# Granite Point Mortgage Trust Inc.
# First Quarter 2025 Financial Results Conference Call
# May 7, 2025

**Presenters**
**Jack Taylor, President & CEO**
**Steve Alpart, CIO and Co-Head of Originations**
**Blake Johnson, CFO**
**Peter Morral, CDO Co-Head of Originations**
**Ethan Lebowitz, COO**
**Chris Petta, Investor Relations**

**Q&A Participants**
**Doug Harter – UBS**
**Steve Delaney – Citizens JMP**
**Jade Rahmani – KBW**

**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 2025 financial results conference call. All participants will be in a listen only mode. After the speakers' 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 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 first quarter 2025 financial calls. 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 Alpart will discuss our portfolio. And Blake will highlight key items from our financial results and capitalization. The press release, financial tables, and earnings supplementals associated with today's call were filed yesterday with the SEC and our available in the "Investor Relations" section of our website, along with our Form 10-Q.

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 SEC filings 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 present 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 which are available on our website.

I will now turn the call over to the 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 2025 earnings call.

Before discussing our first quarter results, I'd like to take a moment to briefly discuss our recent Chief Operating Officer transition from Steven Plust to Ethan Lebowitz, which was successfully completed on May 1st.

As was previously announced, this transition was initiated as Steve expressed a desire to narrow and concentrate the scope of his business responsibilities going forward. He has been in the industry for over 40 years, and I am proud to say that we have worked together for over 30 of those years.

At the same time, we are also very excited to have Ethan as our newly appointed chief operating officer. Ethan has been with the team since before Granite Point's inception, and I have worked with him for almost 20 years. Ethan brings broad industry expertise, real estate acumen, and exceptional leadership capabilities. I am confident that his deep understanding of our business and extensive history with our team makes Ethan the perfect fit to advance our initiatives and drive shareholder returns as our Chief Operating Officer.

Now turning to the market, the beginning of 2025 showed continued improving sentiment for commercial real estate, with credit spreads tightening, enhanced liquidity, and greater transaction volume. However, in the past month, following the tariff announcements, there has been renewed uncertainty about the path of interest rates and heightened concern about the possibility of a recession and the possible effects of both on commercial real estate. While this has introduced some caution amongst commercial real estate market participants, it is too soon to tell how long this uncertainty will last and what the long-term impact of the tariffs will be. Fortunately, commercial real estate is better positioned today as the activities over the past few years have resulted in a lower recent basis across most property types and markets. Commercial real estate also compares favorably to other asset classes and industries, as it represents a hard asset with intrinsic value and is a more defensive asset class during a period of uncertainty.

Despite the market turbulence, we have made significant progress on our goals and objectives. During the first quarter of 2025, we resolved two risk rated five loans, both office properties, totaling about $97 million. Additionally, in the last week, we resolved two more risk rated five loans. We resolved a mixed-use asset located in Baton Rouge, Louisiana. And we are pleased to share that the imminent resolution we wrote about in our press release yesterday with respect to the hotel asset located in Minneapolis did, in fact, close late yesterday. Steve Alpart will discuss both in greater detail shortly. All of these resolutions have decreased our risk rated five loan count from seven at year end to three remaining today as we have continued to make substantial progress on reducing our nonaccrual loans.

While the improvement in liquidity in commercial real estate is now facing some headwinds, the commercial real estate debt markets are open and functioning with significant liquidity for the floating rate bridge and transitional market sectors from both direct and warehouse lenders. As previously noted, we extended all three of our repurchase facilities for approximately one year. We also continue to work with our borrowers and have seen steady loan repayments at par, including in the office loan sector. Year to date, we realized about $107 million of loan repayments, pay downs, and amortization.

As we manage both sides of the balance sheet, we continue to navigate this period of high uncertainty and market volatility by maintaining higher liquidity, extending debt maturities, and engaging in other value enhancing activities. To that point, we have also opportunistically deployed capital into our own securities. During the first quarter, we repurchased about 900,000 of our common shares. It is our view that the current market price does not reflect the value of the business, nor the progress we have made to date, including the pace of our loan resolutions and our ongoing pace of repayments, despite recent headwinds. We currently have about 3.9 million shares remaining under our existing authorization, and we intend to remain opportunistic with respect to any future buyback activity.

We anticipate that, with the continued resolutions and repayments, we will further pay down our remaining expensive debt and we will be positioned to return to new originations in the latter part of the year, all of which will improve our run rate profitability and earnings over time.

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.

Before providing our business update, I'd like to congratulate Ethan Lebowitz on his recent promotion to Chief Operating Officer. Ethan is the ideal person to fill Steve's role, and will be an excellent addition to the executive and investment committee.

Now turning to our business, we ended the first quarter with $2 billion in total loan portfolio commitments and $1.9 billion in outstanding principal balance, with about $93 million of future fundings, which accounts for only about five percent of total commitments. Our loan portfolio remains well diversified across regions and property types and includes 50 investments with an average UPB of about $39 million and a weight average stabilized LTV of 64 percent at origination.

As of March 31st, our portfolio weighted average risk rating improved slightly to 3.0, which no new negative credit migration during the quarter. The realized loan portfolio yield for the first quarter was 6.8%, which, excluding nonaccrual loans, would be 8.5% or 1.7% higher. The prior quarter realized loan portfolio yield was 6.6% and, excluding nonaccrual loans, was 8.8% or 2.2% higher. The improvement in our overall loan portfolio yield of about 20 basis points is due to the lower amount of nonaccrual loans relative to the total loan portfolio, partially offset by lower SOFR.

We had an active first quarter of loan repayments, pay downs, and resolutions, totaling about $172 million, including the par payoff of an office loan, and funded about $10 million on existing loan commitments, resulting in a net loan portfolio reduction of $161 million. During the first quarter, we successfully resolved two nonaccrual loans, totally about $97 million in UPB. As previously disclosed, we took title to the office property in Miami Beach, which had been securing a $71 million loan. Additionally, the Boston CBD office property securing a $26 million loan was sold by the borrower in February. Given our emphasis on resolving our remaining nonaccrual loans, we expect our loan portfolio balance to trend lower in the coming quarters.

So far in the second quarter, we have funded about $3 million of existing loan commitments and received about $32 million in full repayments on two additional office loans, which we note were repaid while the markets were in flux from the announcement of the tariff policies. Additionally, we resolved two loans totaling, about $132 million in UPB.

Now we'd like to provide some color on the risk rated five loans. On March 31st, we had five such loans with a total UPB of about $355 million. In May, we modified the loan secured by a hotel property located in Minneapolis, Minnesota. As of March 31, 2025, the loan was on nonaccrual status with an unpaid principal balance of about $52 million and had a risk rating of five. The modification restructured the loan into a $37 million senior and a $15 million subordinate note with the borrower investing additional equity in the property. As a result of the modification, the resized senior loan will be classified as performing, and the subordinate loan has been fully reserved though the previous recorded allowance.

Also in May, we resolved the loan secured by the mixed-use office and retail property located in Baton Rouge, Louisiana via a property sale. As of March 31, 2025, the loan was on nonaccrual status with an unpaid principal balance of about $80 million and a risk rating of five. As a result of this resolution, we expect to realize a write off of about $(22) million, which previously had been reserved through a recorded allowance. As a result of these two resolutions, we currently have three remaining nonaccrual loans rated five with a balance of about $223 million. The process for the office property securing our $80 million loan in Chicago remains ongoing and should conclude over the next couple of quarters, likely through a sale of the property. The resolution of the $50 million loan secured by a student housing property in Louisville, Kentucky remains ongoing and should conclude over the next couple of quarters, also likely through a sale of the property. As previously mentioned, we anticipated longer resolution timeline for our $93 million loan in Minneapolis, given the persistent local market challenges. Resolving these remaining five rated loans continues to be one of our top priorities.

Turning to our three REO assets, the Phoenix office property is under contract for sale with a hard deposit and a targeted closing in the coming months. We've had a number of positive leasing successes at the suburban Boston property, and we are actively working with our partner and the local jurisdiction on several value enhancing redevelopment opportunities. The Miami Beach office property is a class A asset located in a strong submarket. We are reviewing potential resolution alternatives and are in active leasing discussions with a variety of tenants. The REO properties serves as potential sources of additional liquidity, which we may access in the coming months.

In the near term, we will continue to prioritize maintaining higher liquidity, which can allow more optionality to maximize value on these resolutions. With respect to new business, our seasoned origination team remains actively in touch with our borrower and brokerage networks, and we expect to begin originating new loans later in 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 first quarter, we reported a GAAP net loss of $(10.6) million or $(0.22) per basic common share, which includes a provision for credit losses of $(3.8) million or $(0.08) per basic common share, mainly related to collateral dependent loans. Distributable loss for the quarter was $(27.7) million or $(0.57) per basic common share, including write-offs of $(24.6) million or $(0.51) per basic common share, which were largely previously reserved for. The write offs were related to the two nonaccrual loan resolutions that Steve discussed earlier. Our book value at March 31st was $8.24 per common share, a decline of about $(0.23) per share from Q4, which was primarily due to our GAAP net loss to common, partially offset by the accretive share buybacks, which we estimated benefited book value by about $0.10 per common share.

Our aggregate CECL reserve at March 31st was about $180 million or $3.72 per common share, as compared to $201 million last quarter or $4.12 per common share. The $21 million decline in our CECL reserve was driven by $24.6 million of write-offs related to the two resolutions, partially offset by an increase from provision for credit losses of $(3.8) million, approximately 75 percent of our total allowance or $134 million is allocated to individually assessed loans. With the two resolutions that occurred subsequent to quarter end, we expect to recognized a realized write-off of approximately $37 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 today, we have about $223 million of principal balance on three loans on nonaccrual status. All three of these loans are on cost recovery, and any incoming interest is applied to reduce loan principal rather than being recognized in earnings. We anticipate the run rate profitability of the company to improve as we continue to resolve nonearning assets, repay expensive debt, and reinvest our capital over time, though the exact timing and 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 quarter with about $86 million of unrestricted cash, and total leverage remained unchanged at 2.2x relative to the prior quarter. Our funding mix remains well diversified and stable, and we continue to have very constructive relationships with our financing counterparties, who know our assets very well, as evidenced by their recent extensions of our repo facilities. We expect to expand our financing capacity once we return to originating loans more actively. As of a few days ago, we carried about $86 million in cash that we expect to increase in the near term from further loan repayments and potential financing of our REO assets.

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 star one on your telephone keypad. A confirmation tone will indicate 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 the handset before pressing the star keys. One moment please while we poll for questions. Our first question is from Doug Harter with UBS.

**Doug Harter**
Thanks. You mentioned potentially starting originations back up in the second half of the year. You have been active in buying back stock. But given the current discounted book, how do you think about maybe accelerating the pace of buyback versus originating new loans?

**Jack Taylor**
Hey, Doug. This is Jack. Thank you for joining us this morning. It is a balance that we have to strike. Right now, we're in a mode of having a preservation of liquidity and directing what liquidity we do have has been put toward stock buybacks. And we don't directly comment on

our potential buy backs. But I will point out that we've been fairly active in it, and we have authorization for another $3.9 million. As we reported, we bought back about $900,000 of our common in the last quarter. And so, our flexibility is to continue with that and then later in the year to balance it further against new originations, which would be, as we have said, in the back end of the year.

**Doug Harter**
Great. Appreciate that, Jack. You've made progress on working down the fives. I guess, as you look at kind of the four rated assets and even the threes, how do you assess any event risk, whether that's maturity or other lease expirations or anything like that that could potentially lead to downgrades on three or fours that would kind of be problem assets?

**Steve Alpart**
Hey, Doug. It's Steve Alpart. Good morning. Hope you're well. So, just, I guess, high level, the majority of the portfolio has been performing well. And as we just talked about, we continue to work through these loan resolutions, which mainly relate to the office sector and the effect of elevated rates. We do have more work to do. But as we just talked about, we're pleased with all the resolutions we've had in 2024 and the ones we've had so far year to date in 2025 with no negative credit migration in the first quarter and only one rating change overall, which was an upgrade. As far as the four rated loans, they're all behind on business plan. Some of them have been affected by the local market, other factors. We're watching all of them carefully. We're working with all those sponsors. It's always possible that there could be negative credit migration. But we also hope to have positive credit migration as we've had in the past. And that relates to both the fours and the threes. But we're comfortable with where they're marked today.

**Doug Harter**
Great. Thank you.

**Operator**
Our next question is from Steve Delaney with Citizens JMP.

**Steve Delaney**
Good morning, everyone. Thanks for taking the question. I do want to applaud the buy back. I know you can't do but so much, but every little bit helps. So, glad you stick with that as conditions allow. I heard two figures mentioned, dollar amounts, for write offs or realized losses. I think someone mentioned a $22 million write off in Q2 '25. And then, further in comments, I heard a $37 million realized loss. Could you just clarify those two? Did I hear those items right? And can you clarify for us the expected timing of when the $22 million and the $37 million would actually be realized in your distributable EPS? Thanks.

**Blake Johnson**
I apologize about that. Good morning, Steve. Thank you for the question. So, the two write-offs that occurred subsequent to the quarter end, that is actually what was equal to the $37 million. And included in that $37 million, was $22 million related to one resolution and around $15.4 million related to the second.

**Steve Delaney**
Got it. So, $22 million and $15 million. Excellent. And with these resolved, how many five-rated loans remain after these two have been resolved?

**Blake Johnson**
Yes. So, as of 3/31, we had five outstanding. And then, as of whenever these two resolutions occur, we'll have three outstanding.

**Steve Delaney**
Only three. Okay, excellent. That's what I had. I appreciate the comments. That clarifies it.

**Blake Johnson**
Thank you.

**Jack Taylor**
Thank you for joining us, Steve.

**Operator**
Our next question is from Jade Rahmani with KBW.

**Jade Rahmani**
Thank you very much. The portfolio currently has 0.6 years of remaining term to maturity. So, that implies nearly all loans in the portfolio should reach maturity this year. Is that correct?

**Steve Alpart**
Hey, Jade. It's Steve. That is not correct. There's loans that are maturing in '25. There's loans maturing in '26. That's probably the majority of it. And there's a few that go out a little further into '27. There's a couple that a little longer dated piece of paper. But it's a mix of '25, '26, and then some into '27 and beyond.

**Jade Rahmani**
Do you know generally what percentage by the way, that statistic is from the 10-Q. So, I don't know if anything needs to be updated.

**Blake Johnson**
Hey, Jade. This is Blake. If you go to that table, there's actually a helpful footnote at the bottom of it. That actual 0.6 is based on the contractual maturity date. So, if you look at certain loans are subject to certain contractual extension options and that is included here.

**Jade Rahmani**
Okay. So, do you know what percentage of the portfolio matures in 2025?

**Steve Alpart**
Yeah. It's Steve. If you look at it in terms of fully extended maturity dates, which is what my comment relates to, it's probably a little over 20 percent of the portfolio has a final maturity of 2025. And if you dig into that, some of those are the five rated loans that we've talked about. There's other loans in there that are expected to pay off. Some of them will extend as of right, and then, others if we don't have a payoff, we'll have to have conversations with those borrowers. But it's a little early for that right now.

**Jade Rahmani**
I've been looking at the commercial mortgage REITs and their approach to CECL reserve. And it's clear that the companies heavily reserve on risk five rated loans. Then they take very low reserve on risk four rated loans and almost nothing on everything else in contrast to banks. So, could you say what the reserve is on the risk four rated loans? Right now, the total allowance is $177.3 million. What dollar amount relates to risk four rated loans?

**Jack Taylor**
Blake, do you want to answer that?

**Blake Johnson**
Sure. I can take that. So, if you actually look at our risk rated four loans, it's around $13.1 million as of quarter end.

**Jade Rahmani**
Okay. And what balance of loans does that relate to?

**Blake Johnson**
Sure, $174 million.

**Jade Rahmani**
Okay. So, $13.1 million over $174 million. So, that's a seven and a half percent reserve, better, so, $13.1 million on $174 million?

**Blake Johnson**
Yes.

**Jade Rahmani**
Of risk rated four loans. Okay. Better than the other mortgage REITs. Do you expect any incremental credit provisions? You identified the realized losses that would be expected in the second quarter. But do you expect any incremental loan loss provisions?

**Blake Johnson**
As far as our CECL process goes, this actually happens at quarter end. So, we go through a full assessment when we get to the end of the month of June. And we haven't yet done that. As far as whether we expect to have incremental losses, it's too early to tell. We could have incremental gains or losses. It really depends on the actual forecast we lose and our general reserve modeling and also additional information that we obtain on the collateral dependent loans.

**Jade Rahmani**
The Miami office that you're taking REO that's a 2016 vintage. So, I mean, can you just give any color as to whether the asset produces any income? Miami is a pretty strong market. So, what the issues are there, just some commentary around that.

**Blake Johnson**
Sure. So, as of quarter end, we actually three properties that are on our books as REO. And then, when you look at the individual assets, I would say, on a combined basis, we do expect positive NOI. So, I would say roughly around $225 million a quarter. When you look at our earnings, it's a little bit different. Just NOI is a non-GAAP measure. And if you look at our earnings, it shows a loss, and that's largely because of the depreciation.

**Jack Taylor**
But I think maybe, Steve, you could you answer the remainder.

**Steve Alpart**
Sorry, Jack. Go ahead.

**Jack Taylor**
No, you go ahead. I was going to ask you to do so.

**Steve Alpart**
Oh sure. So, it's a high quality class A property in a strong market. It's got a lot of potential. The issue here was really, Jade, around the prior owner who had distress in their larger portfolio. They just were not able to invest in this property or execute the business plan due to those issues. The market, as I think you alluded to -- it's got compelling fundamentals. We thought this one made sense to take back. We're actively reviewing potential resolution alternatives. We're in active leasing discussions with a bunch of tenants. And we'll have more to share on that in the coming quarters.

**Jade Rahmani**
Do you know what the basis is that you'll be taking it into REO?

**Jack Taylor**
We did do that. And Blake, if you would, address that.

**Jade Rahmani**
The basis, like price per square foot.

**Blake Johnson**
I don't have that handy. So, the total number that we actually put on our books is $72.5 million. I don't know if, Steve, you have that handy.

**Steve Alpart**
I do believe we do disclose the square footage. Right?

**Jack Taylor**
We can come back to you on that if it's not readily available, Steve.

**Jade Rahmani**
I mean, do you think it's reasonable that could be a gain in that property if it's class A, the prior owner didn't invest in it, you're in discussions with a bunch of tenants, potential tenants?

**Jack Taylor**
The answer is depending on the resolution's path and timing, yes.

**Jade Rahmani**
Okay. Great. Well, thanks for taking the questions.

**Jack Taylor**
Great. Thank you, Jade. We appreciate your time.

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

**Jack Taylor**
Well, we're very pleased with the progress we've made and we very much appreciate all the attention and time and focus that you all have shown to our company and support. And we look forward to reporting to you in the next quarter. Thank you very much.

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