Blackstone Mortgage Trust Second Quarter 2025 Prepared Remarks
July 30, 2025

Tim Hayes: BXMT filed our 10-Q and issued a press release with a presentation of our results, which are available on our website and have been filed with the SEC.

Prepared remarks within may include forward-looking statements which are subject to risks, uncertainties and other factors outside of the company's control. Actual results may differ materially. For a discussion of some of the risks that could affect results, please see the Risk Factors section of our most recent 10-K. We do not undertake any duty to update forward-looking statements.

We will also refer to certain non-GAAP measures in our prepared remarks here within, and for reconciliations, you should refer to the press release and 10-Q.

For the second quarter, we reported GAAP net income of $0.04 per share and Distributable Earnings of $0.19 per share. Distributable Earnings prior to charge-offs were $0.45 per share. A few weeks ago, we paid a dividend of $0.47 per share with respect to the second quarter.

Katie Keenan: The second quarter marked another step forward for BXMT, with strong momentum in investment, portfolio, and earnings growth.

With a healthy balance sheet and strong conviction in the real estate credit investment environment today, we mobilized our powerful origination capabilities to great effect with $2.6 billion of new investments, our highest quarterly level in three years. At the same time, loan repayments remained robust at $1.6 billion. And we completed another $200 million of resolutions. We also capitalized on strong capital markets liquidity, repricing and extending our term loan, while continuing to access tighter asset-level financing. And as a result, we saw earnings rebound, delivering $0.45 of Distributable Earnings before previously-reserved charge-offs related to loan resolutions.

The environment today is quite constructive for our business. We remain squarely amidst a steady real estate recovery, with six straight quarters of stable or increasing values. Following April's brief period of volatility, liquidity has returned across markets, creating a solid backdrop for valuations and transaction activity. CMBS issuance is up 60% year over year and on pace to hit an all-time high. Fundamentals continue their recovery off the trough, with demand supported by a resilient macro-economic backdrop. As noted last quarter, we see limited direct impact on real estate today from tariffs. And looking forward, higher building costs reinforce the tailwind of diminishing new supply, down 60-90% from peak.

Real estate credit continues to present compelling relative value in this environment. Reset values mean better credit, higher debt yields, and stronger cash flow coverage for our loans. Spreads, while competitive, remain attractive, wider than recent and historical lows, and also compelling relative to corporate markets which are pushing all-time tights. And with base rates elevated, all-in yields are high. But it's one thing to observe this opportunity, another to capitalize, especially as the desirability of this profile becomes more broadly apparent to the market.

And we believe this is where the competitive advantages of the Blackstone real estate debt platform come through. With the breadth and creativity of our enterprise, we're able to source investments across channels and markets, unlocking attractive relative value through our investment capabilities and our financing expertise. Our over $2 billion of originations this quarter averaged 64% LTV, with over 80% multifamily and industrial portfolio collateral. And on this attractive credit profile, we are generating levered spreads of more than nine hundred over base rates, which equates to low teens all-in returns.

Our goal is to identify the most attractive real estate credit investments, in whatever package they come. We continue to tap our market leading platform to capture high quality new originations. With hundreds of direct borrower relationships, 84% repeat business across our platform, and a deep base of trust going back more than a decade, we're able to see and capture a broader pipeline of investment opportunities. We closed 16 individual loans this quarter, in 6 jurisdictions, including more than two-thirds in Europe and Australia where less efficient capital markets continue to yield excess spread relative to comparable-quality assets in the U.S, and as an added benefit, diversify the geographic footprint of our portfolio.

And in today's dynamic market, there are many other ways to generate compelling investment opportunities. We have deep capabilities across not just in private markets, but also public markets. BREDS' deep 15-person real estate securities team has traded over $15 billion of CMBS and corporate securities over the past 12 months, which in addition to providing critical real-time insights into capital markets dynamics, also affords us another sourcing channel to identify BXMT opportunities like the $60 million mezzanine loan we closed in the first quarter, backed by a crossed, cash flowing industrial portfolio owned by an A+ sponsor.

The captive triple net portfolio company we're building at Blackstone continues to ramp up the acquisition of high-quality granular assets. We own over 50 assets today, with our 2Q deployment doubling our portfolio and continued momentum ahead with 31 assets currently closed or under contract – all in our hand-picked sectors and markets, with strong credit qualities including 18+ year WALT and 3x EBITDAR coverage based on proven operating histories.

And we rounded out our investments this quarter with a truly differentiated opportunity – the acquisition of a high-quality, performing bank loan portfolio at a low $0.90s dollar price, acquired as part of a $2 billion overall portfolio in partnership with vehicles across the BREDS platform. These loans are 100% performing, well-diversified across 171 positions, and backed by neighborhood retail, multifamily, and industrial collateral. They are low-leverage, averaging 59% LTV, and high cash flow, with average in-place debt yield in the double digits across operating assets.

Our BREDS platform is a market leader in loan portfolio acquisitions, having acquired interests in more than $22 billion of these assets in the last 2 years. There are high barriers to entry in this strategy – it requires underwriting large pools of real estate in a short period of time, as well as sophisticated modeling, financing, and operational capabilities. But with our access to deep, real-time market information from the vast Blackstone Real Estate platform, the resources to marshal teams of investment professionals, a proprietary approach to efficient financing, and tried-and-true experience acquiring, onboarding and managing these portfolios, we believe we are uniquely suited to provide the certainty and competitive edge that bank sellers prize. And the result is differentiated access to what we view as amongst the most compelling real estate credit profiles available today: diversified pools of performing, low-leverage loans at a discount, generating opportunistic returns with meaningful upside potential if loans repay early.

Driving the best cost of capital has always been core to our business and our competitive advantage. This quarter, we capitalized on the return of liquidity to public markets and bank balance sheets to strengthen our capital structure and reduce liability costs – all well-justified by our performance, track record and platform wherewithal. In June, we repriced and extended $1 billion of corporate debt, reducing run-rate funding costs by 65 basis points and enhancing the duration of our liabilities. With 14 bank counterparties, we continue to drive capacity and borrowing cost improvements. Marginal asset borrowing spreads fell below 160 basis points this quarter, moving toward their 2021 tights. Competitiveness in today's market is intrinsically linked to sophistication on both sides of the balance sheet, and our 10-person dedicated capital markets team is constantly innovating to optimize how we borrow.

The current market dynamic is also supportive of continued repayment and resolution activity, supporting the credit composition of our portfolio. During the quarter, we collected $1.6 billion of repayments – bringing our year-to-date total to $3.4 billion. This included full repayment of our largest New York City multifamily loan, which refinanced through a single-asset, single-borrower CMBS transaction. Several loans across Europe and the U.K. also repaid, including a £150 million U.K. industrial loan and a £206 million London office loan, which our well-capitalized borrower repaid fully in cash. And post-quarter end, a £300 million European hotel portfolio repaid. In office, we resolved two loans totaling $200 million, both slightly above carrying values, and we're in process on several others. Overall credit migration has decelerated, with no additional loans added to our watchlist this quarter. While we did see two new impaired loans, we are already well-advanced on the path to resolution, a credit to greater liquidity in the markets. And we remain laser focused on resolving our legacy under-earning assets, freeing up this capital to reinvest.

As the market settles into a more normalized environment, BXMT is well-positioned to advance our strategic priorities: portfolio turnover, loan resolutions, and balance sheet optimization. With $4 billion of year-to-date investments, we are building a more diversified, resilient portfolio, with a growing proportion of capital allocated to newly originated opportunities. While we and the sector will continue to work through a small segment of challenged credits, this is a diminishing universe. Our portfolio is 94% performing today. And current market conditions remain highly conducive to continued improvement on both sides of the balance sheet.

Within this backdrop, BXMT is well-positioned for outperformance. Our differentiated access to both investment and capital markets is a key driver of risk-adjusted returns and value creation for our investors. Our second quarter results are a great example, but the road doesn't end here. These competitive advantages have staying power and have long commanded a platform value that has historically translated to a premium multiple. With our share price still below book value, investors can effectively buy into our market-leading franchise at a discount, with a 10% current income dividend along the way.

Tony Marone: In the second quarter, BXMT reported GAAP net income of $0.04 per share and Distributable Earnings, or "DE", of $0.19 per share. DE prior to charge-offs, which excludes a realized loss from an impaired loan resolution, was $0.45 per share, an increase of $0.03 from the prior quarter.

The increase in DE reflects BXMT's execution of the key initiatives Katie outlined earlier – portfolio turnover, loan resolutions, and balance sheet optimization. Collectively, these activities on both sides of our balance sheet serve to enhance the credit profile and long-term earnings generation of our investment portfolio, which we continue to believe provides strong support for our current dividend, as well as our book value, which ended the quarter at $21.04 per share.

I will now unpack these initiatives in greater detail.

Starting with portfolio turnover: BXMT originated or acquired $2.6 billion of loans this quarter, our strongest level of investment in three years. We funded $1.8 billion of loan principal, which exceeded repayments of $1.6 billion and resulted in a second consecutive quarter of portfolio growth, a key driver of our earnings results this quarter.

The continued recovery in capital markets is driving increased transaction and refinancing volumes across commercial real estate, bolstering our pipelines for new originations and loan repayments. As a result, we are quickly enhancing the composition of our portfolio through active rotation into new investments, concentrated in markets and sectors with strong underlying fundamentals, and with credit characteristics supporting compelling risk-adjusted returns.

Our loan portfolio ended the quarter at $18.4 billion, with multifamily and industrial sectors representing nearly half of our investments; three times 2020 levels. Conversely, through repayments and proactive asset management, our US office exposure has been nearly cut in half, today representing just 20% of our overall loan portfolio.

Turning to loan resolutions: We continue to make substantial progress, resolving another two impaired office loans during the quarter. The first was secured by a London asset and resolved through a loan restructuring with the Sponsor who contributed incremental capital. The second was in San Jose and was repaid when the collateral property was sold to a buyer for their new headquarters. Consistent with our track record across our collective resolutions to date, we closed these transactions at an aggregate premium to carrying value. This provided a benefit to our second quarter book value and will also support our run-rate earnings going forward.

Repatriating capital from impaired loans and redeploying it into new investments is a major driver of BXMT's long-term earnings power and portfolio credit composition. Since hitting our peak balance in the third quarter of 2024, we have reduced our impaired loans by 55% and improved the overall performance of our loan portfolio to 94% from 88%. While we have made progress, we also continue to focus on the remaining impaired assets, the resolution of which gives BXMT the potential to realize further earnings upside over time. We are in advanced discussions with Sponsors on resolution paths for many of our remaining non-performing assets and are committed to maximizing these economic outcomes.

Our CECL reserve was stable quarter-over-quarter at $755 million, or 3.8% of the portfolio, as 2Q loan resolutions and new impairments roughly offset, and we had no new REO assets this quarter. We also did not add any loans to our watch list, and continued to recognize positive credit outcomes, with six risk-rating upgrades and strong repayment activity in our risk-rated three segment of the portfolio.

Included in our upgrades was an Austin, TX-based office loan on our watchlist, which is benefitting from increased leasing and capital markets momentum, with one of the underlying collateral assets under contract to sell. We also exited a $145 million Boca Raton multifamily loan subsequent to quarter-end, through the sale of the asset to a third party. The loan was in default but risk-rated three, reflecting our view of value. We ultimately collected our full loan principal plus additional default interest and fees, a result of the relentless focus from our dedicated BREDS asset management team, as well as strong market liquidity for the asset.

With continued resilience in real estate and capital markets, we expect credit tailwinds will continue to support the trajectory of our earnings power and portfolio performance over the long-term.

And lastly, on balance sheet optimization: we have continued our proactive approach to liability management, opportunistically taking advantage of favorable capital markets conditions during the quarter. We executed an accretive $1.0 billion repricing and extension of our corporate term loan, which lowered our weighted average borrowing spread on this tranche by 65 basis points and pushed our maturity to 2030. This refinancing follows a $1.0 billion CLO issuance in the first quarter, and another $1.1 billion corporate debt transaction in the fourth quarter of 2024, demonstrating our strong track record of capital markets access through dynamic market environments.

Reflecting these efforts, we have no material debt maturities through 2026 and sit here today with a diversified balance sheet, and access to the Term Loan, High Yield Bond, Convertible Bond, CLO, and other capital markets. The majority of our corporate debt complex currently trades above par, and with corporate debt yields continuing to tighten, we have maintained optionality to further augment our capital structure and drive profitability through balance sheet management.

Our liquidity of $1.1 billion, while still strong, has come down from an extended period of conservatism and now more appropriately reflects the current size and performance of our portfolio and market conditions. And together, with over $7.0 billion of available financing capacity and a strong repayment pipeline, we are well positioned to address the attractive investment environment.

While our second quarter results reflect momentum in BXMT's positive long-term earnings trajectory, we do expect our near-term earnings power to be impacted by several factors, as we take steps to position the company for long-term performance. These include the earnings drag from greater portfolio velocity, as early-quarter loan repayments are redeployed into new investments, the impact from second quarter loan impairments, which incur interest costs but generate no interest income until they are successfully resolved, and the up-front costs associated with accretive transactions like our Bank Loan Portfolio Acquisition Joint Venture and Term Loan B refinancing, which negatively impact our results in the near-term, but add to the durability of our earnings and book value over time.

With the resources of Blackstone's differentiated $76 billion real estate debt platform and strong market tailwinds driving continued execution of our core strategic initiatives, BXMT remains well-positioned to deliver reliable current income and long-term performance to our shareholders.