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S&P Global Market Intelligence Estimates

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The chart could not be generated due to the unavailability of pricing data

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Executive Chairman of the Board

Sandra E. Bell
CFO & Principal Accounting Officer

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Walter M. Schenker
MAZ Capital Advisors, LLC

ATTENDEES

Unknown Attendee

Presentation

Operator

Greetings, and welcome to Tiptree Inc. Second Quarter 2021 Earnings Conference Call. [Operator Instructions] As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Sandra Bell, Chief Financial Officer.

Sandra E. Bell
CFO & Principal Accounting Officer

Good morning, and welcome to our second quarter 2021 earnings call. We are joined today by our Executive Chairman, Michael Barnes; and CEO, Jonathan Ilany. You can find the slides that accompany this review on our Investor Relations website.

Please note that some of our comments today will contain forward-looking statements based on our current view of our business, and actual future results may differ materially. Please see our most recent SEC filings, which identify the principal risks and uncertainties that could affect future performance.

In addition, we will discuss certain adjusted or non-GAAP financial measures, which are described in more detail in this morning's presentation. Reconciliations of non-GAAP financial measures and other associated disclosures are contained in our SEC filings, the appendix to our presentation and posted on our website.

With that, I will turn the call over to Michael.

Michael Gene Barnes
Executive Chairman of the Board

Thanks, Sandra. Good morning, everyone. Our second quarter performance was a continuation of positive trends we have experienced over the past year with all businesses contributing. First half revenues of $594 million and net income of $36.6 million were both up substantially from 2020, driven by the particularly strong performance of Fortegra, our specialty insurance business; Reliance, our mortgage business; and gains on investment holdings across the company.

After removing the impact of investment gains and losses, first half revenue growth was 35%, and adjusted net income of $26 million increased 51% from the prior year, both great results. Our insurance business, the Fortegra Group continues to deliver on its growth objectives while maintaining focus on underwriting discipline that has contributed to consistent results over the past several years. In the quarter, the team crossed a significant milestone with over $2 billion in trailing 12-month gross written premiums and premium equivalents. That represents an exceptional 23.8% annualized growth rate since 2017. Year-to-date written premiums and equivalents of nearly $1.1 billion were up 51% versus the prior year, driven by robust organic growth across all lines of business.

Adjusted net income for the first half was $26.9 million, up 52%, driven by revenue growth and an improved combined ratio. The adjusted return on average equity was 18.3%, up 550 basis points from the first half of 2020. Once again, Fortegra's results demonstrate the attractiveness of combining a market-leading specialty insurer with a capital-light warranty business. As we look forward, we expect this performance to continue, led by growing top line and consistent combined ratio.

Switching to Tiptree Capital. Our 3 primary investments in mortgage origination, senior housing and maritime transportation, all generated positive net income for the quarter, and it is worth noting that Tiptree Capital on a stand-alone basis now has over $195 million of book value. Adjusted net income within Tiptree Capital was $14 million for the first half, up substantially from the prior year, driven by strong performance in our mortgage and shipping operations.

The mortgage business had another excellent quarter, as the rate environment and home price appreciation continue to be tailwinds. Volumes were up 7% year-over-year, while gain on sale margins remained healthy compared to long-term historical averages. We believe the business can continue to deliver strong returns, particularly given the low interest rate environment and steady demand for cash-out refinancings across the country. In addition, we have been adding to our mortgage servicing asset, which serves as a source for higher margin recapture volume and is a potential hedge in a rising rate environment.

Our shipping business also generated positive results for the first half based on continuing favorable market conditions, particularly in the dry bulk sector. Overall, we are very pleased with the first half performance and believe Tiptree is well positioned for the second half of 2021 and going forward.

With that, I'll pass it to Sandra, who will take you through the financial results in more detail.

Sandra E. Bell
CFO & Principal Accounting Officer

Thank you, Michael. On Page 3 of the presentation, we highlight Tiptree's key financial metrics for the second quarter 2021 compared to the prior year period. Net income for the quarter was $8 million, driven by continued growth in the insurance business and positive performance in our mortgage and shipping operations. Excluding investment gains and losses, revenues were up 45% for the quarter, driven by organic growth in insurance operations, strong mortgage volumes and margins and increases in dry bulk charter rates. Adjusted net income for the quarter was $13.1 million, representing a 13% annualized adjusted return on average equity. These strong operating results were driven by the growth in revenues as well as the consistent combined ratio at Fortegra.

Book value per share of $11.59, increased by 17.9% versus the prior year. Compared to the first quarter 2021, book value per share declined by $0.04, primarily driven by legal and accounting fees associated with the preparation of the Fortegra IPO, the exchange of certain dilutive securities and our second quarter dividend, the combination of which offset the positive earnings for the quarter.

Turning to Page 4. We highlight our capital allocated between Fortegra and Tiptree Capital, along with their respective returns to assist investors in understanding Tiptree's intrinsic value. Over the last 12 months, adjusted return on average equity improved to 16%, an increase from 9.5% in the prior year. Fortegra's adjusted return on average equity for the latest 12-month period improved to 18.4% from 13.7% in 2020, driven by organic growth in the capital-light warranty businesses and commercial and personal lines programs, all while maintaining a combined ratio in the low 90s. Our mortgage business generated outsized returns on capital, driven by improvement in both volumes and margins, which have benefited from a strong housing market, both of which were partially offset by increased interest expense resulting from our upsized corporate borrowing facility completed in early 2020.

Before diving deeper into Fortegra's results on Page 5, I would like to take a moment to remind everyone of the key characteristics of its business model that supports such consistent profitability and the opportunity for future revenue and earnings growth. Fortegra is a specialty insurer that focuses on underwriting small premium for risk insurance, that is underwriting programs that are more frequency exposed, but do not present significant aggregation or catastrophic loss exposures. From a competitive point of view, large standard insurers who prefer to individually underwrite each transaction and touch every claim, avoid small premium per risk insurance because the infrastructure and personnel costs required preclude them from underwriting profitably. Fortegra uses proprietary technology to overcome this challenge. Both our U.S. insurance and U.S. and European warranty offerings also generate a significant component of fee-based earnings, which contribute to the stable profitability. In addition, Fortegra's warranty product offerings benefit from being capital-light as a result of a combination of unregulated earnings and predictable loss ratios.

As Michael mentioned, we continue to see strong momentum in Fortegra's top line results. For the second quarter 2021, premiums and equivalents increased 79% year-over-year, driven by growth in all lines of business, including admitted, excess and surplus and warranty lines. As a reminder, particularly with respect to longer duration warranty contracts, much of the increase in this metric ends up on the balance sheet as GAAP recognizes the revenue over the life of the contracts. Deferred revenues and unearned premiums, which represent this future earnings potential stood at $1.4 billion, up 40% year-over-year. For the quarter, underwriting and fee margin increased to $57 million, up $17 million or 44%, and the combined ratio held stable at 92%.

On Page 7, we highlight the KPI trends over the past 3 years. Gross written premiums and premium equivalents have increased 37% over this period, with a 26% organic growth rate. Importantly, the combined ratio has consistently improved, moving from 93.3% in the 2019 period to 91.8% in the 2021 period. Fortegra's business model maintains strong economic alignment with its distribution network, which is important in delivering consistency in the combined ratio. Several of the underwritten programs have variable retrospective commission structures, meaning if a book of business is profitable, we will share that underwriting profitability with our agents. If it is not profitable, we reduce their commission and the economics are rationalized.

We evaluate the performance of the business using adjusted net income, which removes realized and unrealized gains and losses, purchase accounting amortization, stock-based compensation and nonrecurring items. This metric has improved from $13.4 million in the first half of 2019 to $26.9 million in the first half of 2021, which has improved the adjusted return on equity from 10% to 18% over the respective periods.

Turning to the next page. We believe the hallmarks of Fortegra's business model underlie the opportunity for consistent growth and underwriting profitability, combining underwriting revenue and unregulated fee income, which leads to more predictable cash flows and enhanced returns. This plan is executed across 3 key areas: the first 2 are admitted programs and surplus lines programs, both in U.S. insurance; and the third is balance sheet-light program, which is warranty solutions. We believe it is the combination of these 3 and the complementary nature of these diverse revenue streams that allows Fortegra to grow and grow profitably regardless of where pricing is in the P&C market cycle.

On Page 9, we highlighted the key growth considerations. First, Fortegra has a high persistency rate with its agent, which generates a large volume of recurring revenue. Over the past 5 years, revenues have increased at a 16% annual growth rate or 12% organically. Second, we write multiyear contracts that generate significant upfront cash flow to the balance sheet and provides greater visibility into the upcoming year's revenue base. Third, new programs are added for both existing agents and from new agents.

Our technology gives us the ability to identify opportunities to expand participation by our agents clients in the programs we offer to underwrite new programs profitably, given the amount of data available to us to analyze the risks and to scale volumes efficiently when we add new agent relationships. Our recently announced expanded partnerships with Badcock & More in the U.S. and Motorpoint in the U.K. are great examples of how we can add new business. Lastly, this business continues to expand geographically. We are very pleased with the opportunities in Europe where we can leverage our broad experience in the warranty space. We have a strong presence in Central and Eastern Europe and are growing into Western Europe and even the Pacific Rim. As you can see by the size of these addressable markets, we believe Fortegra has the opportunity to continue to expand its volumes and agent relationships without compromising underwriting profitability.

Turning to the insurance investment portfolio on Page 10. Total investments and cash and cash equivalents ended the quarter at $815 million, up 36% year-over-year, in line with the underlying premium growth. We invest nearly 80% of the portfolio in high credit quality and liquid securities with an average rating of AA. First half net income was $6 million -- net investment income was $6 million, up slightly as the overall portfolio increased in line with premiums. Net realized and unrealized gains were $12.5 million for the first half, driven by unrealized gains on equities. The capital and liquidity position remains strong at Fortegra with $288 million of stockholders' equity and a debt capacity of $200 million, both of which put the business in a solid position for future growth.

On Page 12, we present the results of Tiptree Capital, which, as Michael mentioned earlier, consists of our Invesque shares, shipping and mortgage operations. For the first half, pretax income was driven by unrealized gains on our investment in Invesque, which is mark-to-market based on its share price in addition to strong volumes and margins in our mortgage business. First half 2021 adjusted net income in Tiptree Capital increased to $14.2 million, primarily driven by improvement in mortgage volumes and margins and dry bulk charter rates.

As Michael mentioned, our mortgage business has benefited from several tailwinds, including higher refinance volumes supported by both low rates and rising home prices. And lastly, we've been able to retain mortgage servicing rights at relatively low valuations, providing opportunity for value appreciation in the future rising interest rate environment. As of June 30, 2021, the fair value of the MSR asset was $23 million.

Now we will turn the call back to Michael to conclude our prepared remarks.

Michael Gene Barnes
Executive Chairman of the Board

Thanks, Sandra. As I mentioned in my earlier remarks, we are pleased with the first half performance of our businesses. Over the past 5 years, Fortegra has increased its top line production at a 24% growth rate while delivering a best-in-class combined ratio of just under 92%. We believe these trends will continue and place a premium value on the consistency that the business generates year in, year out. The earnings strength of our mortgage business and a low interest rate environment serves as a great example of the embedded upside optionality and diversity of our capital allocation.

Within shipping, the demand/supply imbalance in the bulker and tanker market continues to play out and has benefited our business as global economies reopen. We continue to believe that Tiptree's overall intrinsic value has increased significantly and is materially greater than our current stock price would suggest. As we look forward, we believe Tiptree is well positioned to continue executing on our long-term growth objectives.
With that, we will open the line for questions.

Question and Answer

Operator

[Operator Instructions] Our first question is from Jeff Bronchick with Cove Street Capital.

Jeffrey Bronchick
Cove Street Capital, LLC

Just 2 quick questions. First on just the press release, and I know there's acquisitions, it's insurance accounting, it's a lot of things moving forward. But just as you list as of [6 30] print versus year-end of the equity holdings of $200 million versus $120 million and then assets held for sale went down. Is there -- can you put a little color on that movement?

Michael Gene Barnes
Executive Chairman of the Board

Sure, Jeff. I'm happy to, and thanks for the question. Good to speak to you again. So yes, I guess the value of our equity holdings is going to fluctuate on two basis: one is if it goes down in price, and two is if we sell down the position. We're actively managing whatever equity positions we hold. And frankly, we've had stability in our Invesque Holdings over the last few quarters. So that has remained relatively stable. And we continue to work with management and invest to try to optimize value for that investment. In our insurance company float, there we're going to -- we had a very nice reopening trade on prioritizing transportation and oil and gas sectors. As we realize significant value in those trades, we've taken steps to reduce that as well as some public company position we had in the shipping sector. So we've effectively just taken some profits there.

Jeffrey Bronchick
Cove Street Capital, LLC

Got it. And so...

Michael Gene Barnes
Executive Chairman of the Board

And I'm sorry. Yes, Sandra. I apologize, Sandra. Why don't you -- if you have anything you want to add to that, please feel free to add.

Sandra E. Bell
CFO & Principal Accounting Officer

Yes. Jeff, one anomaly, which if you get into our footnotes a little bit more clearly, is we have a fixed income ETF position that supports our business in Europe, and that was about $93 million, $94 million of that number as of the end of the second quarter. And as Europe has grown, that ETF has also grown as a piece of the equities, and it gets accounted for its equities and mark-to-market like equities, even though it's a fixed income ETF. So that was a bit of the anomaly that happened from year-end at the end of second quarter.

Jeffrey Bronchick
Cove Street Capital, LLC

Got it. And so again, it would be fair to say that Invesque is an asset held for sale, similar to what you've spoken about in the past, long-run value maximization, but not a core holding that would be continue to be correct, right?

Michael Gene Barnes
Executive Chairman of the Board

I think that's fair to say.

Jeffrey Bronchick
Cove Street Capital, LLC

Got it. And -- I mean, God, I really compliment management on the call. But the shipping purchase was astute, but is that again something that was bought to be sold? Or are we going to be talking about your shipping position in 5 years? How do you view that?

Michael Gene Barnes
Executive Chairman of the Board

Yes. So we started looking at the shipping business, I'd say, probably almost 5 years ago. It's a sector that allows one to look at a lot of different industry segments that feed into the shipping sector and what are -- I'll say that in investing in shipping, we took a very long-term view that starts with certainly the asset play. First, with dry bulk; second, with tankers. We've added a small position of a small shipping vessel in the U.S. more recently. And we also, as part of the transaction that we began with also have a partial ownership interest in a paint business that supplies paint for ships. So we look at this as a way of participating in a broad range of diversified businesses. You start with the asset play, but the long-term objective is also to build out a presence in management as well as to, again, be in the business to take advantage of opportunities. I'd say that our -- we evaluate that business regularly. We did a full top to bottom review very recently, and I'll say that business is on path to our expectations, if not exceeding them.

To your point, as we entered into the asset play, although we were hit with the coronavirus, it had the peculiar benefit to the tanker sector during 2020. Now through the reopening of economies, we are seeing the benefit in the dry bulk side, which is significant. We hold our ships at purchase plus -- minus depreciation, not reflecting where they could be sold in the market. And certainly, the dry bulk, I would give my own view that I think that could be higher in the current market. And we will opportunistically take advantage of markets to decide whether to allocate more if we feel that a market is undervalued in a particular shipping sector or to downsize.

However, I would say, to achieve our objectives in building a management presence in the ships that we own as well as those that we may take on in JVs with third parties maintaining ownership in ships, at least through the beginning stages of building our management is essential. So we start with the asset. I think that our premise as to where we were in the cycle as well as what's been played out more recently since coronavirus was correct, and we benefited from some of the ups and downs in these last 2 years as well as the building out of our management company, I think, is right on track. But I'll say that long term, we will selectively decide whether to allocate more or not. But so far, we are right on path to what we expected.

Jeffrey Bronchick
Cove Street Capital, LLC

And my last general question would be, so what can you say -- again, post Fortegra IPO attempt, is that a -- continually on a plate subject to opportunities and market conditions. Is this, hey, didn't work for reasons previously noted it's shell to 2021, we'll review it later? Or what could you say about that process?

Michael Gene Barnes
Executive Chairman of the Board

Thanks for the question, Jeff. No, I'm happy to speak about it. We started down the path looking at an IPO for Fortegra actually almost a year ago, knowing that, that would ultimately come to an IPO potential in April of this year. With the process, frankly, went relatively smoothly, and we had set out a number of objectives that we wanted to achieve in taking Fortegra public. One of the primary objectives was to create a platform for Fortegra to continue its growth in the future and to have a platform in the public markets that we believe would allow it to access capital more efficiently than Tiptree could continue to provide it. We felt that as a specialty insurer, particularly in a capital-light business like warranty, it was a very attractive stand-alone platform with what we felt would be a very good valuation that would allow it to continue to grow, raising its own capital independent of Tiptree.

Aside from that -- and by the way, we -- I think we could have taken Fortegra public. We decided to pull the IPO based upon market conditions at that time and based upon the question as to whether we were truly achieving all of our objectives [indiscernible] beginning. Now that we pulled the IPO, I will tell you that it is very much something that we are continuing to consider. We believe that we can continue to meet our growth targets without significant capital coming in, although we will again consider what capital is needed for either acquisitions or growth as we go forward and whether we want to raise or bring in capital for that. But right now, as I think communicated previously, we believe Fortegra can continue to meet its growth objectives being part of Tiptree for the time being. However, the objectives that we had set out a year ago, I think, remain. And so we are focused on, at some point, whether it would be optimal to revisit the IPO market again. And I would say that, that is very much in our thinking.

Operator

Our next question is from Walter Schenker with MAZ Partners.

Walter M. Schenker
MAZ Capital Advisors, LLC

I just have a piling on question. But I've known the company for about, I'm guessing, 5 years. I met them at a conference -- Sandra, at a conference a number of years ago. If one looks at 10 years, 5 years, and I'm very long term my biggest position I own for 15 years. The stock has sold under book value, I suspect virtually throughout the whole period. There might -- there was a brief period with the Fortegra IPO where it's sold higher. But even today, it is still close to 20% -- 15% of $10, $11.90 under book value. The concept of a portfolio of assets, and I listened on the shipping and I listened to creating a management company as opposed to just fortuitously buying an asset at good timing and hopefully selling it seems to imply a longer and stronger commitment to shipping is not well received in the marketplace by -- not for month, not for 6 months, for 5 or 10 years.

How do you look at, and this is more to Michael than anyone else? Should the larger shareholders, you have the biggest economic interest, but I'm a shareholder. How do you look at your and the Board's commitment? I know you can't talk for the whole board, and I know you've worked more stock yourself, to realizing or trying to create within a reasonable time frame, and I'll argue 5 and 10 years a reasonable time frame historically value because I am convinced and you're convinced too, by the way, everyone's convinced that if you were to just sell off the non-Fortegra assets, mortgage isn't going to get a lot better than it is today. The stock would be much higher. You'd have a clean insurance company. Probably, I'm making up a number. But the $20 a share because of the $7 you get for selling with the other assets. We've had this discussion. I'm doing it again in a public forum. Just give me your view of creating shareholder value in a reasonable time frame. I happen to be in my '70s. So my time frame is no longer another 10 years. I'm only one shareholder though.

Michael Gene Barnes
Executive Chairman of the Board

Thanks for the question, Walter. And you're not alone in that question, I'll say, and I'm happy to address it. Look, we -- from our inception 14 years ago, we created Tiptree to be in a position with permanent capital to allocate to the highest yielding and most interesting attractive opportunities. We're small and that is some constraints. However, we are in a position to find, I think, unique opportunities given our background, our deep experience, particularly across financial services sector and other hard asset investments. And our priority, as I've said many times, has been to look for great management, cash flowing businesses, scalable. And I've spoken about this often with an embedded optionality. And you've seen a few of our business, I think, start to untap that. So the idea of getting paid while holding an option is our objective. And I think all of our investments reflect that and some of which we've now seen really come into the money in that regard. Our mortgage business 1 example.

We have always, as we -- as an investment either matures or as others value it greater than we may, we have sold assets and then reallocated the capital. And there's nothing that is more transparent than cash. And so you have seen us over the years occasionally return to cash and sell investments. And again, one of the things I like about our business right now is that they are all cash flow-driven businesses, they're all cash businesses, which, as we perform, we're accumulating more cash and I like that. So that is going to continue to be our objective.

Now to your point, one of the things that you -- that I -- people may even get -- beginning tired of me saying is, our stock price doesn't reflect our intrinsic value, and it doesn't. And I think as evidence of that, the Fortegra IPO, which, as I said, if we really chose to, we probably could have forced through it. I think we made the right decision not to, and we will revisit that, I believe. But you look at the intrinsic value of our pieces and they are materially higher than where our stock price trades. And again, creating transparency to that value, either through an IPO or Fortegra or through the sale of certain assets as they mature, you should expect to see us do that as we go forward.

Now that being said, if there's -- your question is one of the most common questions I get asked, when will you bridge the gap between -- how will you bridge the gap between where you're trading in intrinsic? We see the intrinsic. How do we get there and to when will we get there? And in fact, you may have seen as part of our filings, we did just put in place with our Board approval a new incentive structure that whose purpose is to prioritize increasing share price materially and to -- and particularly to achieve significant growth in share price with a time constraint placed on different levels at which are targeted. So we recently created an incentive structure for management to prioritize this and so creating a timeline to try to reflect that value, management is very incentivized to do that. And so I would draw your attention to that filing, and I'm happy to discuss it offline if you want to discuss further.

Operator

[Operator Instructions] Our next question is from Joe [Solano], a private investor.

Unknown Attendee

Can you hear me?

Michael Gene Barnes
Executive Chairman of the Board

Joe, I hear you.

Unknown Attendee

This is almost a -- this is almost an ironic question for a stock that trades at 6x PE, but your growth is almost too good to be imagined. And again, I realize the irony there, for a stock that trades at [indiscernible] multiple. But can you please help explain the very impressive growth in Fortegra right now? Unearned premiums and deferred revenue up something like 40% year-over-year is, again, for any company, even companies trading at 20x earnings, that's stellar. And can you just kind of flesh out how you guys are producing that and doing it in a reasonable and profitable fashion?

Michael Gene Barnes
Executive Chairman of the Board

Sure. I'd be happy to, and I'll ask Sandra to certainly add to my answer as well. Number one, we've got great management. And I'd say that across all of our businesses, just not Fortegra, we've got rate management. And in certain of our businesses, Fortegra particularly, there are certain elements of the economy today, there are certainly tailwinds are benefiting us. In the case of Fortegra, I'll say as it relates to our mortgage business, that's definitely true. So I think that as you -- as we see continued low rates and on price appreciation, we should expect to see continued positive performance in that. And we happen to be building out our servicing book as well that will serve as a nice hedge and also allows us to recapture high-margin business in refinancings.

In Fortegra, not only do we have great management, we've also made some very good acquisitions over the last number of years, particularly in the warranty space and the auto warranty space. As I said, there are certain tailwinds in the economy, particularly as it relates to secondhand autos and the continuation of warranty for those that choose to keep their cards as opposed to trade up, that probably certainly have added some tailwind. But to be frank, it's a sector that is capital-light that we have made some key acquisitions over the last few years, adding to Fortegra's overall business. And with management that we have, I think they've done a fantastic job just continuing to grow those platforms. But Sandra, I don't know if you want to go a little deeper, if you have anything you want to add to that?

Sandra E. Bell
CFO & Principal Accounting Officer

Yes. I think, Joe, you asked really 2 components of the question, which how do you support growth, but also how do you support it profitably. And I think we covered both of those at a high level in the prepared remarks. And if you look at Page 9 of the investor presentation, I think we covered 3 components in this. First and foremost, the addressable markets in the areas where the growth are massive relative to Fortegra's current position. So it allows us to be selective while still growing, and we really grow in 3 ways. The obvious one is we add new programs and agents. But even within our agents because of our technology and the data that we have, because we have very consistent relationships with those agents, we do that because we can help expand their penetration among their client base by providing them additional data and also, because of the data we have and the nature of the programs that we underwrite is we can continue to grow their business profitably because we understand the risks really well. So those are the 3 reasons why we can support the growth.

But again, I'll just -- if you look at historically, and we lay these metrics out on another page in the presentation on Page 7, we have a very consistent combined ratio. It varies very little, maybe 1 to 2 percentage points since we have owned them and over history. And I think that is really because of the nature of the business model, the high fee component, the technology-enabled platform and the relationship between frequency exposure versus severity exposure and the predictability of the underlying claims. So I think those are really the key points that allow us to support the kind of profitable growth on a consistent basis.

Michael Gene Barnes
Executive Chairman of the Board

And Joe, I think the last thing I'll say is on a consistent basis, I think you should expect that at the moment we see nothing that would inhibit or constrain Fortegra from continuing to grow as it has. So we're very excited about that business.

Unknown Attendee

And I know it's impossible to totally now just answer this question in detail. But maybe you can offer a sense of how much of your growth is taking market share. For example, I suspect that the entire industry, the lines that you guys play in are not growing in aggregate, 31% -- I'm sorry, 40% year-over-year. And by the way, I think most of that is organic. I know you guys made -- correct me if I'm wrong. So if the entire space isn't growing that much, which again, my guess would be it's not, you guys are taking share. And so is there a way to kind of guess ballpark-ish, how much of this is you guys taking share? How much is it the whole market growing and if you're taking share, how?

Michael Gene Barnes
Executive Chairman of the Board

So Joe, good question, and I'll say that you are correct that we certainly have been primarily growing that business organically from the acquisitions that we made. That being said, it is a large market. We're still a small player. And I think taking our market share is definitely part of the plan. And again, that goes to management, our experience, again, understanding the risks, as [said]. So I would expect that you'll see are wanting and out there taking additional market share as we see opportunity. Sandra, do you want to add anything?

Sandra E. Bell
CFO & Principal Accounting Officer

No, Michael. I think that's fair.

Unknown Attendee

Okay. Okay. And let me just -- if I may ask 1 more question. I think mainly for Michael, but in valuing Fortegra and then getting comfortable on what you think its intrinsic value is as opposed to what the stock price suggests. Michael, 2 questions on that. One, can you help us how the IPO process helped you get comfortable on valuation with the obvious caveat that the IPO didn't happen? And two, maybe my guess is there's a fair amount of private market transactions going on in this space because there aren't that many publicly traded companies aside from Assurant that seems to play in some of your core businesses on the Fortegra side. So can you -- is there an active private market? And can you speak to where these assets trade there as sort of another foundation for what you think the intrinsic value Fortegra might be?

Michael Gene Barnes
Executive Chairman of the Board

Absolutely. So I'll say, from the IPO process, so we decided to pull. We certainly did a postmortem to say, what do we learn from this and how can we improve when we go back to the process. And in my view, it's a when, not an if. We very much believe still in the belief that Fortegra would be better suited to have its own platform to have more efficient capital raises in the future for its business. When you look at valuation, it's not particularly complicated in this sector. Generally, those businesses are valued on a multiple of forward adjusted earnings.

If you look at the last 12 months for Fortegra and its adjusted earnings, which are just shy of $53 million for trailing 12 months, generally, those businesses aren't valued on a trailing but a forward. So you can imagine our view that forward is even greater. And those multiples range depending on where you fit with respect to the peer group that you are associated with anywhere from 15 to 20x. So you can start to get an idea as to where we would see value in Fortegra pre-capital raise.

And so on that basis -- so we also did, as I said, a postmortem say, what were self-inflicted issues that we can improve upon when we go back. And I think we've identified a number of issues. There's a little bit of complexity to the offering and the story that was told. There was a little bit of show me in the discussions with investors, particularly in the E&S business who wanted to see some of the manifestation of the growth expectation there which we are showing. There was also -- we did a small offering. I think frankly, there was some question liquidity that I think we could improve it on. We did a slightly larger offering. So I think we've learned from that. We have had a lot of discussions with the bankers involved and others as to how we can improve. I'll also be frank, I think we bring a lot to the table with our investor base. I think we can do a better job of making sure bankers cover our own investor base of those who would want to participate in the Fortegra IPO. So you should expect down the road, we certainly have as a priority for us revisiting that when appropriate.

Your question about private capital, there's a lot of private capital out there who certainly called us after the fact saying, what can we do with you guys? There may be some opportunities to clean up Fortegra's capital structure in a more efficient way. Certainly, we'll explore that opportunistically, and there may be opportunities to enhance an IPO with the right partner, which is not an uncommon thing to see an IPOs of a private partner participating. But we'll see. Look, IPOs are hard. There's a lot of market elements that need to come together for it to work. One of the biggest issues we face ironically was the market had run up so much prior to our launching the IPO as well as having problems in the SPAC sector, which we had nothing to do with SPAC, but that had kept some of the players on the sidelines that we found a cool market because of the run-up at the time we launched. People concerned that the market has run too far and was potentially ready for a downturn.

So we had a cool reception overall, not because of Fortegra or our business, but the markets in general that didn't help. And I think these other elements we're going to improve upon. Private capital, we'll consider opportunistically when things make sense. But to your question, yes, I actually think the capital is not only there, but frankly, somewhat aggressive in their willingness to invest at attractive levels and levels that frankly aren't too far away from where we would consider IPO capital.

Unknown Attendee

So you're saying private -- your guess is the private market transactions in this space have been transact similarly in that 15 to 20x ballpark forward earnings...

Michael Gene Barnes
Executive Chairman of the Board

I don't want to put numbers on it, but I'll say there's a lot of capital being put to work right now. And look, when that capital goes to look for investments, a well-managed cash flowing, growing business in the sector that Fortegra is in with a combined ratio in the low 90s, with the prospects of an IPO in the relatively near term of the next, let's call it, a few years, I think that's a very unique investment.

Unknown Attendee

Okay. And I would just chime in that the markets may not be a wash with money and eager buyers forever, right? I mean you guys are sophisticated enough to do that, but I couldn't help but chime in with that.

Operator

There are no more questions at this time. I would like to turn the call back to Sandra Bell for closing remarks.

Sandra E. Bell
CFO & Principal Accounting Officer

Thank you, Joe, and thank you, everyone, for joining us today. This concludes our 2Q 2021 earnings call. Obviously, as always, if anyone has any additional questions, please feel free to reach out to me directly.

Operator
This concludes today's conference. You may disconnect your lines at this time. Thank you very much for your participation, and have a great day.