

Chicago Atlantic Real Estate (Q2 2025 Earnings)

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Corporate Speakers:

- Tripp Sullivan; SCR Partners, LLC; Investor Relations
- Peter Sack; Chicago Atlantic Real Estate Finance, Inc.; Co-Chief Executive Officer and Director
- David Kite; Chicago Atlantic Real Estate Finance, Inc.; Chief Operating Officer
- Phillip Silverman; Chicago Atlantic Real Estate Finance, Inc.; Chief Financial Officer

Participants:

- Aaron Grey; Alliance Global Partners; Analyst
- Pablo Zuanic; Zuanic Associates; Analyst

PRESENTATION

Operator^ Good day. And welcome to the Chicago Atlantic Real Estate Finance, Inc. Second Quarter 2025 Earnings Call. (Operator Instructions) Please note this event is being recorded. I would now like to hand the call to Tripp Sullivan of Investor Relations. Please go ahead.

Tripp Sullivan^ Thank you. Good morning. And welcome to the Chicago Atlantic Real Estate Finance Conference Call to review the company's results. On the call today will be Peter Sack, Co-Chief Executive Officer; David Kite, Chief Operating Officer; and Phil Silverman, Chief Financial Officer.

Our results were released this morning in our earnings press release, which can be found on the Investor Relations section of our website, along with our supplemental filed with the SEC. A live audio webcast of this call is being made available today.

For those who listen to the replay of this webcast, we remind you that the remarks made herein are as of today and will not be updated subsequent to this call.

During this call certain comments and statements we make may be deemed forward-looking statements within the meaning prescribed by the securities laws including statements related to the future performance of our portfolio, our pipeline of potential loans and other investments, future dividends and financing activities.

All forward-looking statements represent Chicago Atlantic's judgment as of the date of this conference call and are subject to risks and uncertainties that can cause actual results to differ materially from our current expectations.

Investors are urged to carefully review various disclosures made by the company including the risk and other information disclosed in the company's filings with the SEC.

We also will discuss certain non-GAAP measures including but not limited to distributable earnings. Definitions of these non-GAAP measures and reconciliations to the most comparable GAAP measures are included in our filings with the SEC.

I'll now turn the call over to Peter Sack. Please go ahead.

Peter Sack^ Thank you, Tripp. Good morning, everyone.

While the cannabis equity markets have vacillated on the headlines surrounding the DEA and rescheduling and other capital providers have been inconsistent in their commitments to the industry, we've maintained our steady as-it-goes approach.

We're deploying capital with consumer and product-focused operators in limited license jurisdictions at low leverage profiles to support fundamentally sound growth initiatives. And more importantly, we're staying disciplined and patient by making decisions based on credit and our ability to protect principal and achieve strong risk-adjusted returns.

The cannabis pipeline across the Chicago Atlantic platform has increased from \$462 million a quarter ago to nearly \$650 million today.

We have a number of signed term sheets within this pipeline that should offset the early Q3 payoffs and keep us on track for net portfolio growth for the year.

Upcoming maturities in the market, M&A activity related to operational and balance sheet restructurings and a growing number of ESOP sale transactions drive recent pipeline growth.

With our long history in the industry and over \$2.2 billion of capital deployed in the cannabis industry alone, we continue to have the most robust platform to meet the growth of the industry.

We enhanced our ability to support that growth with the recent extension of our credit facility with no change to the economic terms from June 30th, 2026, to June 30th, 2028.

Our overriding goal for our shareholders is to create a differentiated and low levered risk return profile that is insulated from cannabis equity volatility and outperforms our industry-agnostic mortgage REIT peers.

While there has been some near-term divergence in the financial services industry due to uncertainty around tariffs and the direction of interest rate policy, we're confident that we will outperform long term and deliver strong returns to our shareholders.

David, why don't you take up from here?

David Kite^ Thank you, Peter.

As of June 30th, our loan portfolio principal totaled \$421.9 million across 30 portfolio companies with a weighted average yield-to-maturity of 16.8% compared with 16.9% for the first quarter. Gross originations during the quarter were \$16.5 million of principal fundings, of which \$10 million was an upsize and refinance of loan number 7 and \$6.5 million was funded to existing borrowers on delayed draw term loan facilities. These were partially offset by scheduled principal amortization payments received of \$3.1 million.

As of June 30th, 2025, the percentage of our portfolio comprised of fixed rate loans and floating rate loans was 40.7% and 59.3%, respectively.

Our floating rate loans are generally benchmarked against the prime rate. When factoring for prime rate floors, 70.9% of the portfolio would be unaffected by prime rate declines up to 50 basis points, and 91.2% of the portfolio would be unaffected by prime rate declines up to 75 basis points. Meanwhile, our floating rate loans are not exposed to interest rate caps.

We believe the portfolio remains well positioned to limit the impact of interest rate declines should the Federal Reserve decide to adjust Fed funds target later in the year.

Total leverage equaled 39% of book equity at June 30th compared to 28% as of March 31st.

Our debt service coverage ratio on a consolidated basis for the quarter was approximately 4.27:1 compared with the requirement of 1.35:1.

As of June 30th, we had \$71.2 million outstanding on our senior secured revolving credit facility and \$50 million outstanding on our unsecured term loan.

As of today we have approximately \$97.6 million available on the senior credit facility with total liquidity net of estimated liabilities of approximately \$94 million. The increase in availability under our leverage facility since quarter end results primarily from the application of approximately \$56.8 million of proceeds from loan prepayments from six credit facilities subsequent to quarter end. To date in the third quarter, we recognized make-whole and prepayment fees on these prepayments of approximately \$1 million.

I'll now turn it over to Phil.

Phillip Silverman^ Thanks, David.

Our net interest income of \$14.4 million for the second quarter represented a 10.6% increase from \$13 million during the first quarter of 2025. The increase was primarily attributable to nonrecurring prepayment, make-whole, exit and structuring fees, which

amounted to approximately \$1.5 million for Q2 2025 compared with \$0.4 million in Q1 as well as incremental gross interest income earned on our \$16.5 million of new deployments.

Total interest expense including noncash amortization of financing costs for the second quarter was consistent with Q1 at approximately \$2.1 million. The weighted average borrowings on our Revolving Loan remained relatively consistent at \$42.3 million compared to \$41.6 million during the first quarter.

As David noted, the company has approximately \$98 million available on our Revolving Loan.

Our CECL reserve on our loans held for investment as of June 30th, 2025, was approximately \$4.4 million compared with \$3.3 million as of March 31st.

During the second quarter, we placed loan number6 on nonaccrual status, which partially contributed to the sequential increase in the reserve, and this loan is included in risk rating four as of June 30th.

On a relative size basis, our reserve for expected credit losses represents approximately 1.1% of outstanding principal of our loan held for investment compared to 0.8% as of March 31st.

On a weighted average basis, our portfolio maintains strong real estate coverage of 1.2 times.

Our loans are secured by various forms of other collateral in addition to real estate including UCC-1 all asset liens on our borrower credit parties. These other collateral types contribute to overall credit quality and lower loan-to-value ratios.

Our portfolio has a loan-to-enterprise value ratio on a weighted average basis of 43.2% as of June 30th, calculated as senior indebtedness of the borrower divided by the total fair value of total collateral to refi. Distributable earnings per weighted average share on a basic and fully diluted basis were approximately \$0.52 and \$0.51 for the second quarter, an increase from \$0.47 and \$0.46 during the first quarter of this year.

In July, we distributed the first quarter dividend of \$0.47 per common share declared by our Board in June 2025.

During the second quarter, approximately 181,000 restricted stock awards previously granted under our employee incentive plan vested to common stock and accrued dividends since their respective grant dates of approximately \$0.6 million, which were paid in June 2025.

Our book value per common share outstanding was \$14.71 as of June 30th, and there were approximately 21.5 million common shares outstanding on a fully diluted basis as of such date.

We continue to expect to maintain a dividend payout ratio based on our basic distributable earnings per share of 90% to 100% for the 2025 tax year.

If our taxable income requires additional distributions in excess of the regular quarterly dividend to meet our taxable income requirements, we expect to meet that requirement with a special dividend in the fourth quarter. Operator, we're now ready to take questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) And our first question will come from Aaron Grey of Alliance Global Partners.

Aaron Grey^ So first question for me. Pipeline went up nicely Q-over-Q. Just want to get some color in terms of what you're seeing in the pipeline. I understand it can be for the whole Chicago Atlantic platform.

But was it more a function of operators realizing one of the limited options out there for capital? I just want to make sure there's no change in criteria qualifying for it to enter the pipeline or maybe just a function of larger potential opportunities that came in there. So any color that maybe drove some of the sequential increase in that pipeline?

Peter Sack^ Thanks, Aaron. Pipeline growth is driven by increased number of increased activity in the market of M&A, largely M&A, whether that's operational reorganization, ESOP transactions and to a certain extent, refinancings of existing debt.

Aaron Grey^ Great. Peter, second question for me, you mentioned some increased liquidity from some prepayments that happened subsequent to the quarter.

Just kind of more broadly speaking, how do you view prepayments occurring for the remainder of the portfolio, maybe just kind of sticking it out through the remainder of the year? Do you feel like there's a large number of loans where that could occur further? Do you feel like that's more limited in nature?

Just want to get more color in terms of how you're seeing the potential for prepayments and then also how you're seeing the yields for those potential loans that are being prepaid and how you can then deploy that out into new loans?

Peter Sack^ We -- sometimes it's difficult to predict prepayments and prepayments are both good and bad. They're a marker of success of the portfolio and quality of the portfolio. But they also are capital that is to be redeployed into new opportunities.

I think the prepayments that occurred in early Q3 were particularly large and greater than I would expect for the balance of the year. But again it's difficult to predict. That being said, they don't necessarily come at a bad time given the pipeline of opportunities that we have.

Operator^ (Operator Instructions) And our next question will come from Pablo Zuanic of Zuanic Associates.

Pablo Zuanic^ Peter, can you just give an update on New York in terms of the relationship there with the agency, how the program is going? How many stores have you funded? What color can you share with us in that regard?

Peter Sack^ Yes. Relationship with the New York Social Equity Fund and the Dormitory Authority of New York is strong. We have a lot of faith in the program. They've built close to 23 dispensaries that are operating relatively successfully.

And we're really proud of what they've accomplished for those entrepreneurs. Those entrepreneurs that have been able to get their dispensaries open and are operating well. There's been a large amount of news around that market with regulations changing and controversy around how dispensaries were cited.

But I'm confident that the governor's office and the legislature will find a solution and work their way through because it's in everyone's interest to do so.

And I think the New York market as a whole has been developing quite well in 2025. The wholesale market is developing, product quality and diversity has improved significantly and the ecosystem of dispensary operators has become nicely developed.

That's important for the ability of the legal market to compete with the illegal market. We've always said that there's three important prongs of a healthy legal operating market. You need access to dispensaries ideally within minutes of 15-minute walk of your front door.

You need high-quality, reliable product grown indoors year-round. You need pricing that's competitive including taxes with potential legal competitors, and New York is getting that.

Pablo Zuanic^ That's good. Then just bigger picture, obviously we're all aware of many companies coming -- having maturities coming up over the next 12, 18 months. Can you talk about the landscape?

Because when we ask the companies, it seems to me that some of them are in a wait-and-see mode, waiting for reform at the federal level or positive news flow at the state level.

If you can talk about how the demand side of things is playing out right now. And by the same token, it's -- I always ask you a question about competition, but it seems to me that

there are some of your peers or other competitors in other asset classes perhaps being more aggressive in terms of terms and financing. So maybe talk about the demand and the supply side of the market right now?

Peter Sack^ Among the large-cap public operators are strong participants in the market, and we've participated and deployed capital into that segment of the market selectively.

But that part of the market has never been our primary focus. Our primary focus tends to be operators that are one or two level smaller, successful strong private multistate operators and single-state operators.

We do find that among some of the larger public operators, ones that are large enough to have access to, for instance, the bond market, they do bring in a slightly different profile of lenders at times. But we don't really view them as -- we view them as a different class of competition simply because that's a segment of the market that we don't focus on.

I think the wait-and-see approach makes sense given cost of capital options. A lot of the bond maturities and debt maturities that are coming up in 2026 were priced at a time when overall interest rates were a lot lower and cannabis interest rates and cannabis access to capital was lower. So that's -- and so in that context, I think the wait-and-see approach makes a lot of sense.

Pablo Zuanic^ And one last one, and only if you can talk about this, but when I think about Chicago Atlantic, I think about the group on the private side, I think about the BDC, right?

That's listed. I think about you guys. I'm trying to understand with the BDC involved right now the group as a whole has more tools in approaching the clients, the demand side. Can you talk about how that's helping you working out right now again in terms of what you can share?

Peter Sack^ Yes, absolutely. Absolutely. Having multiple funding sources allows us to be a stronger, more competitive and more flexible partner to our clients, to our borrowers.

That's important because the lifeline of private credit and debt financing what underscores the quality of our portfolio ultimately stems from the quality of our pipeline and the broader that we can make that pipeline, the largest number of opportunities that we can generate creates greater selection and ultimately creates better quality.

And so this is why we think that there's extreme value to being part of a broader -- for each of our funds, there's extreme value to being part of a broader platform that can take advantage of sourcing capabilities, underwriting capabilities that ultimately leads to a higher quality, more diversified portfolio in each of the vehicles that we manage.

Operator^ This concludes our question and answer session. The conference has now also concluded. Thank you for attending today's presentation. And you may now disconnect.