# Granite Point Mortgage Trust
# Fourth Quarter and Full Year 2024 Earnings Call
# February 14, 2025

**<u>Presenters</u>**
**Jack Taylor, President and CEO**
**Steve Alpart, CIO and Co-Head Originations**
**Blake Johnson, CFO**
**Chris Petta, Investor Relations**

**<u>Q&A Participants</u>**
**Doug Harter - UBS**
**Steven DeLaney - Citizens JMP**
**Jade Rahmani - KBW**

**Operator**
Good morning. My name is Diego, and I will be your conference facilitator. At this time, I would like to welcome everyone to Granite Point Mortgage Trust Fourth Quarter and Full Year 2024 Financial Results Conference Call. All participants will be on a listen only mode. After the speakers' remarks, there will be a question-and-answer session period. Please note today's call is being recorded. I would now turn the call over to Chris Petta with Investor Relations for Granite Point.

**Chris Petta**
Thank you, and good morning, everyone. Thank you for joining our call to discuss Granite Point's fourth quarter and full year 2024 financial results. With me on the call this morning are Jack Taylor, our President and Chief Executive Officer, Stephen 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 Steve Plust, our Chief Operating Officer.

After my introductory comments, Jack will provide a brief recap of market conditions and review our current business activities. Stephen Alpart will discuss our portfolio, and Blake will highlight key items from our financial results and capitalization. The press release and earnings supplemental associated with today's call were filed yesterday with the SEC and are available in the Investor Relations section of our website. We expect to file our Form 10-K in the coming weeks. 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 and 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 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 most comparable GAAP measures can be found in our earnings release and slides, which are available on our website. I'll 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 fourth quarter and full year 2024 earnings call.

Before discussing our results, I'd like to take a moment to remember our board member, Reid Sanders, who passed away last month. Reid served as a member of our Board of Directors since our company's inception. He was a trusted adviser to Granite Point and a superb man. We and our board will miss him greatly.

Now turning to our business activities. 2024 marked a year of substantial progress for Granite Point in resolving nonperforming loans and collaboratively working with our borrowers to facilitate repayments. Both were driven by our proactive approach to asset and balance sheet management against the backdrop that continued to be challenging for the commercial real estate industry with more volatility and eventually somewhat less optimistic outlook for rates going into 2025. The federal reserve rate cuts, while less than anticipated, did help improve liquidity in the commercial real estate market in the second half of the year, and there is a growing consensus that real estate prices for most sectors and markets have already bottomed out, contributing to a more positive sentiment in the market. Liquidity has reemerged in certain sectors, most significantly for the SASB, conduit, and more recently, the commercial real estate CLO markets. Meanwhile, liquidity in the floating rate transitional middle market sector, though improving, remains less robust, particularly as regional and community banks who had remained largely on the sidelines are just now starting to reemerge. We expect these banks to remain less active in direct lending compared to prior cycles, which will present attractive longer-term opportunities for nonbank lenders to grow their market share over time.

In 2024, we successfully resolved nine loans totaling about $344 million in principal balance at or near our carrying value and realized about $415 million of loan repayments, paydowns, and amortization with much of this activity culminating during the third and fourth quarters. So far in 2025, we resolved two more office loans, totaling about $97 million for a total of $441 million of resolutions since the beginning of 2024. We have successfully executed on a variety of resolution strategies each fitted to the particular situation. We are pursuing resolutions of our remaining five rated loans, most of which are in various stages of their respective processes. We anticipate several of these transactions will be finalized through the first half of this year, though we expect some others to require longer time frames. Our portfolio management approach continues to emphasize a balance between timing, potential profitability, book value impact, liquidity, and other factors, with the goal of optimizing the economic outcomes for our company and various stakeholders over the long term. To that point, we have opportunistically deployed capital into our own securities. During 2024, we repurchased about 2.4 million of our common shares, 1.2 million of those purchased in the fourth quarter, reflecting our strong belief that our stock continues to be significantly undervalued. We currently have about 4.8 million shares remaining under our existing authorization, and we intend to remain opportunistic with respect to any future buyback activity. Overall market sentiment has improved over the past few quarters despite the disappointment resulting from the fed pivots and rates trending higher.

As the market enters 2025 with a more positive though still tempered outlook, we believe liquidity and transaction volume will continue to improve over the course of the year in the commercial real estate market with improving fundamentals for most property types across many markets. With the progress we have made in 2024 and so far in 2025, our current volume of nonperforming loan resolutions should continue to meaningfully exceed any potential future credit events.

With these ongoing resolutions, our run rate profitability should improve over time as we pay down expensive debt and create more earning assets. We anticipate that with further portfolio turnover through loan resolutions and repayments, we will be positioned to return to new originations in the latter part of the year and regrow our portfolio while improving our run rate profitability, driving attractive total shareholder returns. 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 call this morning.

We ended the fourth quarter with total loan portfolio commitments of $2.2 billion and an outstanding principal balance of $2.1 billion, with about $91 million of future fundings, which accounts for only about 4% of total commitments. Our loan portfolio remains well diversified across regions and property types and includes 54 investments with an average UPB of about $39 million and a weighted average stabilized LTV of 64% at origination. As of December 31st, our portfolio weighted average risk rating remained stable at 3.1. Our realized loan portfolio yield for the fourth quarter was about 6.6% net of the impact of nonaccrual loans, which we estimate to be about 214 basis points. During the quarter, we funded about $60 million, inclusive of $12 million of existing loan commitments and upsizes plus a $48 million loan assumption from our New York mixed-use property resolution, which was treated as a new loan for GAAP purposes. We had an active quarter of loan repayments, paydowns, and resolutions totaling about 303 million, resulting in a net loan portfolio reduction of $243 million.

So far in the first quarter, we have funded about $3 million of existing loan commitments and realized two loan resolutions totaling about $97 million of UPB. Given our emphasis on maintaining liquidity and resolving our remaining nonperforming loans, we expect our loan portfolio balance to trend lower in the coming quarters before we begin reinvesting our capital, releveraging, and regrowing later this year. We have made substantial progress addressing the five rated loans in our portfolio with resolutions of nine loans totaling about $344 million during the year and an active fourth quarter.

During the quarter, we successfully resolved four of those nonaccrual loans totaling about 176 million in UPB through a variety of strategies. As we mentioned on our third quarter earnings call, a $33 million loan secured by an office property in New Jersey was resolved in October through a loan sale. The Minneapolis Hotel property securing a $29 million loan and the Denver office property securing a $20 million loan were both resolved via all cash sales by the respective sponsors. The New York mixed-use office and retail property securing a $94 million loan was resolved through a sale of the underlying property with a loan assumption by the purchaser. The assumed loan was modified with a reduction in the unpaid principal balance from $94 million to $48 million.

Now we'd like to provide some color on the balance of our risk-rated five loans. At year-end, we had seven such loans with a total UPB of about $453 million. So far in 2025, we have resolved two of these seven loans, totaling about $97 million of UPB. In January, we took title to the Miami Beach office property, securing a $71 million loan. In February, we resolved a $26 million loan secured by an office property located in Boston through a sale of the collateral property. As a result of these resolutions, we currently have five loans rated five with a balance of $356 million, and we expect to resolve most of them during the next few quarters. The Baton Rouge mixed-use property securing an $80 million loan is currently in an active process that could conclude over the next few months. The sale process for the office property securing our $80 million loan in Chicago remains ongoing and could conclude over the next few quarters. The Minneapolis Hotel securing a $53 million loan is in an active process that may conclude over the next couple of quarters. During the quarter, we downgraded a $50 million loan secured by a student housing property in Louisville, Kentucky to a risk weighting of five. The property had been subject to a confidential multiyear arbitration process between the borrower and many third parties. We anticipate a longer resolution timeline for our $93 million loan in Minneapolis given the persistent local market challenges. Resolving these remaining five rated loans remains one of our top priorities.

Turning to our two REO assets held at December 31st, we continue to pursue a potential sale for the Phoenix office property, and the process remains ongoing, and that process could conclude over the coming months and quarters. The office property in suburban Boston continues to perform well with a strong cash flow profile and has significant development potential, which we are currently exploring. Both REO properties remain unlevered as of quarter end and serve as a source of additional liquidity, which we may access in the coming months to further optimize the balance sheet and increase our financial flexibility. We will continue to prioritize maintaining higher liquidity for more optionality, which, as we resolve these assets, will allow us to begin originating new loans during the second half of 2025. I will now turn the call over to Blake to discuss our financial results and capitalization.

**Blake Johnson**
Thank you, Steve. Good morning, everyone, and thank you for joining us today. Turning to our financial results.

For the fourth quarter, we reported a GAAP net loss of $(42.4) million or $(0.86) per basic common share, which includes a provision for credit losses of $(37.2) million or $(0.75) per basic common share mainly related to the collateral dependent loans. Attributable loss for the quarter was $(98.2) million or $(1.98) per basic common share, which includes write-offs of $(95.2) million or $(1.92) per basic common share. The write-offs were related to four nonaccrual loan resolutions that Steve discussed earlier. Our book value at December 31st was $8.47 per common share, which represents a decline of about $(0.78) per share for Q3, which was primarily due to the provision for credit losses partially offset by the accretive share buybacks we opportunistically executed during the quarter, which we estimate benefited book value by about $0.13 per common share.

Our aggregate CECL reserve at December 31 was about $201 million or $4.12 per common share as compared to $259 million last quarter or $5.18 per common share. The $58 million decline in our CECL reserve was driven by $(95.2) million of write-offs related to four resolutions, partially offset by an increase of provision for credit losses of $(37.2) million. Approximately 77% of our total allowance were $155 million is allocated to individually assessed loans, which implies an average estimated loss severity of about 34% on those assets. With the two resolutions that occurred subsequent to year-end, we expect to recognize a realized write-off of approximately $24.5 million, which we previously reserved for in our allowance.

We believe we are appropriately reserved for, and further resolutions should meaningfully reduce our total CECL reserve balance. As of year-end, we had about $453 million of principal balance and seven loans and nonaccrual status. All seven of these loans are in cost recovery, and any incoming interest is applied to reduce loan principal rather than being recognized in earnings, which is estimated to be about $2.6 million in the fourth quarter. We anticipate the run rate profitability of the company to improve as we continue to resolve nonearning assets, repay expense of debt, and reinvest our capital over time, though the exact time and the magnitude remain difficult to predict, and will also be dependent on the volume of loan repayments and the level of short-term interest rates.

Turning to liquidity and capitalization. We ended the year with about $88 million of unrestricted cash, and total leverage remained unchanged at 2.2 relative to the prior quarter. Our funding mix remains well diversified and stable, and we continue to enjoy continued support from our lenders, highlighting our long-standing relationships. We expect to expand our financing capacity once we return to originating new loans more actively. As of a few days ago, we carried about $75 million in cash that we expect to increase in the near term from further loan repayments and the potential financing of our unlevered REO assets.

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

**Operator**
Thank you. And at this time, we will be conducting a question-and-answer session. If you would like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may press star two 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. One moment, please, while we pull for questions. Our first question comes from Doug Harter with UBS. Please state your question.

**Doug Harter**
Thanks. Hoping you could go through a little bit more detail on the new five rated assets that resulted in the incremental provision. And help give us comfort as to the current kind of less than five rated, better than five rated loans today and whether there'll be incremental downgrades and need for provisioning in coming quarters?

**Steve Alpart**
Hey, Doug. Good morning It's Steve Alpart. Thank you for joining the call. The first thing I'll say, which maybe was the second part of your question is that we go through all the risk ratings every quarter, go through CECL every quarter. So, with the information we have now, we feel comfortable with the risk rankings and the reserves. As far as the two new fives that we talked about during our prepared remarks, the Louisville Student Housing Property, during the fourth quarter, as we mentioned, we downgraded that one from a risk rating of four to five. I think we said that that property had gone through a fairly lengthy confidential arbitration process between the borrower and bunch of third parties. That concluded during the quarter. That was really the driver of moving up from four to five. The arbitration award came in a bit lower than expected.

Also, during the quarter, we extended that loan out to November of 2025, and we're continuing to work with the sponsor on a resolution, which is still early but could include a sale of the property. The other one was the Miami Beach office asset. We mentioned that we took title to that property during the first quarter. It's a very high-quality property in Miami Beach. It's a strong, vibrant market. The issue there was really related to the prior owner, who was under-capitalized. They were not investing into the property. So, we've taken that back. It's early days, but it's a good property, good market, and we'll have more to talk about in the coming quarters.

**Doug Harter**
Got it. And then you guys mentioned the possibility of putting on some leverage against the REO. What would be the need for that liquidity? Are there kind of other kind of significant liquidity drags or uses at the moment? Kind of what would be the rationale to kind of put that leverage on?

**Jack Taylor**
Hi, Doug. Thank you for joining us. This is Jack. We are still in a maintaining and building liquidity mode as we work through the resolutions. We don't have anything targeted that we see that's coming that we say we need to have this liquidity for. But it is a means for us to maintain our liquidity, bring it up higher than it is. We expect through some repays and some other stuff we'll have more liquidity here on the cash side in a matter of weeks. But it's just to maintain the flexibility. If we put leverage on, it will maintain the flexibility for us. It's not that we're anticipating a particular set of problems that will absorb it.

**Doug Harter**
Great. Thank you.

**Operator**
And our next question comes from Steven DeLaney with Citizens JMP. Please state your question.

**Steven DeLaney**
Good morning, everyone. Thanks for taking the question. We're hearing very positive comments about the state of the CLO market, both in execution and buyer demand. I'm curious with your two CLOs, 2021 vintage. Gosh, they're what, three plus years old. Is there any opportunity as we go into 2025 to some way, refinance, combined there any transactional opportunity for you to improve the financing from a cost standpoint or potentially even extract more funding, in other words, improve the leverage on those CLOs? Thank you.

**Jack Taylor**
Steve. Thank you for the question. This is Jack. The answer is yes, but not in the very near term. We welcome this acceleration of CLO activity, which, even in December, people were predicting far smaller amounts than they are now. And we believe that this market, as I've said in the past, has an independent non-arbitrage reason to exist, and that's being manifested in its resurgence now. We intend to take advantage of that, but as you recall, what we did in the past with our first two CLOs is we refinanced them into a repo lender, that's a possibility. Also, for FL3 and FL4, it's also possible to take a portion of the assets that are in FL3 and FL4, the ones you're referencing, and combine them with new originations and existing assets to refinance into the CLO market. That won't be in the next quarter or two, but it could be towards the end of the year, and we intend on taking advantage of the CLO market on a going-forward basis.

**Steven DeLaney**
That's great to hear. One follow-up for Steve Alpart's comments. You were talking, Steve, about the five rated loans and you mentioned four rated loans, but I missed how many four rated loans that you currently have or that you had at year-end? How big is that bucket?

**Steve Alpart**
Sure. Hey, Steve. At year-end, we had four loans rated four, and the UPB was a little under $170 million.

**Steve DeLaney**
Great. Thanks for that. A comment to close, applaud the buyback very much. I think at stock below 40% of book is something that needs to be done. You obviously have to balance that against liquidity and other opportunities but do applaud the effort there that you're making on behalf of the shareholders. So, thanks, and hopefully smoother sailing in 2025 than maybe than we all saw in 2024. Wish you the best.

**Jack Taylor**
Thank you. Thank you very much.

**Operator**
Thank you. And a reminder to the audience, to ask a question at this time, press star one on your telephone keypad. To remove yourself from the queue, press star two. Once again, to ask a question, press star one. Our next question comes from Jade Rahmani with KBW. Please state your question.

**Jade Rahmani**
Thank you very much. The Kentucky deal has been on the books since 2017. Just looking through the presentation, your last SEC filing, I mean there's plenty of loans that are pre-2020 vintage. Yet there's only four loans that are risk rated four, and then there's the risk rated five that you went through. So, with such an old vintage and legacy in the portfolio, you really need to provide investors with some sense of how active your asset management is and how we won't be surprised by these credit downgrades and large reserves. In addition to that, I mean, the loss severities that GPMT has been taken are quite substantially higher than many peers, not all of the peers, but many of them. So, I guess on the Kentucky, if you could just provide some sense as to why the downgrade happens now since this is such an old vintage. And then talk more broadly to the level of asset management that's going on the risk one through three rated loans.

**Jack Taylor**
Hi, Jade, thank you. It’s a question that I'll address. What I'll say is there's a lot that you have in there. We've been doing a lot of asset management across the portfolio, including the one through threes, and the vintage, if you will, is not the full story, and there's been a tremendous amount of loan modifications, paydowns, etc., over the years that have brought these deals largely, to a more current state, if you will, because they've been reworked so much. Some of that is the proof is in the pudding in that we've had a significant amount of prepayments throughout the period for '22, '23, '24 at very high levels in the mid-20s to high 20s, including a proportional basis of office loans in the high teens in 2024, which we expect will continue on

our predictions through the course of this year. So, the age of the loans is pre-COVID or COVID vintage, and then we've reworked them.

Secondly, with respect to the asset in Kentucky, as Steve mentioned this, but it was very complex. We were not party to this litigation. It was an arbitration/mediation that grew over time, and we were not party to it. And just to put some range around that, it was between a highly reputable, very skilled owner developer and a group of 26 counterparties, various contractors and insurers. This was a confidential process that, as many people who have been involved in arbitrations will know, can be dragged on for years as new evidence develops, etc., and that's what happened here. So that went on, and we were not allowed to be part of that process. Unfortunately, the arbitration resolved in a way that was not meeting expectations of the sponsor. So, in defense of that possibility, we had built up a large reserve as a four-rated asset. I found it very difficult to speak in any more detail about this given the confidential nature of the process and not wanting to affect the process. So, what we ended up with is a small incremental increase to the reserve amount over what we already had, even though it was a large nominal amount.

**Jade Rahmani**
Okay. I guess in that case, I understand each one of these things, it's its own Rubik's cube, That's the nature of commercial real estate. They're all stories like this. But the fact that this happens now so long after the origination is very surprising.

**Jack Taylor**
I understand, Jade. But let me say, the catalytic event, if you will, was the mediation/arbitration coming to the conclusion during the fourth quarter, with a result that was not what the owner had wanted, predicted, or desired. So, that was the catalytic event, which then as soon as we were aware of that, we were able to take action with the greater information that we had.

**Jade Rahmani**
Okay. I guess the next question is a bigger picture strategic question, and it has to do with capital management. Barry Sternlicht always says, don't drink your own blood. I see the dividend is $0.05 per share, and your normalized earnings, ex all these items, was $(0.06), and you say, like, you're getting closer. Why not cut off the dividend rather than pursue entering any debt, number one? Number two, why not be an aggressive lender and take a lot more into REO and participate in the turnaround and upside in these assets, which would be the best way to potential value creation rather than spending money on stock buybacks just to partially offset the sharp reductions in book value that we're seeing? I mean, book value still went down sharply even though there was benefit from the buyback, but it still went down a lot more than that. So, I think that you should maybe consider pivoting no dividend and be aggressive and take assets into REO, and maybe you can manage them better than what's going on, and that could give some upside to investors.

**Jack Taylor**
So, let me talk about the dividend first. It's something that we discussed with the board, and it's their decision. There's a variety of reasons to sustain it given that we expect, though it's very hard to project when we will be able to start covering the dividend, and that will be dependent upon resolutions and prepayments and candidly, the start of originations, which will be sometime in the latter half of 2025, as we've said.

Secondly, the REO, if you look at our credit performance as a percentage of REO combined with reserves, we have a much larger reserve number because we haven't taken as much into REO. But we're basically running with a substantial number of competitors at about the same level of REO plus reserve numbers. Now, we found that if the borrower is not the problem but is part of the solution, and even if they're and we've maintained excellent relationships, even if they are in an out-of-the-money situation or believe that they substantially are or they're at risk, we will work with them. In many cases, I don't want to say many, but multiple cases, we've worked with such a borrower, we've worked very intensely with them, and we have acquired a percentage of the upside for future recovery. So, what you've addressed it in a different way.

Secondly, in some of these situations, maintaining good liabilities, right, instead of replacing it with what it would be, say, for a distressed office asset much more expensive liabilities, we've been able to maintain very valuable liabilities by not taking it into REO, keeping the asset, and as I said, in some cases, keeping a percentage of the upside. So, we acknowledge what you're saying that we have less REO as a percentage and more reserves, if you will, because we're carrying these loans. But we have been taking properties back when, like in the Miami situation where the borrower certainly wasn't part of the solution and in other situations like in the suburban Boston. So, it's kind of a complex answer, but that's our view on it is that it's preserving liabilities that are quite valuable and, in many cases, getting a percentage of the upside.

**Jade Rahmani**
Okay. Thanks for addressing that. Really appreciate it.

**Jack Taylor**
Thank you, Jade.

**Operator**
Thank you. And there are no further questions at this time. I'll now hand the floor back to Jack Taylor for closing remarks.

**Jack Taylor**
Well, thank you, operator. I really want to thank everybody that's joined us on the call today and for your time and attention and your support of the company. Also, a big thanks to our team for accomplishing so much this year and all the hard work that went into it. And finally, I'd

like to thank the Board of Directors and a big welcome to our two new board members, Patrick Halter and Lazar Nikolic. And we wish you a very nice day and holiday weekend. Thank you.

**Operator**

Thank you. And that concludes today's call. All parties may now disconnect. Have a good day.