

Granite Point Mortgage Trust
Q2 '25 Earnings 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, Investor Relations

Q&A Participants

Marissa Lobo – UBS
Christopher Muller – Citizens JMP
Jade Rahmani – KBW

Operator

Good morning. My name is Rob, and I'll be your conference facilitator. At this time, I'd like to welcome everyone to Granite Point Mortgage Trust's Second Quarter 2025 Financial Results Conference Call. All participants will be on 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 Second Quarter 2025 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 Alpart will discuss our portfolio, and Blake will highlight key items from our financial results and capitalization. The press release, financial tables 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, along with our Form 10-Q.

I would like to remind 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 our 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 the most comparable GAAP measure can be found in our earnings release and slides, which are available on our website.

I'll now turn the call over to Jack.

John Taylor

Thank you, Chris, and good morning, everyone. We would like to welcome you and thank you for joining us for Granite Point's Second Quarter 2025 Earnings Call.

First, before turning to our results, we would like to express our condolences to the families and friends of those who lost their lives at 345 Park Avenue last week. Our thoughts are with all who were impacted, including our friends and colleagues at Blackstone, Rudin Management, KPMG, as well as the NFL and the heroes of the New York Police Department.

We share a particular grief and heartbreak over the passing of Wesley LePatner. Many of us at Granite Point have known her and her family for decades. Having worked extensively over that time with Wesley's father, Larry Mittman, as well as her brother Jordan, and came to include the family as friends. The passing of such an exceptional and giving person is a tremendous loss to all who knew her.

Now turning to our earnings. During the first half of 2025, we saw continued improvement in sentiment and liquidity in the commercial real estate market as refinancing activity notably increased and sales transaction volume ticked up, with more and more participants willing to transact in the market. Although, the commercial real estate lending market recovery had initially stalled post deliberation day with credit market spreads widening due to the uncertain impact of looming tariffs.

Since then, there has been a resumption of the recovery with the stabilization of spreads and associated improving liquidity. CMBS issuers have been originating at a strong pace. Commercial banks are actively pursuing warehouse lending opportunities, and the transitional floating rate lending market has continued to strengthen across most property types with the ability to lend at a reset basis.

So far in 2025, we have continued to meaningfully reduce our risk-rated five loans. After quarter end, the Louisville student housing loan was resolved at over \$3 million above the carrying value. A majority of the total proceeds from this resolution have been applied to

reduce higher cost debt. With this and earlier resolutions, we have decreased our risk-rated five loan count from seven at year-end to two remaining today, significantly reducing the impact of nonaccrual assets on our earnings and de-risking our portfolio. Also, we sold an office REO asset, leaving just two REO properties remaining. We are pleased with these ongoing asset resolutions and the successful reduction of higher cost debt, both of which are key elements of our business strategy, creating a positive path forward for the company.

As previously noted in our press releases, we extended our three repurchase facilities during the second quarter for approximately one year and during July, we extended the maturity of our secured credit facility from December 2025 to December 2026. As part of the secured credit facility extension, we reduced the financing spread by 75 basis points in the outstanding borrowings by \$7.5 million.

We also continue to work with our powers and have seen ongoing loan repayments, including the full repayment of two office loans during the second quarter. Year-to-date, we have realized about \$109 million of loan repayments, paydowns and amortization. As we proactively manage the balance sheet, we are maintaining higher liquidity, extending our financings and engaging in other value-enhancing activities. To that point, we have again opportunistically deployed capital into our own securities.

During the second quarter, we repurchased 1.25 million shares of our common stock. It is our view that our current market price relative to book value does not reflect the value of the business or the progress we have made to date, including the pace of asset resolutions in the past 12 months and our ongoing pace of repayments. We have about 2.6 million shares remaining under our existing authorization for buyback, and we intend to remain opportunistic with respect to any future buyback activity.

We expect the investment opportunities to expand over time. And with our continued repayments, resolutions and REO sales, and further paydown of our remaining higher-cost debt, we will be positioned to start new originations again for the first phase of the regrowth of the portfolio, all of which will improve our run rate profitability.

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 second quarter earnings call.

We ended the second quarter with \$1.9 billion in total loan commitments and \$1.8 billion in outstanding principal balance with about \$78 million in future fundings, which accounts for only about 4% of total commitments. Our loan portfolio remains well-diversified across regions and property types and includes 47 investments with an average UPB of about \$39 million and a weighted average stabilized LTV of 65%. As of June 30th, our portfolio weighted average risk

rating improved slightly to 2.8 due to ongoing loan resolutions and no negative credit migration during the quarter. The realized loan portfolio yield for the second quarter was 7.1%, which excluding nonaccrual loans, would be 8.2% or 1.1% higher. The prior quarter realized loan portfolio yield was 6.8% and excluding nonaccrual loans, was 8.5% or 1.7% higher for that quarter.

The improvement in our overall loan yield of about 30 basis points is due to the reduced proportion of nonaccrual loans in our portfolio. We had an active second quarter of loan repayments, partial paydowns and resolutions totaling about \$128 million, including two par payoffs of office loans and funded about \$13 million on existing loan commitments resulting in a net loan portfolio reduction of \$115 million. During the second quarter, we successfully resolved two nonaccrual loans totaling about \$132 million in UPB. As previously disclosed, the \$79 million loan secured by the Baton Rouge mixed-use office and retail property was resolved via a property sale, resulting in a realized write-off of about \$21 million, which was previously reserved for through the recorded allowance for credit losses.

The second resolution also previously disclosed, was a \$52 million loan secured by a Minneapolis hotel loan, which was resolved via a loan restructuring and modification. The loan was bifurcated into a \$37 million senior loan and a \$15 million subordinate loan, with the sponsor investing new equity into the asset. As a result of this resolution, we realized a write-off of about \$15 million, which was previously reserved for through the recorded allowance for credit losses.

Now we'd like to provide some color on the risk-rated five loans. At June 30th, we had three such loans with a total UPB of about \$223 million. In July, we resolved the loan secured by the student housing property located in Louisville, Kentucky via a property sale coordinated with the borrower. As of June 30th, 2025, the loan was on nonaccrual status with an unpaid principal balance of about \$50 million and a risk rating of five.

As a result of this resolution, we expect to realize a write-off of about \$19 million, which previously had been reserved for through a recorded allowance. As a result of these resolutions, we currently have two remaining five rated loans with a balance of about \$173 million. The process for the office property securing the \$80 million loan in Chicago remains ongoing and to conclude by year-end, likely through a property sale. As previously mentioned, we anticipate a longer resolution time line 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 REO assets. On our last earnings call, we indicated that the Phoenix office property was under contract with a hard deposit. That transaction closed as expected during the second quarter at a sale price of \$16.7 million, which resulted in a gain of \$0.3 million or \$0.01 per basic share, leaving two remaining REO properties. We've had a number of positive

leasing successes at the suburban Boston property, and we are actively working with our partner and local jurisdiction on several value-enhancing redevelopment opportunities.

The Miami Beach office property is a Class A asset located in a strong market. We are in active and productive leasing discussions with a variety of tenants and are reviewing potential resolution alternatives. As we've said in prior quarters, our plan for 2025 has been to remain focused on loan and REO resolutions and maintaining higher levels of liquidity. As a result, we expect that our portfolio balance will trend lower in the third and fourth quarters.

We expect to return to our core lending business and restart our origination efforts as we approach the end of this year and into early next year to take advantage of attractive investment opportunities and begin to regrow our portfolio in 2026. We'll assess the exact timing based on a variety of factors. Fortunately, we have almost the entire originations and underwriting team intact from when we were originating \$1.5 billion to \$2 billion a year.

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 second quarter, we reported a GAAP net loss attributable to common stockholders of \$17 million or (\$0.35) per basic common share, which includes a provision for credit losses of \$11 million or (\$0.23) per basic common share, mainly from an increase in our general reserve due to less favorable macroeconomic forecast in our CECL model relative to the prior quarter.

Distributable loss for the quarter was \$45.3 million, or (\$0.94) per basic common share, including write-offs of \$36.1 million or (\$0.75) per basic common share, which were previously reserved for. The write-offs were related to two nonaccrual loan resolutions that Steve discussed earlier. Our book value at June 30th was \$7.99 per common share, a decline of about \$0.25 from Q1 which is primarily due to our GAAP net loss to common, partially offset by the accretive share buybacks, which we estimate benefited book value by roughly \$0.15 per common share.

Our aggregate CECL reserve at June 30th, was about \$155 million as compared to \$180 million last quarter. The \$25 million decline in our CECL reserve was driven by \$36 million of write-offs related to the two resolutions partially offset by an increase from provision for credit losses of \$11 million, primarily from the change in our general reserve. Approximately 63% of our total allowance or about \$98 million is allocated to individually assessed loans.

With the one resolution that occurred subsequent to quarter end, we expect to recognize a realized write-off of approximately \$19 million, which we reserved for through a previously recorded \$23 million allowance for credit losses. And as a result, we expect to recognize a GAAP

benefit of approximately \$3 million in the third quarter. We believe we are appropriately reserved for and further resolutions should meaningfully reduce our total CECL reserve balance.

As of quarter end, we had about \$223 million of principal balance on three loans on nonaccrual status. All three of these loans were on cost recovery and any incoming interest was applied to reduce loan principal rather than being recognized in earnings. With the resolution that occurred subsequent to quarter end, the principal balance of the two remaining nonaccrual loans is approximately \$173 million with a specific CECL reserve of roughly \$75 million, representing 43% of the unpaid principal balance. We anticipate the run rate profitability of the company to improve as we continue to resolve nonearning assets, repay high-cost debt and reinvest our capital over time, though the exact timing and magnitude remain difficult to predict.

Turning to liquidity and capitalization. We ended the quarter with about \$85 million of unrestricted cash and total leverage decreased slightly relative to the prior quarter to 2.1x. As of a few days ago, we carried around \$73 million in cash. 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 the extensions of our three repo facilities during the second quarter and the extension of our secured credit facility subsequent to quarter end. We expect to expand our financing capacity once we return to originating new loans more actively.

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

Operator

Thank you. We'll now be conducting the question and answer session. If you'd like to ask a question today, please press star, one, from your telephone keypad and a confirmation tone will indicate your line is in the question queue. You may press star, two, if you'd like to withdraw your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star key. One moment please, while we poll for questions. Thank you.

Thank you. Our first question comes from the line of Doug Harter with UBS. Please proceed with your questions.

Marissa Lobo

Good morning. It's actually Marissa Lobo on for Doug today. Thank you taking my questions. On the topic of resolution of remaining assets, could you share your outlook on the four loans that are in the four rated bucket as well? And any thoughts on timing of resolution there?

Steve Alpart

Hey, Marissa. it's Steve Alpart. Good morning. Thanks for joining the call this morning. So with respect to the fours that you asked about, I would say high level, they're all behind on business

plan or affected by the local market or other factors. We're monitoring each of them. We're actively working with each of the sponsors. Similar to the five rated loans that we just talked about, we're focused on resolving all of them as soon as possible.

The timing is hard to predict. Two of them are secured by nicely renovated office assets with strong sponsors where the leasing has been slow, but we are seeing positive leasing trends in Manhattan, and we're seeing that particularly happening in Manhattan. There's a multifamily deal in Atlanta that's faced some market headwinds. There's a new property manager. We've seen an uptick in occupancy.

The fourth one is a hotel in the Phoenix-Tempe MSA. So they're all on different schedules. We're working with all the sponsors. In the case of the hotel, the sponsor is currently exploring a recap or a sale. So I guess, high level, we're working with all the sponsors on next steps and we'll keep you posted over the coming quarters.

Marissa Lobo

Ok, great. Thanks for that. And then, just a little more color on the reason for the general reserve increase, what primarily were you looking at there?

Blake Johnson

Good morning, Marissa. This is Blake. Thank you for the question. Yes, so the general reserve went up roughly around \$11 million during the quarter, and the primary driver here was an update to the actual economic forecast that we use in our CECL model. So we use a model developed by Trepp and the actual forecast were less favorable relative to the previous quarter. And the primary driver for that was actually a decrease in what their expectation is for the CRE price index.

Marissa Lobo

Got it. Thank you very much.

Blake Johnson

Thank you.

Steve Alpart

Thank you.

Operator

The next question is from the line of Jade Rahmani with KBW. Please proceed with your questions.

Jade Rahmani

Thanks very much. Can you comment on your outlook for originations? Do you plan to restart originations in the third quarter or in the fourth quarter, any quantum of magnitude? And then for next year, what would you expect full-year originations to look like?

Steve Alpart

Hey, Jade. It's Steve. Thanks for joining the call. So great question. As we just said in our prepared remarks, we are expecting to return to our core lending business and restarting origination efforts as we get into the end of the year, early next year. We are seeing very interesting, increasing, attractive investment opportunities. We want to begin to regrow our portfolio, really in 2026.

We also said that the timing and the pace will be dependent on asset resolutions, repayments, REO sales. So the exact timing is hard to predict, but based on what we know today, we expect to start quoting in the fourth quarter and start closing new loans, possibly late this year, more likely probably early 2026. As I just mentioned, the exact timing, we'll kind of assess as we get later in the year, into later in the third into the fourth quarter. So that's the timing.

Jack, you want to take 2026 forecast?

John Taylor

Sure. Yes. Thank you. Thank you. Hi, Jade. It's Jack. I'm sorry, I got a sore throat and head cold, so my voice is a little scratchy. Yeah, we will be balancing various uses of capital through a number of things, but we are going to lean into more of the origination side. And I think if you were to ballpark it, I'd say we'd be doing \$750 million and \$1 billion in originations through the course of end of '25 into the end of '26.

Jade Rahmani

Oh, wow. That's great. And then just broadly speaking, what trends are you seeing outside of your focus list assets, your watch list assets in the office portfolio? I mean, do you expect further deterioration in some of those office properties, or is your view more positive and you feel like you've identified the issues and you're maybe seeing an uptick in prospects for that portfolio? Just a broader comment on trends there.

Steve Alpart

Hey, Jade. It's Steve again. So I think you're asking about our specific assets, so I'll kind of lean into that. So we're obviously very focused on this, just given the headwinds in the sector. We are seeing, I guess, I would call it generally slow but steady improvement in office leasing in many markets. We're seeing capital slowly returning to the sector, particularly in the debt markets.

The tariff impact seemed like it had some impact on tenant decision-making. So I guess that feels like that's a bit of an overhang, but it seems to us that the sector is pushing forward.

Before the tariff announcements, we have been seeing a lot of momentum in return-to-office mandates. That was obviously helping leasing activity. We were seeing a bit of a pickup in sales activity, initially more in the A, A+ part of the market, in many markets. And despite the hiccup that we saw at Liberation Day, that trend seems to be continuing. So I guess I would characterize it as slow but steady progress.

Our portfolio continues to be very diversified. Fortunately, we're not in most of the markets that are the most impacted, but none of that is to say that there's not challenges ahead. So this is a big part of our focus. Most of our assets, I would characterize as Class A or recently renovated, so we feel like that the product that we have in our portfolio is the right product.

Like I mentioned, the debt market rebounding is helpful in terms of liquidity, in terms of resolutions. So we're encouraged with the progress. We're encouraged with the reduction in the five rated loans. We have more work to do, and that will be a focus in the next couple of quarters.

Jade Rahmani

Thanks.

Steve Alpart

Thanks, Jade.

Operator

Thank you. Our next question is from the line of Chris Muller with JMP Securities. Please proceed with your questions.

Chris Muller

Hey, guys. Thanks for taking the questions and nice progress on the resolutions. So I guess piggybacking on Jade's question on new lending, how long does it take to rebuild that pipeline? And are you guys actively looking at loans right now so that when you make that decision to start new lending, you can kind of hit the ground running?

Steve Alpart

Great questions. We have a big network of borrowers and brokers, so we're in touch with them. We're also very direct and upfront with our counterparties. So we're not putting out quotes just to miss. So we're in touch with the market, but we are currently not actively quoting. I think I mentioned on our prior question that we would expect to begin quoting later this year, most likely in the fourth quarter.

As far as how long it takes to kind of turn the engine back on, I don't think it's a switch, but we have most of the team is here, right, so we have all the contacts, all the relationships. So it will take a little bit of time, but it's not flipping a switch, but it won't take months and months,

right? So it's just a matter of doing outreach. We're going to be very targeted on what we're looking for. So it will be a short process, I think, to get that up and running.

Chris Muller

Got it. And then I guess, given the comments about expected portfolio decline in the back half of the year, is it likely that distributable EPS ex losses comes in below the dividend until you guys start originating again?

Blake Johnson

Hi. Good morning, Chris. This is Blake. Yes, I would expect the actual DE to be below the dividend for just a period of time until we start actually rebuilding our book. So we will continue to see it below for a while.

Chris Muller

Got it. That was all I had. Thanks for taking the questions.

Blake Johnson

Thank you.

Steve Alpart

Thank you.

Operator

Thank you. At this time, I'll turn the floor back to Jack Taylor for closing comments.

John Taylor

Well, thank you, everybody, for joining us. We are very pleased with our progress, and we are on track to continue that. The markets remain uncertain as we all are aware, but it is on a re-liquefying basis and a healing basis that we intend to move forward with the market progress itself and also our own efforts of our team working very hard to enable this progress. So thank you for your time and attention today. Thank you.

Operator

This will conclude today's conference. You may disconnect your lines at this time, and thank you for your participation. Have a wonderful day.