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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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Michael Gene Barnes
Executive Chairman of the Board

Sandra E. Bell
CFO & Principal Accounting Officer

Scott McKinney
Director of Financial Planning & Analysis and Investor Relations

ANALYSTS

Chris Colvin
Breach Inlet Capital Management, LLC

Walter M. Schenker
MAZ Capital Advisors, LLC

ATTENDEES

Unknown Attendee

Presentation

Operator

Good day, and welcome to the Tiptree Inc. Second Quarter 2022 Earnings Conference Call. [Operator Instructions] Please note this event is being recorded. I would now like to turn the conference over to Mr. Scott McKinney, Deputy CFO. Please go ahead, sir.

Scott McKinney
Director of Financial Planning & Analysis and Investor Relations

Good morning, and welcome to our second quarter 2022 earnings call. We are joined today by our Executive Chairman, Michael Barnes; CEO of Jonathan Ilany; and CFO, Sandra Bell. A copy of our earnings release and investor presentation are on our website, tiptreeinc.com. 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. During the call today, we will discuss non-GAAP financial measures, which are described in more detail in our 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'll turn the call over to Michael.

Michael Gene Barnes
Executive Chairman of the Board

Thank you, Scott, and good morning to everyone. Tiptree is off to a solid first half of 2022 with each of our operating businesses producing positive results. Fortegra had another excellent quarter of premium growth and underwriting results. Our Marine business had its best quarter yet from strong charter rates and the gain on sale of one dry bulk vessel, and our mortgage business was profitable despite the headwinds from rising interest rates.

Revenues for the first 6 months increased 12% versus last year to $665 million, and adjusted net income improved 12% to $29 million. In June, we closed on the $200 million investment in Fortegra by Warburg Pincus. As I have stated before, we are extremely bullish on Fortegra's growth prospects and believe the partnership among Tiptree, Fortegra and Warburg Pincus will lead to fruitful results for years to come. Fortegra posted premiums and equivalents of $1.2 billion, up 16% from the prior year, led by strength in the specialty admitted and E&S insurance lines. Fortegra's adjusted net income was $40 million, up 49% from 2021, which represented an adjusted return on equity of 26%. Specialty markets remained favorable, and we continue to see improvement in the combined ratio from operating efficiencies.

We remain focused on growing both the specialty insurance and warranty service contract businesses. While we expect most of the growth to be organic through product and distribution expansion, we are always looking for complementary bolt-on acquisitions. Our most recent acquisition, ITC Compliance, further establishes Fortegra's footprint in the U.K. auto warranty sector. During the first half of this year, several market factors impacted our book value. Interest rates rose dramatically, risk assets dropped significantly. And in the last quarter, the U.S. dollar also significantly appreciated against major foreign currencies. As a result, Fortegra's fixed income portfolio like many insurance companies, incurred a pretax unrealized mark-to-market loss of $45 million through the first half, in addition to other unrealized losses on Invesque and other securities.

Our investment approach is geared towards the long term. And thus, Fortegra's fixed income portfolio remains conservatively positioned with AA+ rating and relatively short duration. Additionally, we expect to recover most of the unrealized marks over the coming years as the bonds mature. As I said on our last earnings call, over the long term, higher interest rates will benefit Fortegra. As of the end of the quarter, the investment portfolio stood at just over $1 billion. We expect the rising interest rate environment will be a net positive as Fortegra's growing portfolio can be invested at higher yields.

In our Marine business, we had an active first half with both dry bulk and tanker investments, producing solid returns. Given the elevated valuations for dry bulk vessels, we decided to exit our dry bulk positions, which will ultimately lead to gains of approximately $21 million or 45% above our carrying costs. One of our 3 dry bulk vessels closed in the second quarter, with the remaining 2 dry bulk vessels under contract expected to close in the third quarter of this year. As we look forward, we believe there will be additional sale and purchase opportunities within the shipping sector. Invesque, our largest publicly traded equity position, continues to execute on its strategic initiatives to streamline its portfolio of senior care real estate. Over the past 12 months, the company has sold just under $300 million of noncore assets with most of the proceeds used to reduce its overall debt profile.

Finally, our mortgage business produced positive returns in the first half, driven by mortgage servicing fees and value appreciation on our MSR asset, while volumes and margins have compressed in the beginning of 2022, over the past 2 years, the business has grown retained earnings substantially, and we now hold an MSR asset worth $41 million on our balance sheet. In summary, we believe Tiptree is well positioned for the future. Our capital position is strong. We are now debt-free as a holding company after paying off $113 million in June, and we continue to selectively buy back shares as opportunities present themselves. 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 compared to the prior year period. In the second quarter, our results were impacted in several ways by the closing of the investment in Fortegra by Warburg Pincus. In total, the transaction resulted in a $63 million pretax gain to Tiptree's equity. This book gain was offset by $39.6 million of tax expense related to the tax deconsolidation of Fortegra, split between the income statement and equity. GAAP accounting does not require an entity to record a deferred tax liability for differences in book and tax basis related to a subsidiary, which is consolidated with its parent protect. Once the subsidiary is no longer consolidated for tax, the deferred tax liability is recorded in the parent's books. For that reason, we recorded $25.5 million of deferred tax in the income statement related to the cumulative impact of our growth in book value since we acquired Fortegra. The remaining amounts offset the pretax gain from the transaction and was recorded directly to equity. This deferred tax liability is only due if and when we decide to sell any of our Fortegra shares. Future primary issuances by Fortegra would not trigger any tax liability.

For the quarter, we incurred a net loss of $22 million, driven primarily by the previously mentioned tax expense, along with unrealized losses on investments as compared to gains in the prior year period, partially offset by growth in insurance and shipping. Excluding investment gains and losses, revenues were up 16% for the quarter, driven by growth in insurance operations and increases in vessel charter rates. Adjusted net income for the quarter was $14 million, representing a 12.3% annualized adjusted return on average equity. Book value per share of $10.75 increased by 2.7% compared to the prior quarter, primarily as a result of the gain on investment in Fortegra, which was partially offset by unrealized losses on our fixed income securities driven by the higher interest rate environment and the strengthening U.S. dollar. Our business's strong operating cash flows provide us the ability to hold these securities to maturity.

Turning to Page 5. We highlight Fortegra's results for the quarter, where we continue to see strong momentum. In the second quarter, premiums and equivalents of $595 million increased by 8% year-over-year, driven by growth in specialty commercial and warranty lines. Deferred revenues and unearned premiums, which represent future earnings potential, stood at $1.8 billion, up 26% year-over-year. The combined ratio improved by 120 basis points year-over-year to 90.9%. Operating efficiencies contributed to an improved expense ratio despite continued investment in people and technologies to fund our growth, while the underwriting ratio increased modestly due to changes in business mix. Fortegra's 13.7% expense ratio for the quarter continues to benefit from economies of scale with underwriting and fee revenues growing faster than operating expenses. Adjusted return on equity was approximately 26% on an annualized basis. Going forward, Fortegra's scalable, efficient platform remains positioned for growth and consistent returns on equity.

On Page 6, you can see the insurance company financial trends over time. Gross written premiums and equivalents have increased 28% over this period with a 22% organic growth rate. Specialty Commercial lines have grown 46% per annum through the addition of new agents and programs and the expansion of E&S offerings. Personal lines have grown at a steadier 5% and benefited from increased consumer spending in 2021 and early 2022. Lastly, warranty lines have tripled through increased market penetration and geographic expansion. The combined ratio is not only stable, but has shown consistent improvement over time, moving from 93.3% in 2019 to 90.7% in 2022. Adjusted net income increased to $40 million for the first half, representing a 42% growth rate over the past 3 years. Adjusted return on equity has improved from 11% to 26% over the respective periods. Of note, this puts Fortegra at just above $80 million of trailing 12-month adjusted net income, a new milestone and one we expect to continue to improve upon in future periods.

Turning to the insurance investment portfolio on Page 7. Total investments and cash and cash equivalents ended the quarter at just above $1 billion, up 24% year-over-year, in line with the underlying premium growth. 92% of the portfolio is invested in high credit quality and liquid securities with an average rating of AA+. The fixed income portfolio has a relatively short duration at 2.6 years. As we mentioned earlier, while unrealized marks have impacted book value, we generally have the ability to hold these securities to maturity. We view reinvestment as an opportunity for improvement in investment income with rising rates a positive for Fortegra's investment portfolio in the long run. Fortegra's capital and liquidity remained strong, with $325 million of stockholders' equity, strong cash flow from operations and a debt capacity of nearly $200 million, all of which put the business in a solid position for future growth.

On Page 9, we present the results of Tiptree Capital, which consists of our mortgage and shipping operations as well as our Invesque shares. Pretax income for the quarter was $9.1 million compared to $8.4 million in the prior year, driven by the performance of our shipping investments. Our shipping investments contributed $13.8 million of pretax income as both dry bulk and tanker charter rates remain at robust levels. As Michael mentioned, we expect to recognize a gain of $21 million on the sale of our 3 dry bulk vessels, only $7 million of which impacted the second quarter, with the remaining $14 million expected in the third quarter. Given elevated charter rates and strong demand for shipping assets, we believe the fair value of our remaining 2 vessels is in excess of our second quarter net book value of $34.5 million.

In the past 2 years, our mortgage business benefited from several tailwinds, including higher refinance volumes, supported by both low rates and rising home prices as well as the growing servicing book. These tailwinds drove significant returns on our investment in this business, which as of June 30, 2022, had grown to $58 million. Rising mortgage rates and declining affordability has impacted originations across the industry. As a result, we have seen our mortgage origination volumes decline 17% from the prior year and margins compress to pre-COVID levels. While we believe our mortgage servicing portfolio will offset some of the impact on originations as rates rise, we expect to continue to face headwinds in volumes and margins for at least the remainder of this year.

Turning to Page 11. We highlight Tiptree's sum of the parts value reflecting the impact of the investment in Fortegra. Based on the transaction multiple of trailing 12 months adjusted net income implicit in Warburg's investment, Tiptree's retained ownership of Fortegra on an as-converted basis represents approximately $744 million or $19.85 per diluted Tiptree share. As you can see, including our remaining assets, we believe Tiptree sum of the parts value to be $26.12 per diluted share. Now I will turn the call back to Michael to conclude our prepared remarks.

Michael Gene Barnes
Executive Chairman of the Board
Thanks, Sandra. We were pleased with the performance of our subsidiaries' operations through the first half of the year. Fortegra continues to post record premiums, adjusted net income and return on equity. Market conditions remain favorable and the pipeline for new business is as strong as it has ever been. As we look forward, we see significant opportunities to create value with our investment in Fortegra. Within the shipping sector, charter rates remain at above average levels, which through the sale of our dry bulk vessels and continued ownership of our tankers provides us the opportunity to drive near-term returns, and we remain focused on deploying capital with the objective of long-term shareholder value appreciation. With that, we will open the line for questions.

Question and Answer

Operator

[Operator Instructions] And the first question will come from Walter Schenker with MAZ Partners.

Walter M. Schenker
MAZ Capital Advisors, LLC

Actually, it's 2 questions. But the sale of the 3 bulk ships will result in approximately how much net cash to Tiptree assuming they close? I realize they're on a contract and haven't closed yet.

Michael Gene Barnes
Executive Chairman of the Board

Right. Walter, thank you for the question. Do you want to ask the second question also?

Walter M. Schenker
MAZ Capital Advisors, LLC

The second question is, with the sale of the ships with the shrinkage somewhat with just nature of the time in the mortgage business with the fact that Fortegra going back to the underwriting has its own full in-place management team is not -- maybe it's a double negative, doesn't Tiptree overweighted in management and management expense given that Fortegra has its own management team? We spend a lot of money on corporate.

Michael Gene Barnes
Executive Chairman of the Board

Right so -- got it. I understand the question. So let me start with the dry bulk question. So gain on sale relative to our depreciated carrying book value was approximately 20 -- is anticipated to be once we have the settlement of the dry bulk, about $21 million over our GAAP carrying book value. Total proceeds on a gross basis is expected to be about $69 million from the ultimate sale of all 3. On a net basis, after fees and expenses as well as some of that is invested by a partner. We would expect that to be less. And Sandra and/or Scott, I don't know if you have an estimate of on a net basis, what you expect that to be?

Sandra E. Bell
CFO & Principal Accounting Officer

Roughly $60 million.

Michael Gene Barnes
Executive Chairman of the Board

Okay. So that's...

Walter M. Schenker
MAZ Capital Advisors, LLC

So -- and since you're basically debt free because of the Warburg Pincus thing, there will be $60 million of cash on the balance sheet at least?

Michael Gene Barnes
Executive Chairman of the Board

Once the -- all other things being equal, that's correct. Yes, that's right. Dry bulk settles that, that's what we would expect. With respect to the question of Fortegra, our mortgage business, et cetera, and the management, look, we have -- for the last 15-plus years, we've invested in operating businesses, one of the things we prioritize is having great management on those businesses in which we invest. We like taking control interest in businesses. And so with regard to both Reliance as well as Fortegra, we did exactly that. With respect to Reliance, we purchased that from a private equity firm. And with respect to Fortegra, we did take private actually, in terms of when we purchased Fortegra. It had been a public company.

The management of both, I'd say, is as good as it gets. It is rare to find management of the quality -- of the extraordinary high quality in both of those businesses. And I could not say enough for the performance of both. It is true that through -- on a look-through basis, when you look at the -- what I refer to as home office of Tiptree and the core group of management that allocates capital and deals with public company administration on both legal, accounting, tax, et cetera, which we expect the number of individuals to stay relatively stable as we go forward. That number, we think will ultimately achieve economies of scale as we grow. As we invest and divest the businesses based upon where we see opportunity, the management expense is embedded in the returns we're experiencing from those investments as we report them. So we are always looking to cut costs. We are always looking to run efficient businesses, but what we prioritize above all else is having competent management for the capital that we allocate.

I don't know if that answers your question, but we are always going to look to try to run a tight ship, getting -- paying down our debt is going to reduce, if I recall correctly, approximately $7 million of interest expense that will reduce holding company ongoing expense. And we're always going to look to try to cut back where we can. And I'll just mention, as an incentive program, we're extremely aligned with investors in terms of how we get paid relative to price performance on our incentive program. So I'll stop there. Walter, any other questions?

Walter M. Schenker
MAZ Capital Advisors, LLC

I'll just make a statement. Over the last 2 years, we've had share creep of a couple of million shares, actually 2.5 million shares, which is tied to management being incentivized with shareholders and part of the compensation, all of which is generally good, albeit we're issuing shares at 40% of what you believe, it is what it is. Good. I would strongly suggest since the stock is 40% roughly of -- give or take, where the value per share is as you lay it out. I think that's a pretty reasonable methodology that a significant portion of that $60 million could be redeployed in creating value by buying back shares. I know you bought back a few in the quarter, but you're now surely in a position to be more aggressive. That's my comments. It's not a question, I comment as a shareholder.

Michael Gene Barnes
Executive Chairman of the Board

I appreciate the comment. And as we've said in the past, we will always look to buy back our shares, when we think it presents opportunity. There are constraints in how we buy back shares and how we want to do so in a safe harbor situation. So there are constraints, and volume constraints, et cetera. So it's harder than it sometimes looks to buy back shares. But as you noted, we bought back, if I remember correctly, 89,000 shares plus and the -- which frankly, was towards the end of the quarter after we saw line of sight to a clear settlement of the Warburg transaction. So we don't want to be too aggressive until we knew that was closing. But yes, we're always going to look for that. And I agree with you, that's going to be a great use of capital if we can buy back our shares at a significant discount to intrinsic.

Operator

The next question will come from Chris Colvin with Breach Inlet Capital.

Chris Colvin
Breach Inlet Capital Management, LLC

I guess echoing Walter's comments to start with is just given the big discount between fair value and your trading price, we're also very supportive and would like to see more aggressive buybacks. And I'd suggest considering a large Dutch tender to buy back a bunch of shares. But -- and I think that will be helpful. But the reality is the liquidity of your stock is low. I suspect some shareholders on the call don't want to see a large buyback because of that liquidity. And although that should help close the gap, I don't think that's really the answer. So since you wisely pulled the Fortegra IPO last April, you look your Fortegra earnings are up, I think, like 150%. Warburg is invested in a value that, as you state, conservatively implies that Tiptree shares are worth over $25 a share, yet your share price is -- remains, like Walter said, 40% of that fair value and your trading price isn't up much from when you pulled the IPO. So we would strongly encourage the Board to look at spinning off Fortegra into a stand-alone public company. That seems like, one, the best path to crystallize and highlight the value of the asset. It would be far more cost and tax efficient than an IPO and something that I think Warburg Pincus seems like they could get on board with. So I guess I propose that and wanted to hear, Michael, your perspective on that idea.

Michael Gene Barnes

Executive Chairman of the Board

Sure. Thank you, Chris, and I appreciate your comments. I'll start with the Dutch tender and share buyback. And I would just say that, look, when we -- there are a couple of criteria I look at before we want to buy back shares. So one of them is that we have cash flush that we have no covenants that may be breached, which having paid off our holding company debt eliminates many of the questions that would be raised with respect to covenants, et cetera. And you're shrinking. So we need to value the distribution of that capital and share buyback versus the objectives of growing and achieving economies of scale and expenses as well as other investment opportunities, particularly what opportunities may exist at continuing to support our existing businesses, Fortegra being the largest. So we try to evaluate all of this, coupled with the knowledge constraints that I mentioned and that you just paid reference to, low active trading, low float as well as constraints on any safe harbor program that one might put in place other than block sales, which, frankly, are relatively infrequent.

So we are always going to look at that opportunity. We have a dynamic conversation, I'd say, if not every day, certainly every week and certainly every quarter at our board meetings as to what the right objectives are. We carry forward these ideas to our Board and discuss them actively. And Jonathan and I with Randy and Sandra and Scott and others, we debate this all the time. So we're always going to consider that as an objective if we meet the criteria that we've set for ourselves to manage the company properly in light of other opportunities.

With respect to the spinoff of Fortegra, look, we just closed on Warburg. Fortegra has now got capital to grow. It's hitting its numbers and exceeding its numbers that have been targeted. We see a great path of growth for Fortegra. We have a private equity partner. So we acknowledge by taking on a private equity partner. There's going to be an objective from them to see a monetization at some point. That can come in a couple of different forms. It can come in an IPO, potentially it could come in a sale of the business. But a spin-off frankly, may be complicated. It's a -- there's a lot of considerations to go into that. And frankly, all opportunities, all scenarios will be considered. But we just settled, the dust is just settling. We have capital at Fortegra to continue the growth trajectory. And so we're very happy with our investment in Fortegra. We want to see continued value to Tiptree shareholders. We have a long-term view, and we're going to manage that how we see best. And right now, we're going down that path. But I agree with you at some point, it will make sense to potentially is achieving its objectives and the market conditions are right, see a monetization event. Certainly, as I said, we have a partner that's going to want to do that, and we acknowledge that.

Operator

The next question will come from [Joe Salerno], investor.

Unknown Attendee

So let me ask one question and then I'll ask another. And if we can -- if you guys could take them in order, that would be great. On the SOTP value, one thing that's obvious, just while the SOTP value in dollars is going up on a per share basis, it's -- it hasn't as much, right? So just to illustrate that, September 30, '21, pro forma SOTP was $887 million. The quarter just ended, it's $979 million, so an increase of $92 million. Awesome, great job. But from a Tiptree shareholder perspective, per share, it's flat. It's $26 from September 30 to June 30. An element of that is share creep, right? There's more shares outstanding. But is there also something else going on in the sense that the SOTP value used to assume $140 million of proceeds from the Warburg Pincus transaction, but now that the deal closed according to cash flow statements, $200 million came in. Did that seem -- am I correct on that? Did the $60 million go somewhere?

Michael Gene Barnes
Executive Chairman of the Board

No. I think you -- yes, I think you are confused on that. The investment was always a $200 million investment. A certain portion was used to pay down Tiptree's holding company debt as well as for us to take some additional cash out in the form of a dividend and then capital was left with Fortegra as growth capital. And so in the aggregate, though, it adds up to $200 million of investment that was always the target investment from Warburg Pincus, just to be clear. Go ahead.

Unknown Attendee

So the -- I apologize. So the dilution, again, the SOTP value being up nearly $100 million over 9 months. But the per share SOTP is flat is pretty much solely just there's more shares outstanding in the denominator.

Michael Gene Barnes

Executive Chairman of the Board

I believe that these, I know that in the last quarter, a warrant that had been issued 10 years ago to -- when we did an internalization, a management structure came due and that warrant -- the holders of that warrant primarily myself and other partners of mine at the time exercised that warranty, writing a check and in cash. So it certainly speaks to our confidence of the value of the shares. But there's certainly that an increase in shares to the exits of that warrant. And a few shares, I think, as incentive compensation, which is normal. Sandra and Scott, anything you'd add to that?

Sandra E. Bell
CFO & Principal Accounting Officer

No, Michael. The warrants were a big driver of the change in diluted shares period-over-period.

Unknown Attendee

Okay. All right. And then second question. You guys know that if there is a vote of shareholders and if we get -- this is illustrated every conference call, we shareholders want action now. We want the value inherent -- apparently inherent in the company to be better shown in the stock price. And our vote, all the vast majority of folks want action now, right, whether it be a spin-out, sale of the company or whatever. This isn't that atypical again, you guys, as a management team are saying, hey, be patient, we'll get to where we want to get to, just hold on tight. While I respect that, one of my biggest petties here is while we wait, while shareholders wait, public shareholders wait, there's a lot of loss leakage of value in the sense that, one, $25 million of annualized corporate expense that excludes interest expense, that's pure corporate expense. That's a lot of money that's -- on an after-tax basis, you're talking something like $0.50 a share in -- basically in earnings. And not only that, you guys are issuing stock to employees at a 40%, 50% discount is what you claim or I think, believe is the value of the company. So again, not to beat a dead horse, but Michael, you're a smart guy. You've been doing this a long time. You get the markets. Where is your conviction and it is we're all wrong in a sense? And it pays year after year to leak this value from public shareholders to basically corporate insiders. Thank you very much for addressing that question.

Michael Gene Barnes
Executive Chairman of the Board

Appreciate it, [Joe]. And yes, I do appreciate your comment, and let's talk about the shared leak, as you referred to it. It's interesting because one of the things...

Unknown Attendee

And value and dollars leak, right, in the corporate expense is $25 million a year. I realize some of that is public cost for CAGR, which is generating 90% of profits or more of the company. So it's basically Fortegra. Sorry, okay. Okay. Go ahead, sorry.

Michael Gene Barnes
Executive Chairman of the Board

Yes. No, that's fine. I was going to just say that, yes, let's just address corporate expenses first. I think to your point, there is a set amount of corporate expenses that are fixed and then particularly as a public company, those will not change. The way that I would like to see that diminish as a percentage of the business is to grow the business. And that, again, is a counterbalance to our other objectives of potentially buying back shares or any consideration of other dividends, et cetera. So there's always that tension is my desire to grow the business versus using that capital in other ways that would potentially shrink or keep the business as the current size. So that's one consideration.

Incentive compensation is another component of the corporate expenses, and that's based upon performance. To that end, we did make a significant adjustment last year that was voted on in a proxy or earlier this year, where we changed the senior management incentive from RSUs, which were issued to your point, at a discount to fair value, and we felt that, that program as related to senior executives was really not applicable. It was not the right program. What was the right program was to achieve higher and higher share price out of the money from where we're currently trading, out of the money from where we current -- where as our book value, where we've traded historically, where increased amounts are awarded for increased price appreciation. So to that end, there were shares that were issued when we hit the price of $15, the first target. The next target is $20. And you should feel confident that senior management is extremely focused on that $20 price. We would love to see us get that. And I think as shareholders, we would be rewarded and shareholders would be rewarded. So that's the current primary incentive program that exists. So it's not leaking out shares at a discount, it's incentivizing management to achieve higher and higher share price.

There are -- there is still an RSU program for other executives. It's relatively small as in the restructured incentive program. And so to that end, there is still for other participants in the home office, as I call it, that will participate in RSUs, but it's relatively small. So as it relates to expenses and incentives, that is how I would respond. As it relates to the objectives of the business, as you said, we've -- Tiptree just passed its 15th anniversary in June, we have always looked at allocating capital with the objective of achieving best-in-class returns for every industry, every business, every allocation and to be competitive with other investments available in the market. You go back and look at our proxy, a few pages in, you'll see our 1-year, 3-year, 5-year, 10-year relative to the S&P relative to the Russell. And quite frankly, I would argue strongly that we've achieved our objective over that period. Certainly, our shares have traded off as inflation has hit, as certainly taken a hit to our float. It certainly impacts other businesses. But quite frankly, I feel extremely bullish about our businesses.

With regard to Fortegra, particularly, look, we've invested in multiple insurance businesses over the years. One of the first primary investments we made in Tiptree was an insurance company. And so we've done other add-on acquisitions of insurance businesses over the years. Fortegra has been a great investment. Fortegra started as approximately $100 million allocation has grown dramatically from our initial allocation. It's great to have a winning investment. My -- certainly growing up, my objective is to keep your winners, and sell your losers, we're winding down or if you find the opportunity to sell something at a price at which you value it less and others may value it or you see greater downside than others see, sell it. So we stick to that discipline, and we take a very long-term view. Clearly, our objective is to create a platform or monetization potentially for investment in Fortegra when we've achieved our objectives. We went down that path as recently as 18 months ago and decided it wasn't ready. Decided we weren't getting the right price that the market or bankers were not valuing what we saw properly, and we decided to pull it. And I think it was the right decision.

We brought in excess -- outside capital partner, a Warburg Pincus, a great partner. And as I said, as a private equity partner, we have the objective that we share with them of seeking a monetization event when the markets are there and when we feel that the valuation is appropriate. And so like all of our investments, we are going to nurture that until we see the right point of exit, but it just isn't ready yet and having just closed in that capital. And it took a long time, I acknowledge longer than I had hoped. We are flushed with capital ready to grow, and I see a great runway for Fortegra to continue its growth trajectory. So we're extremely pleased with our investments right now. All of our businesses, as I noted at the beginning of the call, we're profitable in the last quarter. And frankly, I give kudos to all of our management teams. They've done a great job.

Unknown Attendee

Okay. We're going to talk in circle, so I'll just make it brief. In Q2, employee comp and employee incentive comp combined to $6 million in Q2. So I don't see how that is [5] down with the new plan, maybe I'm missing something, but that's what the Q says. It's a lot of money, again, $25 million in corporate expense, where Fortegra is generating 90 -- maybe it's 100% of the -- actually 90%-plus profit. There's -- and we, as shareholders, wait -- we public shares are paying a very large price to wait. It's money that's going out the door and not coming back. And folks, good folks are getting it, you guys, but it just seems like not a fair deal. So anyway, thank you very much, not every management team would be open to having this critique in public forums. So I do appreciate that. But just hearing us and nodding and saying we're doing our best it's just only so gratifying. It doesn't solve what I deem to be an unfair formula here -- or not or formula it is not and particularly with the public shareholders' interest foremost in mind. Again, Michael, I do sincerely appreciate you letting me ask these type of questions and voicing these thoughts.

Michael Gene Barnes
Executive Chairman of the Board

Got it. Thank you, [Joe], and I appreciate the comments. We hear from a lot of our investors. Everyone has some great ideas. We try to certainly hear them, internalize it, try to do better. But with regard to our investments, we'll sell them when we feel that the right -- when the markets are there and when it's at the right price. But I appreciate your comments, [Joe]. Thank you.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Ms. Sandra Bell for any closing remarks. Please go ahead.

Sandra E. Bell
CFO & Principal Accounting Officer

Thank you, Chuck, and thank you, everyone, for joining us for our second quarter 2022 conference call. As always, we are available to take your calls and questions. Please feel free to reach out to me or Scott at any time. Thank you again.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.