Granite Point Mortgage Trust
First Quarter 2026 Financial Results Conference Call
May 6, 2026

Presenters
Jack Taylor, President, Chief Executive Officer
Steve Alpart, Chief Investment Officer & Co-Head of Originations
Blake Johnson, Chief Financial Officer
Chris Petta, Head of Investor Relations

Q&A Participants
Jason Sabshon - KBW
Chris Muller - Citizens Capital Markets
David - Raymond James

Operator
Good morning. My name is Paul, and I will be your conference facilitator. At this time, I would like to welcome everyone to Granite Point Mortgage Trust first quarter 2026 financial results conference call. All participants will be in a listen-only mode. After the speaker's remarks, there will be a question-and-answer period. Please note today's call is being recorded. I would now like to turn the call over to Chris Petta, Head of Investor Relations for Granite Point. Please go ahead.

Chris Petta
Thank you, and good morning, everyone. Thank you for joining our call to discuss Granite Point's first quarter 2026 financial results. With me on the call this morning are Jack Taylor, our President and Chief Executive Officer, Steve Alpart, our Chief Investment Officer and Co-Head of Originations, Blake Johnson, our Chief Financial Officer, Peter Morral, our Chief Development Officer and Co-Head of Originations, and Ethan Lebowitz, our Chief Operating Officer.

After my introductory comments, Jack will provide a brief recap of market conditions and review our current business activities. Steve will discuss our portfolio, and Blake will highlight key items from our financial results.

The press release, financial tables, and earnings supplemental associated with today's call were filed yesterday with the SEC, along with our Form 10-Q and are available in the Investor Relations section of our website. I would like to remind you that remarks made by management during this call and the supporting slides may include forward-looking statements, which are uncertain and outside of the company's control. Forward-looking statements reflect our views regarding future events and are subject to uncertainties that could cause actual results to differ, materially, from expectations. Please see our filings with the SEC for a discussion of some of the risks that could affect results. We do not undertake any obligation to update any forward-looking statements.

We also will refer to non-GAAP measures on this call. This information is not intended to be considered in isolation or as a substitute for the financial information presented in accordance with GAAP. A reconciliation of these non-GAAP financial measures to the most comparable GAAP measures can be found in our earnings release and slides and are available on our website.

I will now turn the call over to Jack.

Jack Taylor
Thank you, Chris, and good morning, everyone. We would like to welcome you and thank you for joining us for Granite Point's first quarter 2026 earnings call.

U.S. commercial real estate markets continued their positive trajectory during the first quarter. However, recent geopolitical developments tied to the Iran conflict are influencing the U.S. capital markets, as rising energy prices have sharpened investors' focus on inflation trends and contributed to greater uncertainty about the timing of further interest rate cuts. Notwithstanding some of these headwinds, capital continued to flow into commercial real estate assets. Commercial real estate lending activity is expected to continue to improve through 2026, supported by steady demand and continued investor interest. While securitization volumes may moderate due to broader economic uncertainty surrounding the conflict in Iran and a mixed U.S. outlook and deals are taking longer to complete, the market has shown strong resilience. We believe that recent fluctuations in the commercial mortgage-backed securities and CRE CLO spreads, along with a temporary slowdown in unsecured bond issuance, primarily reflects a recalibrating of risk, while investors continue to be engaged and constructive in the commercial real estate sector.

For Granite Point, our primary objective continues to be capitalizing on the improving environment to resolve legacy loans and to set the stage to begin regrowing our portfolio in the latter half of 2026. To that end, our accomplishments since the beginning of the year included two sizable full loan repayments, the sale of a B note secured by a hotel at a price somewhat above par, the final resolution on the Chicago retail loan above our carrying value, and the successful sale of a subordinate interest in debt secured by an office property located in Dallas, Texas. These actions furthered our goals of reducing higher cost debt and setting the path for future growth. Given the improved capital markets and to continue to address our legacy loan portfolio and pending maturity dates, we have been less inclined to provide borrowers with additional time and are pushing further for repayments through property sales, refinancings, and recapitalizations and we are also, selectively, looking at some loan sales. In some cases, this approach was a contributing factor in recent downgrades for certain loans in our portfolio.

With respect to our two REO assets, we are investing capital where we believe it will improve our outcome and will then seek to exit and extract capital.

All of these initiatives will free up capital for us to optimize our balance sheet and set the stage for us to regrow our portfolio in future quarters.

The Restart of new origination activity is expected to improve our net interest spread and earnings, which has remained a key goal, which Blake will go into further, shortly.

I would now like to turn the call over to Steve Alpart to discuss our portfolio activities in more detail.

Steve Alpart
Thank you, Jack, and thank you all for joining our first quarter earnings call.

We ended the quarter with $1.6 billion in total loan portfolio commitments, inclusive of $1.5 billion in outstanding principal balance and about $68 million of future fundings, which accounts for only about 4% of total commitments. Our loan portfolio remains diversified across regions and property types and includes 40 investments with an average UPB of about $38 million and a weighted average stabilized LTV of 66% at origination. As of March 31st, our portfolio weighted average risk rating increased from 3.2 from 2.9 at December 31st. Realized loan portfolio yield for the first quarter was 6.5%, which excluding non-accrual loans, would be 7.9% or, 1.4% higher.

We had an active quarter of loan repayments, pay downs, sales and amortization, totaling about $189 million. During the first quarter, we had two loan repayments totaling $174 million and sold a $13 million B note secured by a strong performing hotel in Hawaii at a price somewhat above par. We had about $14 million of future fundings and other investments, resulting in a net loan portfolio reduction of about $175 million for the first quarter. Post quarter end, we achieved the final resolution on the $76 million Chicago retail loan via a property sale by the borrower, after previously resolving the office component in 2025, also through a property sale. The loan had been risk rated five and was on non-accrual status. As a result of this transaction and the prior resolution on the office component, the company expects to realize a write-off of approximately $30.2 million, which had been reserved for through a previously recorded $31.3 million allowance for credit losses, as of December 31st. During the second quarter, we sold a subordinate interest in debt secured by an office property located in Dallas, Texas.

We'll now provide some color on the remaining risk-rated five loans. At March 31st, we had five such loans with a total UPB of about $265 million which post quarter end, was reduced to four loans totaling $189 million, following the resolution of the Chicago retail loan. Three of the four are in active sales processes that we anticipate may be completed over the coming quarters. At quarter end, we downgraded a $15 million loan collateralized by a 72-key hotel property from a risk rating of three to a risk rating of five. The hotel is well located and institutionally owned by a sponsor with a large amount of cash equity in the asset, who has also made substantial loan pay downs over time. The business plan had been well underway, prior to the hotel becoming unionized. We are in discussions with the borrower and pursuing resolution alternatives, which we expect will involve a sale of the hotel, over the coming quarters.

Regarding the $27 million Tempe Hotel and retail loan and the $53 million Atlanta multifamily loan, which have been discussed in prior quarters, in each of these cases, we are in active dialogue with the borrower and are reviewing resolution alternatives, which we expect will involve a sale of each property, over the next few quarters.

Regarding the $93 million Minneapolis office loan, as previously disclosed, we anticipate a longer resolution timeline, given the persistent local market challenges. Resolving these remaining five rated loans remains a top priority.

As of quarter end, we had two loans with a combined UPB of $69 million, which have risk ratings of four and are on non-accrual status. We are reviewing resolution alternatives for each of those loans and will provide additional information, as the situations progress.

Turning to the REO assets, we continue to have positive leasing successes at the suburban Boston property and remain actively engaged with our partner and the local jurisdiction and other third parties on several value-enhancing repositioning opportunities. We are continuing to invest capital into this property to maximize the outcome and are reviewing various alternatives. The Miami Beach office property is a Class A asset located in a strong submarket. We are having positive leasing discussions with a variety of existing and new tenants. We'll prudently invest in the property and continue to review alternatives, including a sale of the property during the second half of 2026.

As we've shared in prior quarters, our plan is to remain focused on repayments and resolutions. We expect our portfolio balance will trend lower until we start our origination efforts in the latter half of 2026 to take advantage of attractive investment opportunities and begin to regrow our portfolio.

I will now turn the call over to Blake to discuss our financial results.

Blake Johnson
Thank you, Steve. Good morning, everyone, and thank you for joining us, today.

Turning to our financial results, for the first quarter, we reported a GAAP net loss attributable to the common stockholders of $6 million, or $(0.13) per basic common share, which includes a benefit from credit losses of $0.2 million and a distributable loss of $3 million, or $(0.06) per basic common share. Our book value at March 31st was $7.05, a decline of $0.24 from Q4.

Our aggregate CECL reserve at March 31st was about $149 million, which is approximately $100,000 higher from last quarter. The net increase in our specific reserve on our seven collateral-dependent loans was largely offset by a decrease in our general reserve, resulting from improving macroeconomic forecasts in our CECL model and a decrease in the general reserve portfolio balance. Approximately 81% of our total allowance was allocated to individually assessed loans. As of quarter end, we had about $334 million of principal balance on loans with specific CECL reserves of about $120 million, representing 36% of the unpaid principal balance. Subsequent to quarter end, the resolution of the Chicago retail loan decreased our specific CECL reserves by approximately $30 million to $90 million, and the principal balance of our collateral-dependent loans by $76 million to $258 million. The Chicago retail loan had a previously recorded $31.3 million specific reserve as of December 31st, and the resolution was above our year-end carrying value, which resulted in a benefit from credit losses of approximately $1.1 million, during the first quarter. As a result of this resolution, our CECL reserve as a percentage of our total commitments decreased from 9.4% at March 31st to 7.9%, assuming all else being equal. We believe we are appropriately reserved and further resolution should, meaningfully, reduce our total CECL reserve balance.

Turning to liquidity and capitalization, we ended the quarter with about $44 million of unrestricted cash, and our total leverage decreased relative to the prior quarter from 2.0 times to 1.7 times, as proceeds from the two full loan repayments and one loan sale were used to reduce our higher cost borrowings and pay down our CLO bonds.

As of a few days ago, we carried about $56 million in cash. Our funding mix remains well diversified and stable, and we continue to have very constructive relationships with our financing counterparties. We expect to expand our financing capacity, once we return to originating new loans.

As we look forward, we expect our earnings to, meaningfully, improve. For example, our capital and our collateral-dependent loans and REO produced a GAAP net loss, excluding credit losses of roughly $0.11 per common share, during the first quarter, and once we redeploy our capital from these assets into new originations at target leverage, we expect to increase our quarterly EPS by approximately $0.17-$0.19. In addition, improving our returns is not constrained by our existing capital, as we intend to further improve earnings through continued expense reduction initiatives and expand into new sources of capital-light income, such as earning fees from joint venture structures with third-party investors. With the attractive market opportunity ahead and our earnings potential, we believe the best use of our capital is to continue paying down our higher cost debt, resolve our remaining non-accrual loans and REO, and regrow our investment portfolio through new originations, beginning later this year.

I will now ask the operator to open the line for questions.

Operator

Thank you. We'll now be conducting a question-and-answer session. If you would like to ask a question, please press "*", "1" on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press "*", "2", if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset, before pressing the star keys. One moment please while we poll for questions.

Thank you. Our first question is from Jade Rahmani with KBW.

Jason Sabshon

Hi, this is Jason Sabshon on for Jade. Thanks for taking the question. I guess to start, it would be helpful to hear more about the loans that were downgraded to risk four, just some more color and what drove the negative migration, in your view.

Steve Alpart

Hey, Jason. Good morning. It's Steve Alpart. Thanks for joining the call, this morning. So, you're asking about the four rated loans, I believe, in aggregate, if I heard the question correctly.

Jason Sabshon

It looks like there were a couple loans that were downgraded to risk four, is that correct?

Steve Alpart

That is correct. So, I guess high level, we had seven non-accrual loans at the end of the quarter. After we resolved the Chicago retail loan, that left six. After that loan was resolved, that left five, and there's two additional non-accrual loans. With respect to the fours that are part of that cohort, I guess high level, what I would say is that we're generally seeing improving markets, but it's uneven, and some of the markets are seeing a delayed recovery. These loans that you're referring to, these properties are behind on their business plans, and that's why they've been downgraded to a four.

For each of these loans, we are in discussions with each of the borrowers, and we expect to have more color on these, over the coming quarters.

Jason Sabshon

Great. Thanks. Just on your multifamily book, do you have an expectation of getting higher repayments, in the near term? Rent growth has been pretty muted overall for the sector, so it would be great to hear some color on overall performance for that part of your book.

Steve Alpart

Sure. It's Steve again. I'll take that. So yeah, we are seeing a pretty steady rate of multifamily loan repayments. We had one large multifamily loan pay off this quarter, so it's been a pretty steady pace. We like the multifamily sector. We are seeing generally stable fundamentals in most of the markets that we're in. I think it's been well reported that the new supply picture looks much better as we get out into the future.

The trend line in certain markets, particularly in the Sun Belt, has been a little more sluggish than some, than I think a lot of people were expecting. We are seeing the supply picture get better, but there is some ongoing headwinds. The supply is different in every market. Declining immigration has been a factor.

I would say, generally, we're seeing improving fundamentals, but it's really asset by asset, where we're seeing some borrowers in some markets have more pricing power on rents. But even in cases where borrowers aren't getting rent bumps all the way to what they were expecting, I would say the general trend is that we are seeing progress. We have seen a few assets fall behind on business plan, but that's not been the general trend. Where that does happen, we're expecting that over time, you know, borrowers will be available to push rents.
So, going back to your question, there is good liquidity in the sector. Sentiment is positive. You know we are seeing payoffs, and we are pushing hard for some of these older loans to pay off, as well.

Jason Sabshon
Got it. Thanks. Did you see any of the rate and geopolitical volatility have any impact on overall activity that may have impacted your book in the first quarter? And so far in the second quarter, have you seen any impact, just overall?

Jack Taylor
Yes. This is Jack. Thank you for the question. I think the overall impact is just a higher degree of uncertainty in the market, generally, and that has led to delay in repayments and in resolutions. Not a cessation, right, but just deals are all taking longer because of a higher degree of macro uncertainty and especially with respect to rates.

Jason Sabshon
Got it. That makes sense. Just as my last question, it would just be great to hear your current thoughts about the dividend, given that DE has been below it. I understand that working through risk 5 and some of the REO assets will be the main driver of earnings growth, but just wanted to hear your thoughts on the dividend.

Jack Taylor
Sure, it's a good question, and we are always examining the overall market and what's happening in our loan book and our earnings and the like. Basically, we take a considered approach working with our board. It is a board decision, and thinking about the long-term potential for the company. I would say, with the burn-off of the non-accrual loans, which has had a meaningful drag on our earnings, we expect that to be reduced as we work through them we'll continue to evaluate the company's dividend in respect to future quarters, and we're aware that we're under-earning, but we're looking at the longer-term prospects.

Jason Abscheu
Great. Thanks for taking the questions.

Jack Taylor
Thank you.

Operator
As a reminder, if you would like to ask a question, please press star one on your telephone keypad. Our next question is from Chris Muller with Citizens Capital Markets.

Chris Muller
Hey, guys. Thanks for taking the questions. I guess on the subsequent resolution, and sorry if I missed this in your prepared remarks, but did that property move to REO or was it repaid? And then, will the entire $30 million write-off come out of the specific reserve balance, so that balance is around $90 million, which I think I heard Blake say?

Blake Johnson
Hi. Good morning, Chris. This is Blake. Thanks for your question. Yeah, so this property was not moved to REO. This is held as a loan as a quarter end and as of March 31st, the balance of loan was $76 million. So, when this resolved during early April, we did have that resulting write-off of around $30 million.

Chris Muller
Got it. And then, just looking at the specific reserve balances, quarter-over-quarter, it looks like it increased about $15 million. Was that due to just the New Haven Hotel or was that also the new four-rated loans that came up?

Blake Johnson
Yeah, so, it's kind of interesting. I think it's best if you look at the entire reserve. It increased in total around $100,000. If you look at the primary drivers, we did have incremental losses on a certain number of collateral-dependent loans, and that was around $15 million in total, but it also included the shift of three of the loans from our general reserve from the previous quarter, which already had a substantial reserve, as of 12/31. So, part of that shift included the balance that was previously in the general reserve.

Chris Muller
Got it, got it. Just the last one, if I could squeeze it in. I hear your comments on looking at JVs and some other kind of different ways to look at the business. Is there anything that you guys are looking at today that you could share? Just what type of JVs would you be interested in?

Blake Johnson
Well, how about I start, first? I can start first. Oh, do you want to take it, Jack? Otherwise, I can start with you.

Jack Taylor
No.

Blake Johnson
Okay.

Jack Taylor
No, you go ahead.

Blake Johnson
Well, sounds good. I'll answer first, and then I can pass it to Jack, and he can expand on my response. The point in the script is, well, in our prepared remarks, we can introduce capital-light income and JVs, and this would actually help offset some of our operating expenses from an economic standpoint. You know, if we start this today, for example, we would expect to see something between $2 million to $4 million in annual earnings, really in the first year. If you look at that on an EPS basis, that's around $0.01-$0.02 per share, quarterly. And really it would increase from there because once you have the JV start, you'd see some momentum. As far as the actual structure itself, I can pass it to Jack, and he can provide some color. Jack.

Jack Taylor
Yes. Thank you. I would just add a couple of things. We have folks that we've known for a long time and some that are some new acquaintances, if you will, who have approached us, and they have a lot of capital. They would like to come into the market, and they know and trust us, so they're thinking and discussing with us what we're calling the capital-light strategies, which can take a number of forms, just originating for them directly, where it's all their capital. It can be where it's part our capital and theirs. It could be a formal JV structure.

The main point is that we have the infrastructure and the team to originate loans of the sorts, various forms, actually, that these counterparties are interested in accessing, without having to build their own team.

So, we've been very pleased about the reverse inquiry. Some of them are on pause, if you will, in part because it would require us, as it's foreign capital, to carry quite sizable loans in cash for a period of time. So, we are not yet able to transact on that type of structure but others, we're still under consideration.

Chris Muller
Got it. Very helpful, Jack, and great to hear you guys kind of thinking outside the box and some different avenues you could take. Appreciate you guys taking the questions, today.

Jack Taylor
Great. Thank you.

Operator
Our next question is from Gabe Poggi with Raymond James.

David
Hey, guys. It's David on for Gabe. I wanted to ask a question about the vintage of some of your larger loans outstanding. How are conversations going with borrowers and their plans for repayment? Just wanted to get a feel for the playbook on some of these legacy office loans. Thanks.

Steve Alpart
Hey, it's Steve Alpart. I'll take that question and thank you for joining the call this morning. Great question. It's a big point of focus for us. We made a lot of progress reducing the balance of some of these older vintage loans, including the office loans. We have a very proactive asset management approach. We're in constant dialogue with these borrowers. We're setting clear expectations. We're now in an improved commercial real estate market environment.

So, as we continue to think about addressing these pending maturity dates, as you heard us say earlier, we've been less inclined to provide borrowers with additional time. And we're pushing very hard for borrower repayments, whether that's through property sales, refinancings, recaps. We're also, selectively, looking at some loan sales.

We are in discussions with borrowers. We're delivering clear expectations about getting a process underway, whether that's a refinancing or an equity recap, if it's an asset they want to hold. If not, a property sale. There are a few cases where for credits that we like, we may consider modifying and extending a loan to keep it in the portfolio. And again, case by case, if we see some upside potential, we'll selectively take back properties through either deed in lieu or possibly through a foreclosure.

So, this applies not just to the office, but it's probably particularly true for the office loans that you mentioned. Again, we're pushing hard to turn over the portfolio. We'll continue to do that over the next couple of quarters, and we're looking to unlock capital so we can redeploy to higher earning assets.

David
Great. Thanks for taking the question.

Steve Alpart
Thank you.

Operator
Thank you. There are no further questions at this time. I would like to hand the floor back over to Jack Taylor for closing comments.

Jack Taylor
Thank you, Paul. We thank you, again, to all that joined us for this call and for your time and attention and support, and we look forward to reporting further progress and moving towards the regrowth of our company. Thank you.

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