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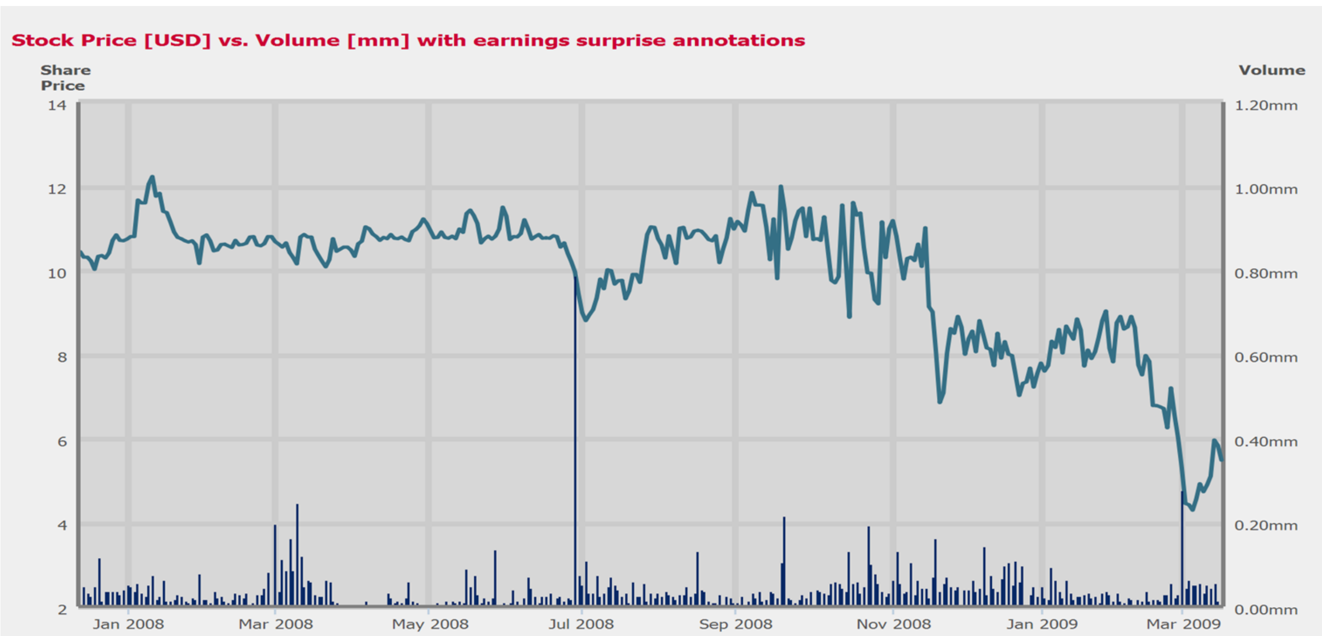

Call Participants

EXECUTIVES

Jonathan Ilany
Chief Executive Officer and Director

Michael Gene Barnes
Executive Chairman

Sandra E. Bell
Chief Financial Officer

ANALYSTS

John Sites

Presentation

Operator

Greetings, and welcome to the Tiptree Financial's Third Quarter 2015 Earnings Conference Call. [Operator Instructions] As a reminder, this conference is being recorded.

I'd now like to turn the conference over to Ms. Sandra Bell, Chief Financial Officer, Tiptree Financial. Thank you. You may begin.

Sandra E. Bell
Chief Financial Officer

Good morning, everyone. Welcome to Tiptree Financial's Third Quarter 2015 Earnings Call. My name is Sandra Bell, and I'm Tiptree Financial's Chief Financial Officer. With me today are Michael Barnes, Tiptree Financial's Executive Chairman; and Jonathan Ilany, our Chief Executive Officer.

Before I turn the call over to Michael, let me remind everyone that in addition to our earnings announcement, which was released prior to this call, we have posted a presentation on our website, at www.tiptreefinancial.com, to provide supplemental information to our prepared remarks, which we will refer to by page during the call.

References on today's call to Tiptree or the company mean Tiptree Operating Company, LLC, the entity through which we conduct our operation and its consolidated subsidiaries, together with the stand-alone net assets held by Tiptree Financial, Inc. References to Tiptree Financial mean Tiptree Financial, Inc. and exclude the noncontrolling interest of Tiptree Operating Company.

Unless otherwise noted, discussion of our financial results will be presented at the Tiptree operating company level.

Let me pause for a moment for you to locate and open the presentation.

Now that you have the presentation in front of you, please turn to Page 1 of the presentation, where I will walk you through the disclaimer. Please read these disclosures in detail as my remarks will simply highlight their content. This presentation is qualified in its entirety by the contents of the disclaimers on this page.

This presentation is being provided as a supplement to our financial statements, footnotes and other disclosures filed with the SEC and is not an offer to purchase or sell securities. It is being provided solely for informational purposes and is not intended to change or update our disclosure document.

Throughout the presentation and in our 10-Q filing, there are various forward-looking statements, which provide management's current expectations of what we believe could occur and are not statements of historical facts. Any statements made on today's call other than historical information including statements about Tiptree's plans, objectives, expectations and intention are forward-looking statements under federal securities laws.

Our future expectations can change without notice, and are not guarantees of any future performance. Our businesses are subject to risks and uncertainties and other factors, many of which are not in the control of management. These factors may change from our current expectations, sometimes very rapidly and thus could impact our expectation of future results. Except as required by securities laws, we undertake no obligation to update any forward-looking statement.

We have also included in this presentation information from publicly available sources. While we believe these sources to be credible, we have not independently verified the information.

Lastly, we use the non-GAAP measures, EBITDA and adjusted EBITDA throughout the presentation. We believe that EBITDA and adjusted EBITDA provide supplemental information useful to investors. As these measures are not GAAP, they should not be used as a substitute for GAAP disclosures, but should be reviewed only in conjunction with our GAAP disclosure documents and GAAP financial.

The appendix of the presentation, beginning on Page 28, provides a reconciliation of EBITDA and adjusted EBITDA to GAAP net income.

With that disclaimer, let me turn the call over to Michael.

Michael Gene Barnes
Executive Chairman

Thank you, Sandra. Before I dive into my prepared remarks, let me just note that as of November 10, Geoffrey Kauffman resigned as co-CEO and Director of the Company to pursue other opportunities. Jonathan Ilany has become the company's sole Chief Executive Officer.

Now let me take a minute to highlight what we expect to cover on today's call. First, I will summarize the key highlights of the quarter, then I'll turn it over to Sandra, who will discuss our consolidated results and the results of each segment in more detail, including an overview of key business drivers and industry and market factors that have impacted our performance year-to-date, and which we expect to impact our results throughout the fourth quarter and into 2016. Finally, we will open the line to address any questions you may have.

With that introduction, please turn to Page 3 of the presentation, where we outline the key highlights of the quarter by segment.

For 2015, we continue to benefit from our December acquisition of Fortegra. Growing demand for nonbank consumer finance and auto warranty and insurance products supported strong results for Fortegra, with pre-tax income of $10.1 million for the quarter and $20.4 million year-to-date.

Continued growth in the contribution Specialty Products helped close the gap from continued competitive pressure in cell phone warranty products. In our Specialty Finance segment, as we mentioned last quarter, on July 1, we completed the acquisition of Reliance First Capital, a retail mortgage originator operating in 32 states. Along with Luxury, Reliance makes up our mortgage business component of our lending businesses. Home affordability and an improving economy have driven industry-wide year-over-year increases in mortgage origination as seen in the increase in funded volume and improvements in mortgage margin.

Also in Specialty Finance, Siena, our asset-based lending business, has benefited from positive trends in small business borrowing with year-over-year improvements in both outstanding loan balances and profitability. Macroeconomic and demographic trends continue to support our optimism regarding our senior housing business.

In the third quarter, we began to see benefits from the acquisition of properties earlier in the year, as well as from capital expenditure upgrades resulting in improvements in rental income and adjusted EBITDA.

In the third quarter, we invested $40 million in a Telos 7 warehouse, in anticipation of launching a new CLO, and have subsequently invested an additional $5 million or a total of $45 million committed in support of the CLO warehouse.

Market concerns regarding weakening credit trends, primarily driven by the energy sector, combined with an overhang of loans on bank balance sheet, has slowed new CLO issuances. As a result, until we launch Telos 7, we will expect to see a continued reduction in asset management fee, partially offset by an increase in interest income on the warehouse, which will be recorded as a principal investment in our corporate and other segment.

In the third quarter, we also grew our principal investments in nonperforming mortgage loans, with an additional $20.9 million of portfolio purchases bringing the total investment to $30.6 million dollars at the end of the quarter. Subsequent to the end of the quarter, we added an additional $5.5 million, bringing our total investment to $36.1 million as of this call.

During the third quarter, we supplemented our $25 million initial investment in the Telos credit opportunities fund, by fully utilizing an available credit facility to grow total assets in our Telos-managed credit opportunity fund to $79.1 million. Also during the third quarter, the company and I entered into a new stock purchase plan to purchase up to an aggregate of $5 million of Tiptree shares in the open market.

With that, I now turn it over to Sandra, who will discuss our financials for the quarter and the key drivers of those results.

Sandra E. Bell
Chief Financial Officer

Thank you, Michael. We begin on Page 5, where we highlight our GAAP results, along with adjusted EBITDA.

For the quarter, we reported a GAAP net loss of $6.4 million for the operating company, and $4.6 million for Tiptree Financial. Adjusted EBITDA at the operating company level for the same period was $4.9 million.

Year-to-date, at the operating company, GAAP net income was $11.4 million, which includes $23.3 million related to PFG, which is included in discontinued operations for the first half of 2015. Year-to-date, the total adjusted EBITDA for the company was $49.9 million. Results from continuing operations for both the quarter and year-to-date were primarily driven by improving profitability due to the inclusion of Fortegra, growth in Specialty Finance, volume and margin, increased rental revenue at Care from both the growth in our portfolio and improving results in our existing properties, partially offset by higher depreciation and amortization, driven by the investments in real estate and the impact of purchase accounting at Fortegra; realized marks on the sale of our CLO subordinated notes in Q2 net of tax benefits received; the one-time gain at Care in 2014 that did not occur again in 2015; unrealized fair value marks as the credit markets priced in higher expected default rates; and higher corporate expenses associated with our efforts to improve our controls over financial reporting.

Moving to the next page, we highlight our segment's contributions to our 9 months total revenue, which grew more than 3x from $108 million in the 9 months of 2014 to $355 million in the 9 months of 2015. This total does not align directly with the revenue on the face of our income statement because in order to allow for better comparison, the slide includes the proportion of revenues attributable to PFG in both periods, which have been reclassified to discontinued operations in our financial statement.

In addition, income attributable to consolidated CLOs have also been included in both years. The drivers of this growth were the addition of Fortegra and its $239 million in revenue, which more than offset the $58 million in revenues previously generated by PFG in the comparable period in 2014, along with improvements in volume and margins in our Specialty Finance segment and increased rental revenue from our larger senior housing portfolio at Care.

Our increased revenue was dampened somewhat by a combination of a reduction in asset management fees, as our older CLOs amortized, the realized and unrealized fair value losses in our CLO investment, and the one-time gain of $7.9 million at Care in 2014.

Turning to Page 7, adjusted EBITDA also grew year-over-year. The primary driver is the addition of Fortegra, which contributed $30.5 million of adjusted EBITDA for the 9 months of 2015. Excluding the one-time gain of $7.9 million at Care in 2014, growth in adjusted EBITDA resulted driven by a growth in revenues at Care and in Specialty Finance.

In addition to the dampening effects mentioned earlier of the fair value marks on our principal investment, adjusted EBITDA was negatively impacted by higher corporate expenses, associated with our effort to improve our controls in financial reporting infrastructure.

Why is the growth in top line revenue an important strategic step for Tiptree? All of Tiptree's businesses are highly scalable, with revenue being the primary driver of our ability to improve profitability and to take advantage and leverage an improving U.S. economy.

On Page 9, as we did last quarter, we again reviewed the trends in the U.S. economy. Overall, the economy is showing signs of improving fundamentals, with lower unemployment, a stronger dollar, and low oil prices, the U.S. consumer appears to be more confident and is spending and saving more. Consumer confidence index is up, GDP continues a positive trend, and businesses are beginning to increase their investment, both through acquisitions and organic initiative.

We highlight the specific key economic factors impacting each of our business' results, beginning with our insurance and insurance segment.

On Page 11, we highlight the market dynamics, which we believe are providing support to Fortegra's revenue and adjusted EBITDA growth. The improving consumer confidence, mentioned earlier, is underpinning expansion of consumer credit, particularly for moderate income earners and in areas such as auto finance, consumer electronics, and consumer durables. Fortegra's business model is leveraged to this improving economic picture, as the provision of credit life insurance is an important component to supporting access to credit for moderate income American, while there is a growing demand for warranty and other insurance products in conjunction with sales of cars, consumer electronics, and other big-ticket items, such as appliances.

On Page 12, we present 2 revenue bridges, showing the contribution of each of Fortegra's key products to both the quarter and the 9 months. Revenues of $30.1 million for the third quarter were up 5.1% year-over-year, while revenues for the 9 months of $85.1 million were flat compared to 2014. The quarter-over-quarter improvement in revenue was largely attributable to growth in credit protection products, combined with improvement in both specialty products and warranty products, other than the cell phone warranty product, which continued to experience competitive pressure.

On Page 13, we show the unaudited pro forma financial information of Fortegra to allow investors to compare Fortegra's year-over-year performance with financial statements that Fortegra had filed with the SEC before we -- our acquisition.

The pro forma information for 2015 presented here and in our MD&A in more detail is provided without the purchase price adjustments reflected in our consolidated financial statement.

Net income for the 3 months improved from $4.8 million in 2014 to $8.5 million in 2015 and for the 9 months from $16.1 million in 2014 to $16.5 million year-to-date. In addition to the revenue story we described on the previous page, the company began an aggressive program to cut cost, with both net income and adjusted EBITDA benefiting from this disciplined approach to expense management moving into the second half of the year. Continued expense management and revenue contributions from credit products going forward are expected to drive growth into the fourth quarter.

In addition, the fourth quarter tends to be a strong quarter for Fortegra, as their business benefits from increased spending by consumers, as the holidays approach.

Our Specialty Finance segment has also benefited from macroeconomic factors. On Page 15, we highlight some of those positive trends.

Home affordability continues to be attractive, relative to renting, with near-term interest rate increases, still expected to keep rates low by historic standards. In addition, improving job prospects combined with home price improvement in many areas of the country are driving positive growth in home sales and the mortgage market.

In addition, the GSEs and the FHA have added products and improved pricing to encourage first-time homebuyers to look at buying a home. Housing starts are up, and the mortgage market is benefiting, particularly purchase originations. Fannie Mae is forecasting mortgage growth year-over-year for 2015 and 2016, with the momentum concentrated in the purchase market.

The mortgage business positive revenue and earnings year-to-date are clearly reflective of those trends, even with gradual rate increases on the horizon, with the current base of historically low interest rates, affordability factors are not anticipated to change dramatically.

On Page 16, we show the improving volume and margin picture for the Specialty Finance segment. Mortgage volumes more than doubled year-over-year in the 9 months ended September 30, 2015. With the addition of Reliance and its higher mix of FHA BA and agency volumes, we also saw net revenue margins increase from 160 basis points in 2014 to 286 basis points in 2015. And we are well positioned to take advantage of expanding margins to drive continued improvement in profitability. Small- to mid-sized businesses are growing more confident in the economic picture for their products and services and as such have begun to invest. Increasing investment is fueling demand for credit, and in the case of small businesses away from the commercial bank market.

As the chart on the left hand of this page illustrates, Siena has benefited from these trends with year-over-year loan balance growth of 61% from $35.4 million at the end of 2014 to $56.7 million at the end of September.

Turning to Page 17, the growth in volume and margin served to expand the revenue pie in this segment as well. The increased mortgage volumes along with Reliance's focus on higher margin FHA BA mortgage loans and agency businesses were the primary driver of the segment's pretax income up $1.3 million for the quarter, compared with the pretax loss of $703,000 in the prior year period. Siena also contributed to the revenue growth through a combination of higher average balances and higher termination fee income as several clients prepaid their loans early.

U.S. demographic picture favors growth in senior housing, as the baby boomers continue to age. On Page 19, we highlight these trends. The combination of aging U.S. population and an improving economy continued to support positive investment dynamics for our real estate segment. Leveraging these trends, as we have shown on the next page, Care has more than doubled its senior housing properties and joint venture investments during the latter part of 2014 and the first quarter of 2015, growing its portfolio by $123.8 million to a total of $232.9 million. 14 out of our 24 facilities representing 53% of our real estate portfolio by purchase price were acquired at the end of 2014 and the beginning of 2015. These newer facilities are undergoing comprehensive capital expenditure outlays and enhancements to allow them to operate more efficiently and as they ramp up and stabilize, we expect our results to reflect such improvements.

Increase in the number of properties generated higher rental and other income in 2015 compared with 2014; however, the company also incurred additional depreciation, amortization and interest expense as a consequence of the growth in Care's property portfolio.

As shown on Page 21, excluding the one-time gain of $7.9 million at Care in 2014, we saw year-over-year growth of 125% in revenues from $14.9 million to $33.3 million and 70% in adjusted EBITDA from $2.3 million to $3.9 million, both as a function of the addition of new properties and management actions to improve operations at existing properties.

The growth in the demand for business credit that we discussed earlier is also supporting growth in our asset management segment and in our principal investment.

On Page 23, we have provided statistics, which highlight the fact that demand for business credit is generally growing with the U.S. economy. To be able to take advantage of this growing trend, we deployed $40 million into Telos 7 in the quarter to supplement the $25 million we contributed to our Telos-managed credit opportunity fund in the prior quarter. Telos 7 is a new loan warehouse to replace older CLOs, where the investment period had ended and amortization and, therefore, deleveraging had begun. When combined with leverage, these 2 investments added $239 million to our exposure to corporate credit.

Turning to Page 24, net income and adjusted EBITDA attributable to the asset management component of the CLOs was down slightly year-over-year from $7.2 million to $6.7 million and from $9 million to $8.2 million, respectively. The principal reason for the modest decline was the reduction in CLO management fees, driven by a combination of amortizing assets under management in our older CLOs and lower fees on more recent CLOs.

The sale of subordinated notes of Telos 2 and 4 in the prior quarter also reduced distributions in the third quarter year-over-year, but also generated tax losses of approximately $12.5 million to the company.

Until we launch Telos 7, we will see a reduction in asset management fee, partially offset by increased interest income on the warehouse, which will be recorded in principal investments in our corporate and other segment.

On Page 25, we highlight some of the key drivers impacting our corporate and other segment, which incorporates revenues from the company's principal investment activities and expenses including interest expense on the Fortress credit facility, in head office payroll and other expenses including those related to greater investment in controls and reporting infrastructure as well as audit fees.

We reported a pretax loss for the third quarter of $14.5 million and $31.6 million for the 9 months, which was primarily driven by realized and unrealized net losses of $18.8 million on our CLO subordinated note.

As we mentioned earlier, this was offset by a $12.5 million tax loss, contributing a tax benefit to the overall net income of the consolidated group. Market concerns regarding weakening credit, combined with an overhang of loan assets for sale on bank balance sheets drove down the unrealized marks on the CLOs in the third quarter.

On Page 26, we want to highlight the key takeaways from the quarter and things to keep in mind going forward. As we move into the fourth quarter of 2015 and look forward to 2016, we believe Tiptree is well positioned to take advantage of improvements in the U.S. economy. Adjusted EBITDA growth is expected to benefit from continued revenue growth of Fortegra combined with disciplined expense management to drive positive improvement. Growth in the Specialty Finance volume and margins from industry expansion, combined with improving product mix and the resultant increased margins in mortgage originations are expected to increase adjusted EBITDA on that segment.

In addition, growing rental income from our senior living portfolio, combined with investments to increase occupancy, can drive improvements in operating income at the property level. While the fair value marks on our CLOs were impacted by credit conditions in the quarter, we expect this component of our business model to continue to improve into 2016.

In conclusion, we are confident that our strategic direction in taking advantage of positive economic trends puts the company in a strong position to drive long-term shareholder value.
Thank you, and we will now open up the call for Q&A.

Question and Answer

Operator

[Operator Instructions] And our first question comes from the line of John Sites from Wexford Capital.

John Sites

Sandra, 2 questions. Are you still producing a non-GAAP economic book value calculation?

Sandra E. Bell
Chief Financial Officer

No, we are not.

John Sites

Okay. Second question is the higher corporate expenses associated with the efforts to improve controls and financial reporting. Are those expenses expected to moderate over time or are they going to make the -- essentially at the same level going forward?

Sandra E. Bell
Chief Financial Officer

A good part of that number is related to audit fees and SOX expenses. We're in the first year of our 404(b) SOX compliance, and because of that, we have a higher level this year. It will begin to moderate over time, probably begin to see that in about the third year.

Operator

[Operator Instructions] Okay. Management, it appears there are no further questions at this time. Would you like to make any closing remarks?

Jonathan Ilany
Chief Executive Officer and Director

No, thank you.

Operator
This concludes today's conference. Thank you for your participation. You may disconnect your lines at this time.