million of net investment income, due to the considerations received from the QBE, RACQ and AIG transactions, as well as our existing fixed income portfolio, which includes floating rate assets tied to SOFR with interest rates currently above 5%. We also experienced favourable returns on our other investments, including non-core equity, of $104 million, primarily driven by continued strong global equity market performance and the tightening of high yield and leveraged loan credit spreads.

Our cumulative unrealized loss in other comprehensive income and fair value changes in our fixed maturity portfolio and funds held stands at $789 million, which has adversely impacted book value by approximately $54 dollars per share. As these assets provide liquidity for the settlement of our claims liabilities, we generally hold them to maturity with a view that the unrealized losses and fair value changes will naturally reverse as the securities approach maturity.

We recorded Run-off Liability Earnings, or RLE, of $24 million, driven primarily from favourable claims experience across a number of classes, including general liability, asbestos, professional indemnity and director and officers lines of business. Partially offsetting this was adverse development in our environmental and casualty lines of business driven by a small number of larger losses on excess policies across multiple portfolios.

Consistent with prior years, most of our annual reserve reviews occur in the fourth quarter, and this is where we have historically seen the largest movements in our RLE and adjusted RLE metrics.

Our capital and liquidity position remains strong to support future transactions. Our $800 million revolving credit agreement remains fully unutilized and available to us as of March 31st. We continue to maintain a solid group solvency ratio after allocating to recent transactions and we closed Q1 with an estimated group capital solvency ratio of 195%.

In conclusion, we continue to execute on our core strategy of delivering attractive and innovative legacy solutions to first-class partners across the globe. We maintain our disciplined approach toward acquiring and completing profitable legacy solutions, and our best-in-class team of experts remain well-positioned to take advantage of our robust pipeline and create additional long-term value for our shareholders.

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