Granite Point Mortgage Trust
Third Quarter 2026 Earnings Conference Call
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Presenters
Jack Taylor, President and Chief Executive Officer
Steve Alpart, Chief Investment Officer and Co-Head of Originations
Blake Johnson, Chief Financial Officer
Peter Morral, Chief Development Officer and Co-Head of Originations
Ethan Lebowitz, Chief Operating Officer
Chris Petta, Head of Investor Relations

Q&A Participants
Chris Muller - Citizens Capital Markets

Operator
Good morning. My name is Shari, and I will be your conference facilitator. At this time, I would like to welcome everyone to Granite Point Mortgage Trust Third Quarter 2026 Financial Results Conference Call.

All participants will be on 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, sir.

Chris Petta
Thank you, and good morning, everyone. Thank you for joining our call to discuss Granite Point's Third 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 will also refer to certain 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 supplemental, which 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 Granite Point's Third Quarter 2026 Earnings Call.

On September 23rd, Granite Point announced that our board had initiated a process to review alternatives to enhance stockholder value. We recognize there may be questions regarding this process. As we noted in our press release, we do not intend to answer questions or disclose any developments with respect to the process until the evaluation of alternatives has been completed or the board determines that earlier disclosure is appropriate.

Now let's turn to the third quarter. U.S. commercial real estate credit continued to benefit from constructive property-level fundamentals, while facing headwinds from interest rate increases combined with macroeconomic and geopolitical uncertainty, including the effects of the Iran war. Inflation expectations accelerated in August, and concerns surrounding government spending further increased pressure on interest rates. This increase in interest rates, combined with market uncertainty regarding the direction of rates, has notably slowed property sales and refinancing activity and negatively impacted on asset values. Notwithstanding those pressures on commercial real estate valuations, the overall economy has remained strong. Consumer spending and employment are still at impressive levels. Property cash flows are expected to continue to grow across many sectors. Development costs remain very high, and new supply is constrained, all of which are fundamental tailwinds for the commercial real estate sector. In addition, office fundamentals across many markets continue to improve, a trend that should be helpful for repayments and resolutions of legacy office loans. The immediate outlook for the commercial real estate debt markets is mixed. Capital continues to be available for commercial real estate. Debt markets remain active, and lending spreads have not widened that materially across most sectors, all more so for larger and stabilized assets. However, the increase in interest rates and pressure on valuations has led, in many cases, to a reduction in proceeds levels on new loans, creating a more challenging refinance market.

Our credit reserves increased during the quarter, primarily due to the impact of the challenging capital markets environment on active refinancings and sales processes, as well as further price discovery on our lender-driven resolutions, impacted by the challenging market. While we resolved two legacy risk rated five loans, we had two new risk rated five loans, as well as an increase in our other non-accrual loans. Steve and Blake will go into greater detail on these items. We do expect multiple near-term resolutions to offset a significant amount of the reserves.

Granite Point remains focused on our primary objective of resolving our loans and REO. During the third quarter, we completed two resolutions and realized two office loan repayments. These actions furthered our goals of reducing higher-cost debt. Back to our two REO assets, we continue to make progress on maximizing value with the goal of exiting these properties, opportunistically.

During the third quarter, we refinanced our two legacy CLOs, as well as additional assets on two warehouse financing lines, into an upsized and extended financing with JPMorgan, reducing our cost of funds. Blake will provide more detail on these actions, shortly.

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

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

We ended the quarter with $1.4 billion in total loan portfolio commitments, inclusive of $1.3 billion in outstanding principal balance and about $41 million of future fundings. Our loan portfolio includes 34 investments with an average UPB of about $39 million. As of September 30th, our portfolio weighted average risk rating was 3.3, an increase of 0.1 over the prior quarter. The realized loan portfolio yield for the third quarter was 5.3% which, excluding non-accrual loans, would be 7.3% or 2% higher.

We had an active quarter of loan repayments, paydowns, resolutions, and amortization totaling about $90 million. During the third quarter, we had two full loan repayments with a combined UPB of about $20 million, secured by office properties in California and Ohio. The first office repayment resulted from the sale of the last property in a multi-property pool where we had been previously substantially delevered. The second office repayment was a cash-neutral refinancing by a life insurance company. These two payoffs are good examples of the trend over time of increasing liquidity in the office sector, particularly for assets with strong cash flow. We also achieved two loan resolutions during the quarter, both via property sales in cooperation with each of the borrowers. These included the $52 million Georgia multifamily loan and the $15 million Connecticut hotel loan. As a result of these two transactions, the company realized a write-off of approximately $25 million, which had been reserved for through a previously recorded $25 million allowance for credit losses, as of June 30th.

In addition, we had about $8 million of future fundings and other investments on loans in our portfolio, resulting in a net loan portfolio reduction of about $82 million for the third quarter.

We will now provide some color on the risk rated five loans. At September 30th, we had five such loans with a total UPB of about $260 million. At quarter end, we downgraded two loans, totaling about $74 million, that are secured by office properties in Atlanta from risk ratings of four to risk ratings of five. The first is a $46 million loan collateralized by a 446,000 square foot Class A office property located in downtown Atlanta. The property was well leased at origination. However, the recovery in the downtown Atlanta leasing market continues to be delayed, and as a result of a drop in occupancy and a continued sluggish leasing environment, we downgraded this loan during the quarter. We are in discussions with the sponsor and evaluating several potential resolution alternatives. The other Atlanta loan is a $28 million loan collateralized by a 269,000 square foot Class A property in a submarket where we have seen some increased leasing activity. This property, which is institutionally owned, underwent a complete renovation to best-in-class status in the submarket. Given the high quality of the property, we had expected to see more leasing activity at the property. However, those new leases have not yet materialized and as a result, we also downgraded this loan. We are in active discussions with the sponsor for a resolution in the near term.

Regarding the three legacy five-rated loans that were downgraded in prior quarters, the Tempe hotel and retail loan and the San Diego office loan are in active sale processes. We expect to resolve the Tempe loan in the near term, possibly by year-end, and anticipate resolving the San Diego loan in the first half of 2027.

The last five rated loan is the $93 million Minneapolis office loan. As we mentioned last quarter, we continue to work collaboratively with current ownership to take the property back as REO, which we anticipate will occur prior to year-end. Resolving these remaining five-rated loans remains a top priority.

As of quarter end, we had eight other loans on non-accrual status with a combined UPB of $343 million. Seven of these eight were placed on non-accrual status during the quarter. As we have been driving forward to effectuate resolutions, a key factor of the move to non-accrual for a number of these loans was capital market-related headwinds impacting active sale or refinancing processes, and we took additional reserves accordingly. We expect that while some of these processes may be further delayed or put on pause, in other cases, loans could or likely will come back into accrual status in the fourth quarter or early 2027 based on a resumption of those processes or a de-risking of the loan, for example, through a paydown. Notwithstanding market headwinds, we intend to continue executing on our stated objective of thoughtfully exiting from these loans. We are in active dialogue with each of the borrowers regarding timing and alternatives and will provide additional information, as the situations progress.

Turning to the REO assets, the Miami Beach office property, which is a Class A asset located in a strong market, is under contract with a hard deposit, with the closing date targeted for year-

end 2026. Regarding the suburban Boston property, we continue to have positive leasing momentum and remain actively engaged with our partner and other third parties on several value-enhancing repositioning opportunities.

We do not intend to restart originations nor provide longer-term guidance while the board evaluation of alternatives is ongoing. As we've shared in prior quarters, our plan is to remain focused on regular repayments of loans, resolutions of the five-rated and other non-accrual loans, and resolving our REO properties, all of which over time will reduce our higher-cost debt and unlock additional capital.

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. On October 5th, we completed a one-for-10 reverse stock split, and for GAAP and non-GAAP measures, we present all per-common share amounts in our third quarter filings and today's conference call on an adjusted retroactive basis, which includes earnings per common share and book value per common share.

Turning to our financial results, for the third quarter, we reported a GAAP net loss attributable to common stockholders of $60.3 million, or negative $12.50 per basic common share, which includes a provision for credit losses of $45.4 million, and an impairment loss on REO of $2.6 million, and a distributable loss of $33.7 million, or negative $6.99 per basic common share. Our book value at September 30th was $44.54, a decline of $12.42 from Q2.

Our aggregate CECL reserve at September 30th was about $186 million, which is approximately $20 million higher than last quarter. Our specific reserve increased $46 million, largely due to eight loans migrating from the general reserve to the specific reserve, incremental increases on certain collateral-dependent loans, partially offset by $25 million of write-offs from the two loan resolutions during the quarter. The $26 million decrease in our general reserve was driven by the movement of eight loans to the specific reserve, two full loan repayments, and changes in loan attributes, partially offset by downgraded economic forecasts in our general reserve model. Approximately 95% of our total allowance was allocated to loans with a specific reserve.

As of quarter end, we had about $260 million of principal balance on risk rated five loans, with specific CECL reserves of about $119 million, representing 45.6% of the unpaid principal balance. We believe we are appropriately reserved, and further resolutions should meaningfully reduce our total CECL reserve balance.

Turning to liquidity and capitalization, we ended the quarter with about $45 million of unrestricted cash and total leverage of 1.9 times. As of a few days ago, we carried about $38.8 million in cash.

As shown in our earnings supplemental, we extended and upsized the JPMorgan repurchase facility during the third quarter to refinance our legacy CLO assets and our assets financed on repurchase facilities with Morgan Stanley and Citi. Refinancing our assets gave us better terms and greater financing flexibility, in addition to lowering our weighted average repo cost of funds from SOFR plus 2.42% to SOFR plus 2.13%, representing an improvement of 29 basis points, or half a million dollars of interest expense savings per quarter using our quarter-end repo balance of $727 million.

Lastly, as part of the refinance for CLOs, we incurred approximately $1.7 million of interest expense that compressed our net interest income for the third quarter. Going forward, we expect to recognize lower interest expense, as we will have a full quarter improvement from the refinance reducing our cost of funds, lower amortization expense of $900,000 related to the loan participations sold, treated as secured borrowings, and lower borrowing balances as we continue paying down our higher-cost debt and resolving our remaining non-accrual loans and REO.

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

Operator
Thank you. 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 would 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.

Our first question is from Chris Muller with Citizens Capital Markets. Please proceed.

Chris Muller
Hey, guys. Thanks for taking the questions. Is all of the specific reserve related to the five rated loans? If so, how should we think about migration of loans in the four-rated bucket, especially given the volatility in the market these days?

Blake Johnson
Good morning, Chris. This is Blake. Thank you for the question. The quick answer is no. We do have other loans outside of that risk rated five that are included in our specific reserve. As of quarter end, the total number of loans in the specific reserve is 13.

If you look at our earnings supplemental, we quantify that the number of the risk rated five is only five. We do have others that are included in our risk rated four bucket, and we do have one in our risk rated three.

Chris Muller
Got it. That's helpful. The preferred dividends are eating up a lot of earnings, and that's going to move higher when they flip to floating in January. Is there anything that you guys can do to

address those? Maybe that falls under the strategic review process, but just curious if there's anything you guys can share related to that.

Blake Johnson
I'll take that one again. Just a bit of color here. As of today, you're right. We have roughly around 8.2 million of preferred shares outstanding, around $205 million if you take that against our total liquidation preference of $25 a share.

Right now, the dividend pays around, I think it's a fixed, excuse me, it is a fixed rate of 7%, and it does turn to floating on January 15th when it moves to that three-month SOFR plus 583 basis points. As of today, the quarterly dividend sits at around $3.6 million per quarter, and then next year, it's going to bump up to around $5.1 million. This is one thing that, as we said in our prepared remarks, and I'm sure you understand, we really aren't able to provide longer-term guidance today. What we plan to do, if anything, at all with our preferreds is something that we're just not sharing.

Chris Muller
Got it. Well, I appreciate you guys taking the questions today, and we'll keep an eye out for the strategic review process to play out.

Blake Johnson
Appreciate the question. Thank you.

Operator
As a reminder, just “*”, “1” on your telephone keypad if you would like to ask a question. We will just pause for a brief moment to see if there's any further questions. There are no further questions at this time. I would like to turn the conference back over to Jack for closing remarks.

Jack Taylor
Thank you, Operator for assisting us today. I want to thank everybody on the team for all the hard work that you've been doing on the repayments you see coming through and the near-term resolutions that we've discussed in our prepared remarks and commentary, as well as those we expect to follow. Thank you to our shareholders for your continued support.

Everybody, thank you for joining us today. We wish you a good day.

Operator
Thank you. This will conclude today's conference. You may disconnect at this time and thank you for your participation.