# KINGSWAY

NYSE: KFS

Investor Presentation May 2021

# Forward-Looking Statements



This presentation includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that are not historical facts, and involve risks and uncertainties that could cause actual results to differ materially from those expected and projected. Words such as "expects," "believes," "anticipates," "intends," "estimates," "seeks" and variations and similar words and expressions are intended to identify such forward-looking statements; however, the absence of any such words does not mean that a statement is a not a forward-looking statement. Such forward-looking statements relate to future events or future performance, but reflect Kingsway management's current beliefs, based on information currently available. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements, including as a result of the COVID-19 pandemic. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, please refer to the section entitled "Risk Factors" in the Company's 2020 Annual Report on Form 10-K, as well as the risk factors listed from time to time in any subsequent filings with the Securities and Exchange Commission. Except as expressly required by applicable securities law, the Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

### Additional Information

Additional information about Kingsway, including a copy of its 2020 Annual Report can be accessed on the EDGAR section of the U.S. Securities and Exchange Commission's website at www.sec.gov, on the Canadian Securities Administrators' website at www.sedar.com, or through the Company's website at www.kingsway-financial.com.

### Non U.S. GAAP Financial Measure

The Company believes that non-GAAP adjusted net earnings (loss) and non-GAAP adjusted EBITDA, which are included in this presentation, when presented in conjunction with comparable GAAP measures, provide useful information about the Company's operating results and enhances the overall ability to assess the Company's financial performance. The Company uses non-GAAP adjusted net earnings (loss) and non-GAAP adjusted EBITDA, together with other measures of performance under GAAP, to compare the relative performance of operations in planning, budgeting and reviewing the performance of its business. Non-GAAP adjusted net earnings (loss) and non-GAAP adjusted EBITDA allow investors to make a more meaningful comparison between the Company's core business operating results over different periods of time. The Company believes that non-GAAP adjusted net earnings (loss) and non-GAAP adjusted EBITDA, when viewed with the Company's results under GAAP and the accompanying reconciliations, provide useful information about the Company's business without regard to potential distortions. By eliminating potential differences in results of operations between periods caused by the factors listed in the attached schedules, the Company believes that non-GAAP adjusted net earnings (loss) and non-GAAP adjusted EBITDA can provide useful additional basis for comparing the current performance of the underlying operations being evaluated. Investors should consider these non-GAAP measures in addition to, not as a substitute for or as superior to, financial reporting measures prepared in accordance with GAAP. Investors are encouraged to review the Company's financial results prepared in accordance with GAAP to understand the Company's performance taking into account all relevant factors.

# Representatives



## John T. Fitzgerald

President, CEO, and Director

Mr. Fitzgerald has served as CEO of Kingsway since September 2018. Mr. Fitzgerald joined Kingsway as Executive Vice President on April 21, 2016 following Kingsway's acquisition of Argo Management Group, a private equity investment partnership co-founded by Mr. Fitzgerald in 2002. Effective March 8, 2017, Mr. Fitzgerald was appointed President and COO of Kingsway. Prior to co-founding Argo Management Group, Mr. Fitzgerald was managing director of Adirondack Capital, LLC, a financial futures and derivatives trading firm, and he was a seat-owner on the Chicago Board of Trade. Mr. Fitzgerald received a Bachelor of Science degree from DePaul University, with highest honor, and is an MBA graduate of the Kellogg School of Management, Northwestern University.

## Kent Hansen

Chief Financial Officer

Mr. Hansen has served as CFO of Kingsway's subsidiary, Kingsway America Inc., since December 2019 and EVP and CFO of Kingsway since February 2020. Prior to joining Kingsway, Mr. Hansen served as CAO and Controller of LSC Communications, Inc. from 2016 to 2019. Prior to this, he served as VP, Assistant Controller, of Baxalta, Incorporated, a biopharmaceutical company from 2015 to 2016. Prior to this, he served in various finance and accounting roles from 2006 to 2015 with Scientific Games Corporation (formerly WMS Industries, Inc.), including Director of Accounting and SEC Reporting, Assistant Controller, and Group Chief Financial Officer. His earlier experience includes roles in accounting and financial reporting at Accenture and as an auditor at Ernst and Young LLP. Mr. Hansen received a BBA degree from the University of Michigan and is an MBA graduate of the Kellogg School of Management, Northwestern University.

# Introduction to Kingsway

Owns or controls subsidiaries primarily in the extended warranty, asset management, and real estate industries.

## Ticker: KFS (NYSE)

### Incorporation

Incorporated in 1989

### Total Employees

235

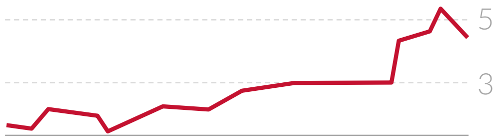
### Financial Overview (1)

Assets (1): $452.5 Million
Liabilities (1): $433.8 Million

### Shareholder Information

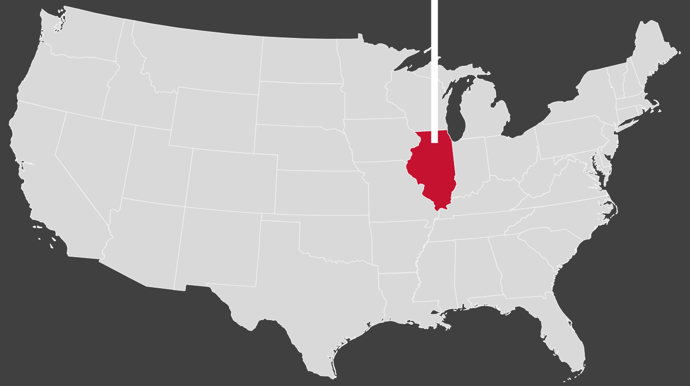
Share Price (1): $4.70
Shares Outstanding (1): 22.7 Million
Market Capitalization (1): ~$107 Million

Stock price for the past year
(H $5.50 L $1.26)




Based in Itasca, IL

(a. 30 Miles West of Chicago)



(1) As of 12/31/2020

# Introduction to Kingsway: Components of Value



Decentralized operating structure with a small Corporate team

KINGSWAY

- A small, lean team
- Makes all capital allocation decisions among OpCos
- Acquisitions of new OpCos
- Oversight and cadence of accountability with OpCos
- Oversees Asset Management
- Responsible for SEC and other regulatory filings
- All debt of subsidiaries is non-recourse to KFS

## Asset Management

- Legacy non-strategic passive investments of $45.1 million[(1)]
- Manage $50.0 million[(1)] investment 'float' of warranty businesses
- Argo Management Group LLC ("Argo"), a fully invested $3.3 million[(1)] search fund

## Extended Warranty

- Five operating businesses
- Large growing market – U.S. focused
- "Capital light" and scalable
- 2020 FY pro forma revenue of $75.3 million[(1)(2)]
- 2020 pro forma EBITDA of $13.0 million[(1)(2)]

## Real Estate

- Owns 81% of CMC Industries, which owns the BNSF rail yard in Dayton, TX
- Leased Real Estate where Kingsway receives cash flow (after debt/principal repayment) from excess rental payments
- 2020 FY revenue of $13.4 million[(1)]

(1) As of 12/31/2020 | (2) Includes twelve months of PWI, which was acquired on 12/1/2020. Refer to the Appendix for a reconciliation of GAAP to non-GAAP measures.

# Introduction to Kingsway: Investment Thesis



### Solid Operating Businesses

- Profitable extended warranty businesses
- Invested 'float' enhances earnings
- Real estate that has long-term contractual cash inflows with a credit-worthy tenant

### Value Creation With Tax Shelter

- $845.56[1] million in net operating losses ("NOLs") expiring between 2027 and 2040 provide opportunity to compound capital tax-free
- We Use a 20-year time horizon to guide our approach to strategic investments and acquisitions, as well as incentive structures

(1) As of 12/31/2020

### Trades at a Discount to Intrinsic Value

- Sum-of-the-parts valuation view (see later slide) suggests a higher value than the current market cap

### Aligned Management and Board

- Board and Management team own 54% of common equity
- Board and Management team have purchased 3.6% of outstanding shares in Kingsway through open market transactions in 2020
- Incentives to act like owners and opportunities to participate meaningfully in long-term value creation

### Leadership and Culture

- Accountability to living our core values and achieving established performance objectives (the right way)
- Focus on results
- Attract, develop and retain world-class talent
- CEO Accelerator Program is building the foundation for future business leaders within Kingsway

# Introduction to Kingsway: Core Tenets of Value Creation

## Disciplined Capital Allocation

- **Growing portfolio of operating companies with strong cash flow**
- **Seek acquisitions and internal investments that generate strong returns**

Acquired PWSC (extended warranty business) in Q4 2017 at an approximate 3.2x multiple of 2018 full year EBITDA(1)

Acquired Geminus (extended warranty business) in Q1 2019 at an approximate 3.8x multiple of 2019 full year EBITDA(1)

Acquired PWI (extended warranty business) in Q4 2020 at an approximate 3.8x multiple of 2020 full year EBITDA(1)

(1) Before the effects of US GAAP purchase accounting

## Decisive Execution

- **Minimize non-strategic expenses**

Continued alignment of business objectives and incentives around growth in intrinsic value. Operating subsidiary Presidents incentivized based on achieving and exceeding prescribed ROIC hurdles; on-going scrutiny of corporate processes to increase efficiencies and reduce costs

- **Simplify and focus**

Continue to monetize our current portfolio of non-strategic passive investments in order to eliminate complexity and distractions caused by our former merchant banking strategy; focus on creating value by expanding our extended warranty businesses and adjacent "asset-light" categories

## People

- **Attract, Develop and Retain World-Class Talent**

The Company's senior management team has been completely revamped through the appointment of JT Fitzgerald (CEO), and hiring of Kent Hansen (CFO)

Operating Companies enhanced with hiring new managers Brian Cosgrove (President of Geminus) and Tyler Gordy (President of PWSC)

Launched the CEO Accelerator Program in 2020

# Kingsway Recent Actions



**Our current CEO, JT Fitzgerald, was appointed in September 2018; since that time he has installed new leadership throughout the Company**

Since being appointed CEO, JT has

- Simplified the corporate structure by changing the Company's jurisdiction of incorporation to the US and exiting the Canadian dual-listing
- Completed the sale of KFS's unprofitable non-standard auto insurance business
- Substantially cut holding company costs
- Made significant headway unwinding legacy non-core investments
- Redeployed capital to the purchase of growing, profitable, "asset-light" warranty businesses at reasonable valuation multiples
- Hired a new CFO (February 2020), and new Presidents at PWSC and Geminus
- Launched the CEO Accelerator Program

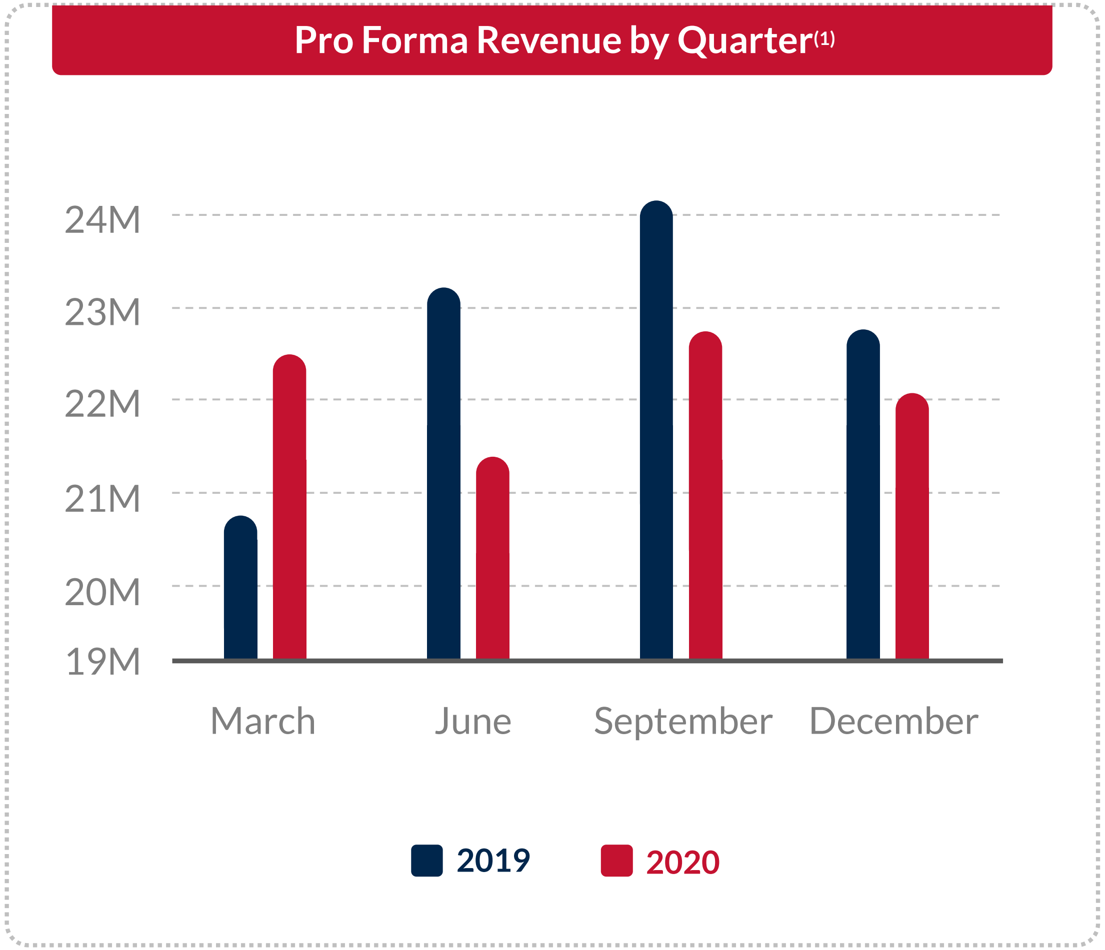
**Our significant progress has been overshadowed by financial reporting difficulties that are now resolved**

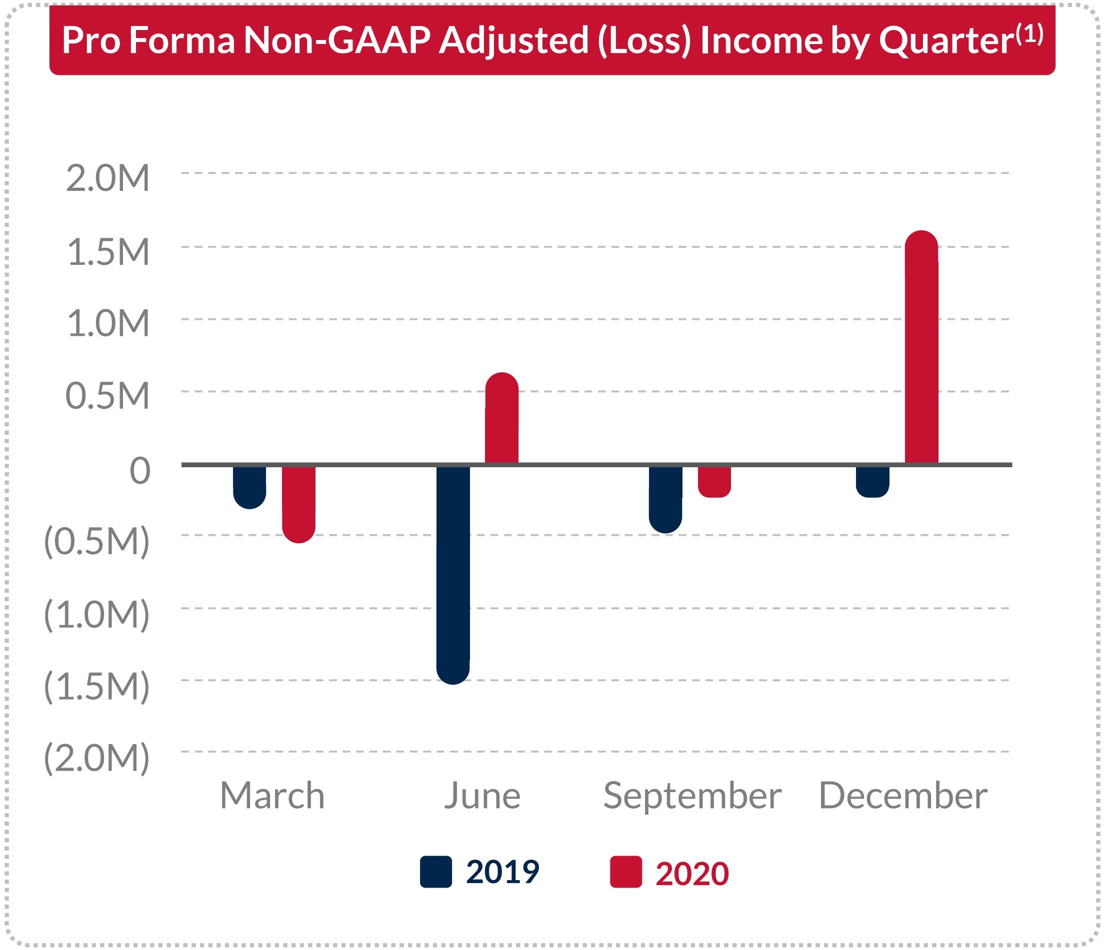
- During the 2018 audit of our consolidated financials, it was determined that many KFS investments needed to be consolidated into the financial statements
- This required the restatement of the Company's 2017 financial statements and substantially delayed the completion of the 2018 audit
- As a result, beginning in early 2019 the Company was not able to provide current financial information to its shareholders
- Between February 2020 and July 2020 the Company was able to complete all the required 2018 and 2019 SEC filings
- The Company became fully current with its filings when it filed its Q2 2020 10Q in August 2020 and has been providing timely, current financial information ever since

# Kingsway Financial Overview

# Kingsway Financial Overview






(1) Refer to the Appendix for a reconciliation of GAAP to non-GAAP measures. Pro forma includes the corresponding PWI amount for the entire year of 2020.

# Extended Warranty

# Extended Warranty Industry



A Scalable, High Margin, Low Capital Intensity Business = Enduringly High ROTC

## Warranty Industry Advantages

| | |
|---|---|
| Large and Growing | Estimated at over $121B globally and forecast to grow at 7.4% CAGR through 2027[1] |
| Fragmented | Management estimates that top companies in industry account for only 32.5% of revenue |
| High Barriers to Entry | Licensing/regulatory requirements; industry considered "too complex" by many |
| High Margin Recurring Revenue | Diversified; long-term, pre-paid contracts; industry margins estimated at 20% |
| Investable 'float' | Risk-taking warranty businesses produce float similar to insurance |
| Low Capital Intensity | Less capital intensive than traditional insurance due to utilization of reinsurance |

(1) Allied Market Research.

# Kingsway's Extended Warranty Subsidiaries



## Auto

### IWS

iwsgroup.com

Founded in 1991
Acquired in 2012

IWS is a licensed motor vehicle service agreement company and is a provider of after-market vehicle protection services distributed by credit unions in 27 states and the District of Columbia to their members.

### PWI PREFERRED WARRANTIES INC.

preferredwarranties.com

Founded in 1992
Acquired in 2020

PWI is a licensed motor vehicle service agreement company and is a provider of after-market vehicle protection services distributed by car dealerships in all 50 states.

### PWC PENN WARRANTY CORPORATION

pennwarranty.com

Founded in 1988
Acquired in 2019

Geminus primarily sells vehicle service agreements to used car buyers across the United States.

## Home

### PWSC Professional Warranty Service Corporation

pwsc.com

Founded in 1995
Acquired in 2017

PWSC sells new home warranty products and provides administration services to homebuilders and homeowners across the United States.

## Mechanical

### TRINITY

trinitywarranty.com

Founded in 2009
Acquired in 2013

Trinity sells heating, ventilation, air conditioning ("HVAC"), standby generator, commercial LED lighting and refrigeration warranty products and provides equipment breakdown and maintenance support services to companies across the United States.

# Extended Warranty Strategic Outlook



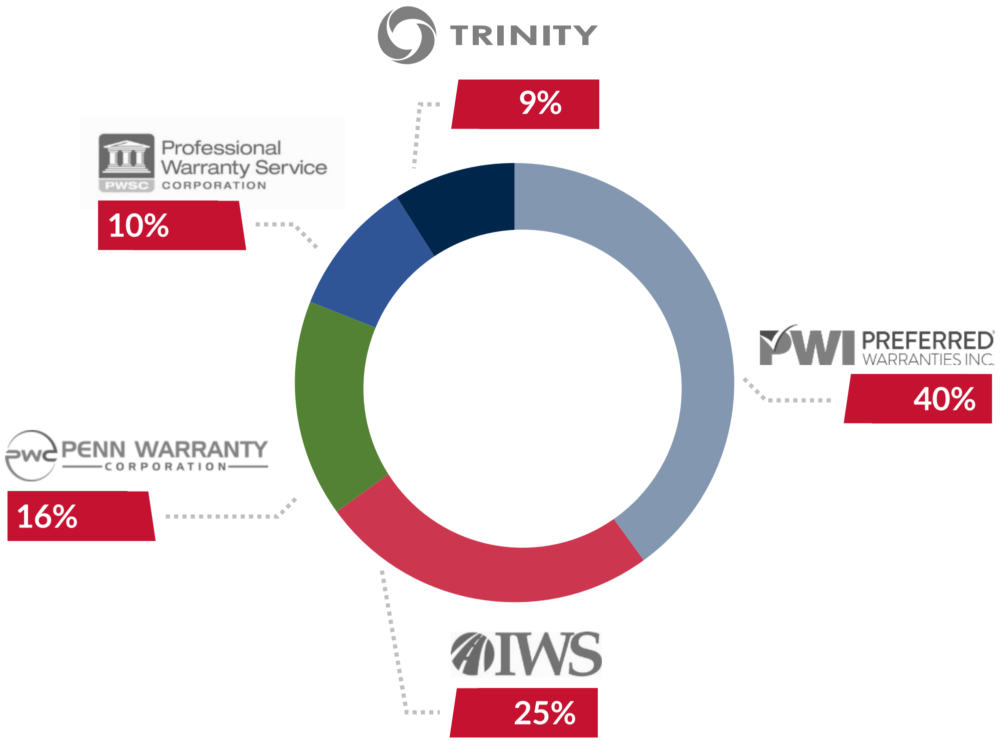
| | Automobile | Home | Mechanical |
|---|---|---|---|
| **Kingsway Businesses** | PWI, IWS, Geminus | PWSC | TWS |
| **Services** | Vehicle Service Agreements | Home warranty agreements; administrative services to builders/homeowners | Warranty agreements and maintenance support to consumers and businesses in the HVAC, standby generator, commercial LED lighting and refrigeration industries |
| **Channel** | Used Car Dealers (PWI, Geminus), Credit Unions (IWS) | New home builders | HVAC distributors; commercial and residential contractors; maintenance support directly through corporate owners of retail spaces |
| **Percent of EW Revenue** | 81% | 10% | 9% |
| **Market Dynamics** | New and used automobile market; IWS distributes through credit unions, which are becoming a more popular alternative to traditional banks | New housing completions, although 1 to 2 month lag between completions and closings | Demand for HVAC and related products; U.S. retail market |
| **Kingsway Advantage** | Strong relationships with existing dealers and credit unions; use of incentive programs to increase "stickiness"; strong, long-standing relationships with regulators and insurers | 20+ years in the industry has led to strong relationships with major nationwide builders; strong relationships with regulators and insurers | Experienced leadership team with deep knowledge of the industry and customers |
| **Kingsway Strategy** | Increase volume through existing dealer and credit union network; further refinement and use of incentives to increase "stickiness"; new customer acquisition in existing and new geographic markets | Increase volume through existing builder network, as well as new customer acquisition; introduction of new products (e.g. rental market) | Continue to grow the higher margin warranty products segment through existing and new customers |

*We continue to search for acquisition opportunities that complement our existing Extended Warranty offerings*

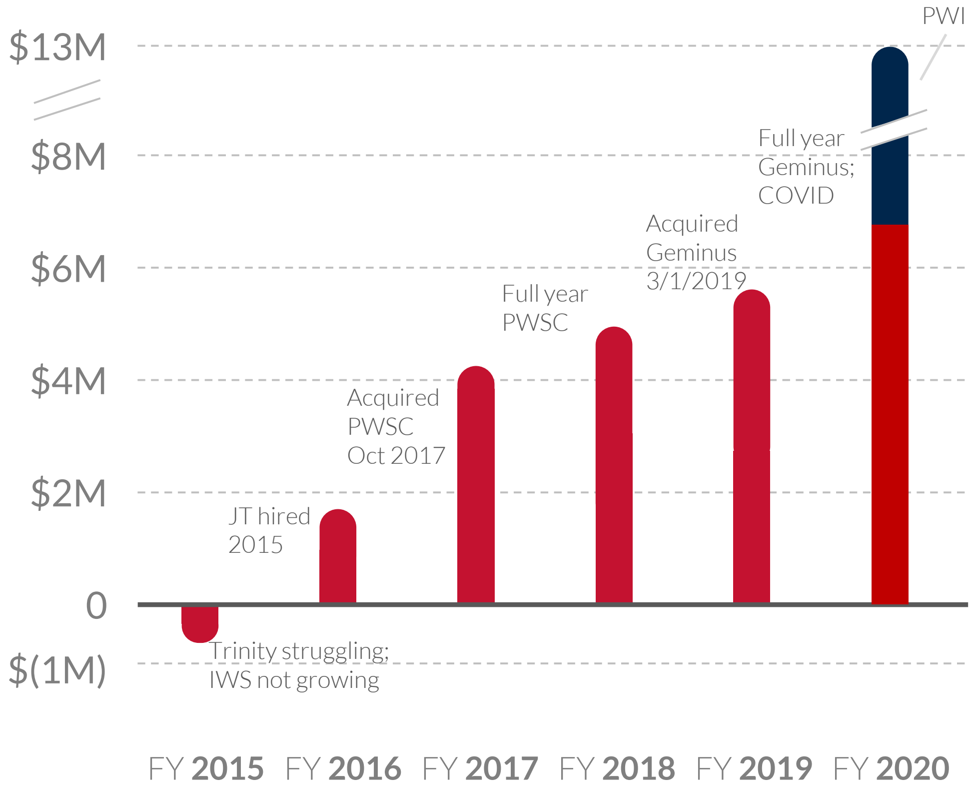
# Extended Warranty Financial Overview



## TTM Pro Forma Revenue 12/31/20(1)




## Warranty Segment EBITDA (2020 Pro Forma)(1)




(1) Refer to the Appendix for a reconciliation of GAAP to non-GAAP measures. Pro forma includes the corresponding PWI amount for the entire year of 2020.

# Extended Warranty Financial Overview



| Extended Warranty Borrowings | Interest rate | Amortization | Maturity |
|---|---|---|---|
| **$25.7m** | **3.75%** | **15%** | **2025** |
| $25.7 million as of 12/31/20 (includes $1 million revolver) | LIBOR + 3.00% (LIBOR floor of 0.75%) | 15% per year, paid quarterly | November 30, 2025 |

- In conjunction with the purchase of PWI on 12/1/2020, executed a loan agreement with CIBC
  - Paid off loan with previous lender of $9.25 million that had an interest rate of LIBOR + 9.25% (LIBOR floor of 2.00%)
  - Despite the substantially higher principal balance of the new CIBC loan, at current interest rates the company anticipates its annual interest expense going forward will be less than that under its previous debt
- The loan contains financial and other covenants; for the periods through 9/30/21 the borrowing group must maintain a maximum leverage ratio of 2.75x; thereafter the ratio reduces by 0.25x annually
- The borrowers are Geminus, IWS, Trinity and PWI; PWSC is not part of the borrowing group
- PWSC currently has no borrowings
  - In conjunction with the purchase of PWSC in 2017, it borrowed $5 million (5% interest) that was to be paid off in October 2022
  - In January of 2020, PWSC paid the loan in full – over 2 years early

# Real Estate

# Real Estate: Overview



**Real Estate Segment Strategy**

We focus on zero cash flow CTL's with high quality assets and credit-worthy tenants.

Acquisitions are structured with relatively limited equity contribution and mortgage debt that is non-recourse to KFS.

We utilize KFS' tax attributes to absorb "phantom income" and build value via debt amortization.

# Real Estate: CMC Industries



**81%**

Kingsway owns 81% of the stock of CMC Industries Inc.

**192ac**

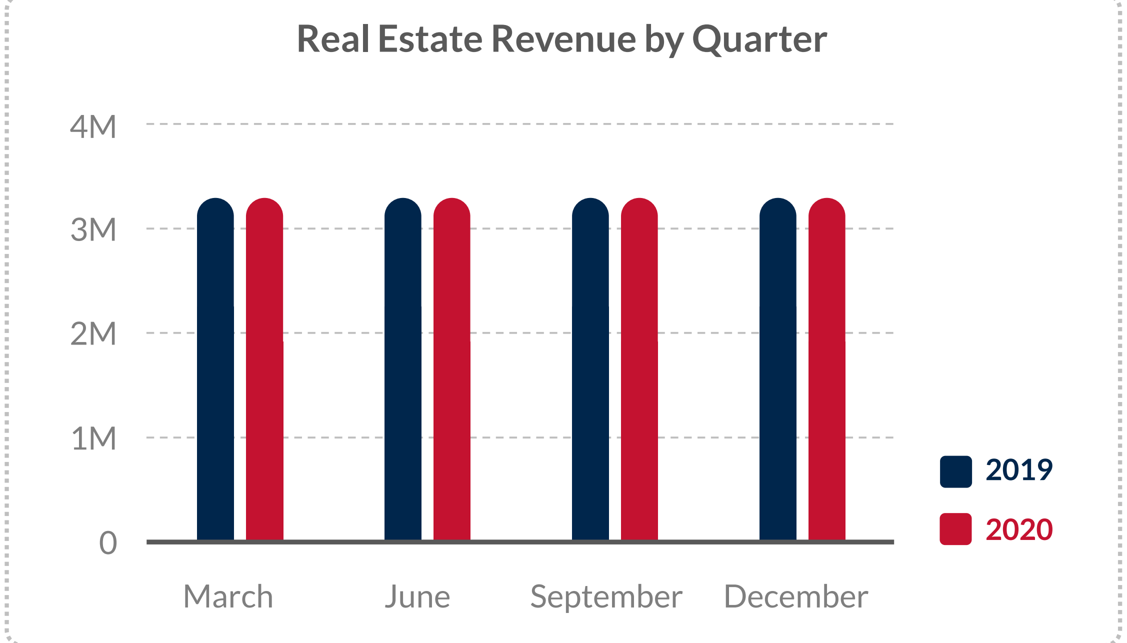
CMC owns, through an indirect wholly owned subsidiary, a parcel of real property consisting of approximately 192 acres located in the State of Texas. The property serves as a railcar storage in transit logistics facility and is subject to a long-term triple net lease agreement with BNSF.

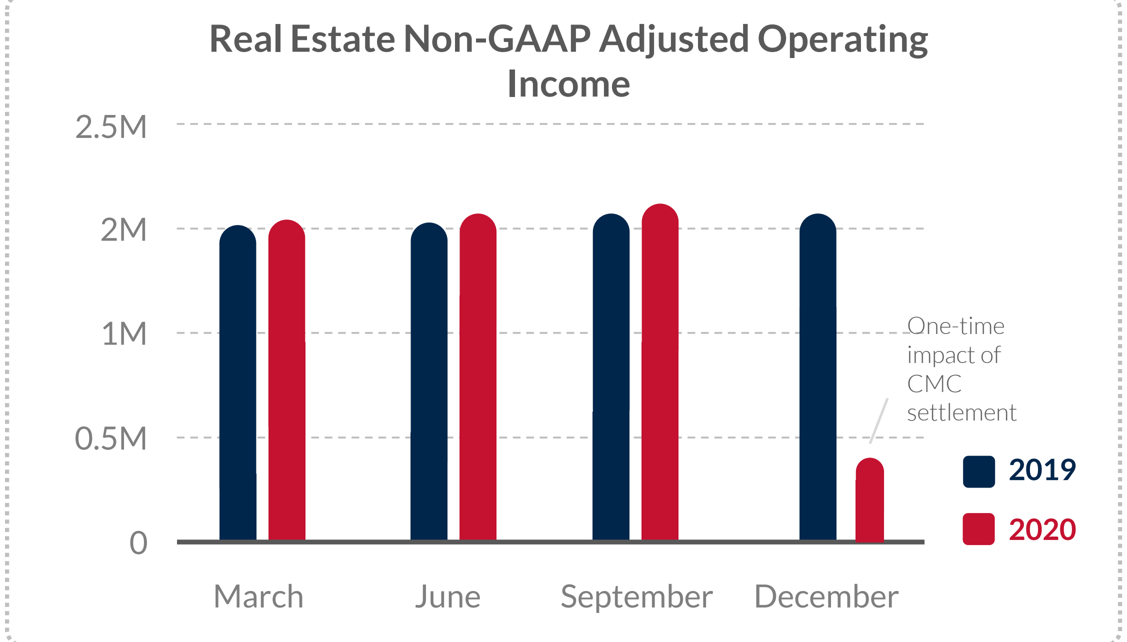
**$194m**

The property is subject to a mortgage with a principal balance of $166 million and an estimated fair value of $194 million and recorded as a note payable (both as of 12/31/20). The mortgage is nonrecourse with respect to CMC and is not guaranteed by Kingsway.

CMC INDUSTRIES


# Real Estate Financial Overview




Rents are contractually fixed with a credit-worthy tenant (BNSF, a subsidiary of Berskshire Hathaway)

Non-GAAP adjusted Operating Income is impacted by declining interest expense as principal is paid down

Arrangement allows Kingsway to monetize a significant portion of its NOLs

Kingsway actively seeking other opportunities where it would have a competitive advantage given its NOLs

# Asset Management / Corporate

# Asset Management Financial Overview



*(in millions)*

| | View | US GAAP Accounting | 12/31/20 Balance Sheet | 12/31/20 Economic Interest |
|---|---|---|---|---|
| **Argo Search Fund** ARGO Holdings | Strategic | Consolidated – fair market value | $3.3 | $1.8 |
| **Equity Investments** | Non-strategic | Fair market value | $0.4 | $0.4 |
| **Real Estate Investments (LLCs)** | Non-strategic | Consolidated – fair market value | $40.2 | $18.4 |
| **Real Estate Investments (LLCs)** | Non-strategic | Equity method | $2.4 | $2.4 |
| **Other LLC Investments** | Non-strategic | Equity method | $1.3 | $1.3 |
| **Private Company Investments** | Non-strategic | Adjusted cost | $0.8 | $0.8 |
| **Total** | | | **$48.4** | **$25.1** |

- Argo partners with Search Fund entrepreneurs to find, acquire and build successful businesses for the long term
  - Fully invested, with 11 operating company investments and 16 active search fund investments
  - More details at https://www.argo-partners.com/
- Economic interest is adjusted to reflect the amount of any non-controlling interests and consolidation gross-ups
- Kingsway continues to look for ways to monetize the non-strategic investments in the most beneficial manner in order to redirect the capital into its ongoing business operations
  - In Q4 2020, Kingsway sold a property in one of the real estate LLCs that are consolidated, for gross proceeds of $40.1 million; after paying off outstanding debt, there was a net cash gain for Kingsway

# Corporate Financial Overview



### Trust preferred debt instruments ("TruPs")

- $90.5 million in principal owed ($50.9 million fair value as of 12/31/20) with redemption dates between late 2032 and early 2034
- Interest of LIBOR + ~400bps; interest payments can be deferred at Kingsway's option up to 20 quarters, and Kingsway has deferred interest payments since Q3 2018 for a total of $14.1 million (12/31/20)

### Class A Preferred Stock

- 182,876 issued and outstanding; each share is convertible into 6.25 common shares at a conversion price of $4.00 per share any time at the option of the holder prior to April 1, 2021
- Each share accumulates dividends; any outstanding shares as of April 1, 2021 would be required to be redeemed by the Company for $25 per share, plus accumulated dividends, for a total redemption value of $6.7 million(1)

### Warrants

- 4,923,765 outstanding
- Each warrant is entitled to purchase one common share for $5.00; all warrants expire September 15, 2023

Kingsway's corporate function includes the CEO, CFO, Legal, Internal Audit, Head of HR and accounting and finance personnel and is responsible for:

- Strategic oversight for all subsidiaries
- SEC and other regulatory requirements
- Execution of the annual audit in conjunction with Kingsway's independent auditor, Plante Moran
- Budgeting, capital allocation and acquisitions
- Providing certain services to subsidiaries, as needed

(1) Refer to the Appendix for a further discussion on the status of the redemption.

# Sum of the Parts Valuation

# Sum of the Parts Valuation



Management believes Kingsway's total intrinsic value should be viewed as a sum of its parts:

*(in millions, except per share data)*

| | Estimated Value | Rationale | Commentary |
|---|---|---|---|
| **Extended Warranty** | $156.0 to $195.0 | 12x to 15x of TTM EBITDA | Based on observed multiples in private market transactions, management believes this range to be very reasonable |
| **Real Estate (CMC)** | $35.8 | Net present value of future cash flows | The Company recently settled outstanding litigation regarding how proceeds from the lease are to be distributed; this reflects that settlement and assumes a hypothetical sale in 2029 |
| **Argo search fund** | $1.8 | Economic value | |
| **Non-strategic investments** | $23.3 | Economic value | |
| **Amigo** | $2.0 | Equity less deferred income tax asset | |
| **NOLs** | $0.0 | NOLs of $845.5 for which there is a $177.6 DTA that is fully reserved | The NOLs expire between 2026 and 2037 and there is reasonable uncertainty that the NOLs will be consumed before they expire. However, a reasonable valuation mechanism could be to multiply the total U.S. net DTAs by a probability of realization |
| **Total Assets** | $218.9 to $257.9 | | |
| **TruPs** | ($50.9) | Fair value of debt at 12/31/20 | |
| **Extended Warranty debt** | ($25.7) | Outstanding principal at 12/31/20 | Debt was incurred in connection with the PWI purchase on December 1, 2020 and amortizes 15% per year (quarterly payments) |
| **Intrinsic value** | $142.3 to $181.3 | Total Assets, net of debt | |
| **Intrinsic value per share** | $6.27 to $7.98 | 22.7 million shares outstanding | Assumes $0 value ascribed to NOLs |

# Conclusion



We are building a holding company that aspires to compound intrinsic value per share at high rates over the long term through efficient operations and thoughtful, tax-advantaged capital allocation.

Thoughtful capital allocation

Apply operational and strategic support

Partner with great management teams to acquire a portfolio of world-class businesses

Tax advantaged cashflow

# Appendix

# Introduction to Kingsway: History and Transformation



Aligned management team and Board of Directors focused on proper capital allocation, operational excellence and people.

### 1989 — The Beginning

- Kingsway founded as a specialty provider of personal and commercial insurance in the U.S. and Canada

### 1990-2007 — Insurance Operations Growth and Struggle

- Underwriting results generate losses
- Creation of NOLs

### 2008-2018 — Change in Strategy

- Company shifted to a merchant banking strategy with a focus on value creation

### 2018-2019 — New Management

- JT Fitzgerald appointed CEO of Company
- Kingsway focused on building core, asset-light businesses while maintaining core value creation principles

### 2020 — Turnaround

- Company becomes current with filings
- Continues growth of warranty business while seeking accretive M&A

# Class A Preferred Stock: Redemption Status



As of December 31, 2020, there are 182,876 shares of the Company's Class A Preferred Stock issued and outstanding. Any outstanding Preferred Shares were required to be redeemed by the Company on April 1, 2021 ("Redemption Date") at a redemption value of $6.7 million, if the Company had sufficient legally available funds to do so.

The Company has exercised its right to defer payment of interest on its outstanding subordinated debt ("trust preferred securities") and, because of the deferral, the Company is prohibited from redeeming any shares of its capital stock while payment of interest on the trust preferred securities is being deferred.

If the Company was required to pay both the deferred interest on the trust preferred securities and redeem all the Preferred Shares currently outstanding, then the Company would not have sufficient liquidity and legally available funds to do so.

As such, the interest on the trust preferred securities will remain on deferral as permitted under the indentures and in accordance with Delaware law the Preferred Shares cannot be redeemed and will instead remain outstanding and continue to accrue dividends until such time as the Company has sufficient legally available funds to redeem the Preferred Shares and is not otherwise prohibited from doing so.

The Company continues to operate in the ordinary course. Management is currently exploring the following opportunities: negotiating with the holders of the Preferred Shares with respect to the Redemption Date and/or other key provisions, raising additional funds through capital market transactions, as well as the Company's continued strategy of working to monetize its non-core investments while attempting to maximize the tradeoff between liquidity and value received.

# Reconciliation of GAAP Net Loss to Non-GAAP Adjusted (Loss) Income: 2020



*(in thousands)*

| | YTD | For the Three Months Ended | | | |
|---|---|---|---|---|---|
| | 12/31/20 | 12/31/20 | 9/30/20 | 6/30/20 | 3/31/20 |
| **GAAP Net Loss** | **$(5,417)** | **$(2,478)** | **$(1,124)** | **$(1,421)** | **$(393)** |
| | | | | | |
| Non-GAAP Adjustments: | | | | | |
| (Gain) Loss on sale of non-core investments (1) | (484) | (425) | 88 | - | (147) |
| Change in fair value of investments (2) | (4,568) | (2,193) | (1,377) | (366) | (632) |
| Change in fair value of debt (3) | (1,172) | 767 | 503 | 202 | (2,645) |
| Litigation expenses (5) | 2,692 | 997 | 535 | 19 | 1,141 |
| Acquisition and disposition related expenses (6) | 412 | 238 | 139 | - | 35 |
| Employee termination and recruiting expenses (7) | 352 | - | 11 | 46 | 295 |
| Stock-based compensation expense (8) | 1,535 | 1,106 | 127 | 131 | 171 |
| Net loss from discontinued operations, net of taxes (9) | (6) | - | - | (6) | - |
| Extraordinary audit and audit-related expenses (10) | 771 | - | 76 | 305 | 390 |
| Impairment of assets | 117 | - | - | - | 117 |
| Loss on extinguishment of debt (11) | 851 | 851 | - | - | - |
| CMC Settlement (12) | 1,603 | 1,603 | - | - | - |
| Amortization expense | 2,291 | 572 | 572 | 573 | 573 |
| **Total Non-GAAP Adjustments** | **4,392** | **3,516** | **674** | **904** | **(702)** |
| **Non-GAAP Adjusted (Loss) Income** | **$(1,025)** | **$1,038** | **$(450)** | **$(517)** | **$(1,095)** |

# Reconciliation of GAAP Net Loss to Non-GAAP Adjusted (Loss) Income: 2019



*(in thousands)*

| | YTD | For the Three Months Ended | | | |
|---|---|---|---|---|---|
| | 12/31/19 | 12/31/19 | 9/30/19 | 6/30/19 | 3/31/19 |
| **GAAP Net (Loss) Income** | **$(4,313)** | **$(3,098)** | **$(4,006)** | **$(398)** | **$3,189** |
| Non-GAAP Adjustments: | | | | | |
| (Gain) Loss on sale of non-core investments (1) | (753) | (32) | (1,004) | 598 | (315) |
| Change in fair value of investments (2) | (4,712) | (1,803) | 3,736 | (2,284) | (4,361) |
| Change in fair value of debt (3) | (1,052) | 1,052 | (610) | (918) | (576) |
| Equity in net (gain) loss of investee (4) | (169) | (127) | 126 | (201) | 33 |
| Redomestication expenses (13) | 72 | - | - | 41 | 31 |
| Litigation expenses (5) | 685 | 124 | 65 | 104 | 392 |
| Acquisition and disposition related expenses (6) | 46 | - | 23 | 6 | 17 |
| Employee termination and recruiting expenses (7) | 1,134 | 715 | 63 | 85 | 271 |
| Stock-based compensation expense (8) | 575 | 145 | 145 | 143 | 142 |
| Net loss from discontinued operations, net of taxes (9) | 1,544 | 1,544 | - | - | - |
| Extraordinary audit and audit-related expenses (10) | 886 | 149 | 359 | 378 | - |
| Impairment of assets | 75 | - | - | - | 75 |
| Amortization expense | 2,548 | 676 | 675 | 676 | 521 |
| **Total Non-GAAP Adjustments** | **879** | **2,443** | **3,578** | **(1,372)** | **(3,770)** |
| **Non-GAAP Adjusted Loss** | **$(3,434)** | **$(655)** | **$(428)** | **$(1,770)** | **$(581)** |

# Reconciliation of GAAP Net Loss to Non-GAAP Adjusted (Loss) Income: Notes

1. During 2020, the Company realized a gain on its investment in FIMC and Savant, as well as a gain on sale of certain investments held within Argo Holdings that was partially offset by a loss realized on other investments. During 2019, the Company realized a gain upon the sale of New Aera Assets, 1347 Energy and FIMC that was partially offset by a realized loss on the sale of Redseal SPV, LLC.
2. The Company has investments in several entities that are not essential to the ongoing operations and strategy of the Company. The investments are recorded at fair value and changes to fair value are recorded as unrealized gains or losses. See next slide.
3. The Company records its subordinated debt at fair value and changes to fair value (net of the portion of the change attributable to instrument-specific credit risk) are recorded as unrealized gains or losses.
4. Represents the Company's investment in the common stock of Itasca Capital Ltd. ("ICL"). The Company fully disposed of its investment in ICL during Q4 2019.
5. Legal expenses associated with the Company's defense against significant litigation matters.
6. Expenses related to legal, accounting and other expenses associated with completed and contemplated acquisitions and disposals.
7. 2020 and 2019 include charges relating to severance and consulting agreements pertaining to former key employees. 2019 also includes key employee recruiting expenses.
8. Non-cash expense arising from the grant and modification of stock-based awards to employees. In Q4 2020, the Company modified an award previously granted to one of its Presidents, resulting in additional compensation expense associated with the change in fair value of the award.
9. Includes losses relating to Assigned Risk Solutions Ltd. and the October 2018 completed sale of the Mendota group of companies. Refer to Note 5, Disposal and Discontinued Operations, to the Company's 2020 Annual Report on Form 10-K for further information.
10. Extraordinary audit and audit-related expenses incurred as a result of the delayed filing of the 2018 and 2019 Kingsway audited financial statements and related quarterly filings.
11. Early termination fees and write-off of unamortized debt issuance costs and discount associated with the early extinguishment of the 2019 KWH loan as part of the Company's purchase of PWI.
12. In March 2021, DGI, TRT LeaseCo and various other entities affiliated with each of them entered into a settlement agreement with respect to such litigation and certain other matters ("CMC Settlement Agreement"). As part of the settlement, the Company made a one-time fee payment to DGI of which $1.6 million relates to rental income collected in periods prior to 2020.
13. Expenses incurred as part of redomesticating Kingsway Financial Services Inc. from a Canadian registered company to be a Delaware registered company as of December 31, 2018.

# Reconciliation of GAAP Net Loss to Non-GAAP Adjusted (Loss) Income: Note 2



*(in thousands)*

| | YTD | For the Three Months Ended | | | |
|---|---|---|---|---|---|
| | 12/31/20 | 12/31/20 | 9/30/20 | 6/30/20 | 3/31/20 |
| (Gain) loss on change in fair value of limited liability investments, at fair value | $(4,046) | $(1,995) | $(274) | $123 | $(1,899) |
| Net change in unrealized (gain) loss on private company investments | 744 | - | 74 | - | 670 |
| (Gain) loss on change in fair value of equity securities | (1,267) | (198) | (1,177) | (489) | 597 |
| **Total** | **$(4,568)** | **$(2,193)** | **$(1,377)** | **$(366)** | **$(632)** |

| | YTD | For the Three Months Ended | | | |
|---|---|---|---|---|---|
| | 12/31/19 | 12/31/19 | 9/30/19 | 6/30/19 | 3/31/19 |
| (Gain) loss on change in fair value of limited liability investments, at fair value | $(4,475) | $(1,219) | $3,356 | $(2,347) | $(4,265) |
| Net change in unrealized (gain) loss on private company investments | 324 | - | 343 | - | (19) |
| (Gain) loss on change in fair value of equity securities | (561) | (584) | 37 | 63 | (77) |
| **Total** | **$(4,712)** | **$(1,803)** | **$3,736** | **$(2,284)** | **$(4,361)** |

# Reconciliation of GAAP Reported Revenue to Pro Forma Revenue



*(in thousands)*

| | YTD | For the Three Months Ended | | | |
|---|---|---|---|---|---|
| | 12/31/20 | 12/31/20 | 9/30/20 | 6/30/20 | 3/31/20 |
| **GAAP Reported Revenue** | **$61,362** | **$17,399** | **$15,415** | **$13,879** | **$14,669** |
| PWI pro forma revenue (1) | 27,664 | 4,748 | 7,398 | 7,601 | 7,917 |
| **Pro forma Revenue** | **$89,026** | **$22,147** | **$22,813** | **$21,480** | **$22,586** |
| | | | | | |
| **Extended Warranty Reported Revenue** | **$47,753** | | | | |
| PWI pro forma revenue (1) | 27,664 | | | | |
| **Pro Format Extended Warranty Revenue** | **$75,417** | | | | |

| | YTD | For the Three Months Ended | | | |
|---|---|---|---|---|---|
| | 12/31/19 | 12/31/19 | 9/30/19 | 6/30/19 | 3/31/19 |
| **GAAP Reported Revenue** | **$59,948** | **$15,066** | **$16,355** | **$15,226** | **$13,301** |
| PWI pro forma revenue (1) | 31,350 | 7,809 | 7,919 | 7,997 | 7,625 |
| **Pro forma Revenue** | **$91,298** | **$22,875** | **$24,274** | **$23,223** | **$20,926** |

1. Includes amounts related to PWI prior to acquisition: for 2020 January through November; for 2019 January through December.

# Pro Forma Non-GAAP Adjusted (Loss) Income by Quarter



*(in thousands)*

| | YTD | For the Three Months Ended | | | |
|---|---|---|---|---|---|
| | 12/31/20 | 12/31/20 | 9/30/20 | 6/30/20 | 3/31/20 |
| **GAAP Net Loss** | **$(5,417)** | **$(2,478)** | **$(1,124)** | **$(1,421)** | **$(393)** |
| Total Non-GAAP Adjustments (1) | 4,392 | 3,516 | 674 | 904 | (702) |
| **Non-GAAP Adjusted (Loss) Income** | **$(1,025)** | **$1,038** | **$(450)** | **$(517)** | **$(1,095)** |
| PWI pro forma net income (2) | 2,499 | 573 | 219 | 1,156 | 551 |
| **Pro Forma Non-GAAP Adjusted (Loss) Income** | **$1,475** | **$1,611** | **$(231)** | **$639** | **$(544)** |

| | YTD | For the Three Months Ended | | | |
|---|---|---|---|---|---|
| | 12/31/19 | 12/31/19 | 9/30/19 | 6/30/19 | 3/31/19 |
| **GAAP Net (Loss) Income** | **$(4,313)** | **$(3,098)** | **$(4,006)** | **$(398)** | **$3,189** |
| Total Non-GAAP Adjustments (1) | 879 | 2,443 | 3,578 | (1,372) | (3,770) |
| **Non-GAAP Adjusted (Loss) Income** | **$(3,434)** | **$(655)** | **$(428)** | **$(1,770)** | **$(581)** |
| PWI pro forma net income (2) | 930 | 421 | (31) | 247 | 293 |
| **Pro Forma Non-GAAP Adjusted Loss** | **$(2,504)** | **$(234)** | **$(459)** | **$(1,523)** | **$(288)** |

1. See previous slides for a full list of adjustments.
2. Includes amounts related to PWI prior to acquisition: for 2020 January through November; for 2019 January through December.

# Reconciliation of Operating (Loss) Income to Non-GAAP adjusted Operating Income: Real Estate

*(in thousands)*

| | YTD | For the Three Months Ended | | | |
|---|---|---|---|---|---|
| | 12/31/20 | 12/31/20 | 9/30/20 | 6/30/20 | 3/31/20 |
| **Operating (Loss) Income** | **$(504)** | **$(2,738)** | **$799** | **$838** | **$597** |
| Taxes | 108 | (530) | 218 | 236 | 184 |
| Depreciation | 4,148 | 1,037 | 1,037 | 1,037 | 1,037 |
| Other Adjustments (1) | 2,899 | 2,576 | 51 | 19 | 253 |
| **Non-GAAP adjusted Operating Income Real Estate Segment** | **$6,651** | **$346** | **$2,105** | **$2,130** | **$2,070** |

| | YTD | For the Three Months Ended | | | |
|---|---|---|---|---|---|
| | 12/31/19 | 12/31/19 | 9/30/19 | 6/30/19 | 3/31/19 |
| **Operating Income** | **$2,761** | **$773** | **$783** | **$753** | **$452** |
| Taxes | 819 | 221 | 223 | 220 | 155 |
| Depreciation | 4,148 | 1,037 | 1,037 | 1,037 | 1,037 |
| Other Adjustments (1) | 567 | 69 | 49 | 78 | 371 |
| **Non-GAAP adjusted Operating Income Real Estate Segment** | **$8,295** | **$2,100** | **$2,092** | **$2,088** | **$2,015** |

1. Includes legal expenses associated with the Company's defense against significant litigation matters. Q4 2020 also includes $1,603 related to a settlement agreement with respect to litigation and certain other matters ("CMC Settlement Agreement").

# Reconciliation of GAAP Operating Income (Loss) for Extended Warranty Segment



*(in thousands)*

| | For the Year Ended | | | | | |
|---|---|---|---|---|---|---|
| | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** |
| **GAAP Operating Income (loss) for Extended Warranty segment (1)** | **$6,605** | **$4,611** | **$4,215** | **$3,700** | **$449** | **$(686)** |
| Non-GAAP Adjustments: | | | | | | |
| Investment income , gain (loss) on sale of core investments (2) | 490 | 681 | 479 | 442 | 100 | 6 |
| Other Items (3) | 117 | - | - | - | 941 | - |
| Depreciation | 280 | 205 | 150 | 155 | 139 | 55 |
| Total Non-GAAP Adjustments | 887 | 886 | 629 | 597 | 1,222 | 162 |
| **Non-GAAP adjusted EBITDA for Extended Warranty segment** | **$7,492** | **$5,497** | **$4,844** | **$4,296** | **$1,671** | **$(517)** |
| PWI pro forma operating income (4) | 5,474 | | | | | |
| PWI pro forma depreciation (4) | 69 | | | | | |
| **2020 pro forma Non-GAAP adjusted EBITDA for Extended Warranty segment** | **$13,035** | | | | | |

1. Includes one month of PWI operating income. Excludes the impact of final purchase accounting adjustments which will be completed in 2021.
2. Investment income arising as part of Extended Warranty segment's minimum holding requirements, as well as realized gains (losses) resulting from investments held in trust as part of Extended Warranty segment's minimum holding requirements.
3. 2020 includes the impairment of an asset, while 2016 includes severance and an agreement with former owners.
4. Includes amounts related to PWI prior to acquisition (January through November 2020).