

Ares Commercial Real Estate Corporation Reports First Quarter 2022 Results

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First quarter GAAP net income of \$16.2 million or \$0.34 per diluted common share and Distributable Earnings⁽¹⁾ of \$16.3 million or \$0.34 per diluted common share

Closed \$263 million of new loan commitments

- Subsequent to end of first quarter -

Closed \$123 million of new loan commitments

Declared second quarter 2022 dividend of \$0.33 per common share and a supplemental dividend of \$0.02 per common share

NEW YORK--(BUSINESS WIRE)-- Ares Commercial Real Estate Corporation (the “Company”) (NYSE:ACRE), a specialty finance company engaged in originating and investing in commercial real estate assets, reported generally accepted accounting principles (“GAAP”) net income of \$16.2 million or \$0.34 per diluted common share and Distributable Earnings⁽¹⁾ of \$16.3 million or \$0.34 per diluted common share for the first quarter of 2022.

“With respect to investment activity, we are off to a strong start in 2022 with \$263 million of new loans closed in the first quarter and \$123 million closed thus far in the second quarter with more than \$200 million of additional loans in the closing process,” said Bryan Donohoe, Chief Executive Officer of Ares Commercial Real Estate Corporation. “We expect that the accelerated pace of investments coupled with increased credit spreads and higher potential base interest rates will result in a pickup in our Distributable Earnings for the second quarter. In addition, ACRE continues to benefit from the significant scale and global reach of Ares Management’s real estate platform which has more than doubled in size within the last year.”

“Our credit quality remains stable and we continue to experience positive credit migration across the portfolio,” said Tae-Sik Yoon, Chief Financial Officer of Ares Commercial Real Estate Corporation. “Looking forward, our earnings are positioned to continue to benefit from potential increases in interest rates given our floating rate loan portfolio combined with the interest rate hedges on our liabilities.”

(1) Distributable Earnings is a non-GAAP financial measure. Refer to Schedule I for the definition and reconciliation of Distributable Earnings.

COMMON STOCK DIVIDEND

On February 15, 2022, the Board of Directors of the Company declared a regular cash dividend of \$0.33 per common share and a supplemental cash dividend of \$0.02 per common share for the first quarter of 2022. The first quarter 2022 dividend and supplemental cash dividend were paid on April 14, 2022 to common stockholders of record as of March 31, 2022.

On May 3, 2022, the Board of Directors of the Company declared a regular cash dividend of \$0.33 per common share and a supplemental cash dividend of \$0.02 per common share for the second quarter of 2022. The second quarter 2022 dividend and supplemental cash dividend will be payable on July 15, 2022 to common stockholders of record as of June 30, 2022.

ADDITIONAL INFORMATION

The Company issued a presentation of its first quarter 2022 results, which can be viewed at www.arescre.com on the Investor Resources section of our home page under Events and Presentations. The presentation is titled “First Quarter 2022 Earnings Presentation.” The Company also filed its Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 with the U.S. Securities and Exchange Commission on May 3, 2022.

CONFERENCE CALL AND WEBCAST INFORMATION

On Tuesday, May 3, 2022, the Company invites all interested persons to attend its webcast/conference call at 12:00 p.m. (Eastern Time) to discuss its first quarter 2022 financial results.

All interested parties are invited to participate via telephone or the live webcast, which will be hosted on a webcast link located on the Home page of the Investor Resources section of the Company’s website at <http://www.arescre.com>. Please visit the website to test your connection before the webcast. Domestic callers can access the conference call by dialing +1 (888) 317-6003. International callers can access the conference call by dialing +1 (412) 317-6061. All callers will need to enter the Participant Elite Entry Number 4178416 followed by the # sign and reference “Ares Commercial Real Estate Corporation” once connected with the operator. All callers are asked to dial in 10-15 minutes prior to the call so that name and company information can be collected. For interested parties, an archived replay of the call will be available through June 3, 2022 at 5:00 p.m. (Eastern Time) to domestic callers by dialing +1 (877) 344-7529 and to international callers by dialing +1 (412) 317-0088. For all replays, please reference conference number 7027178. An archived replay will also be available through June 3, 2022 on a webcast link located on the Home page of the Investor Resources section of the Company’s website.

ABOUT ARES COMMERCIAL REAL ESTATE CORPORATION

Ares Commercial Real Estate Corporation is a specialty finance company primarily engaged in originating and investing in commercial real estate loans and related investments. Through its national direct origination platform, the Company provides a broad offering of flexible and reliable financing solutions for commercial real estate owners and operators. The Company originates senior mortgage loans, as well as subordinate financings, mezzanine debt and preferred equity, with an emphasis on providing value added financing on a variety of properties located in liquid markets across the United States. Ares Commercial Real Estate Corporation elected and qualified to be taxed as a real estate investment trust and is externally managed by a subsidiary of Ares Management Corporation. For more information, please visit www.arescre.com. The contents of such website are not, and should not be deemed to be, incorporated by reference herein.

FORWARD-LOOKING STATEMENTS

Statements included herein or on the webcast / conference call may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, which relate to future events or the Company’s future performance or financial condition. These statements are not guarantees of future performance, condition or results and involve a number of risks and uncertainties. Actual results may differ materially from those in

the forward-looking statements as a result of a number of factors, including the returns on current and future investments, rates of repayments and prepayments on the Company's mortgage loans, availability of investment opportunities, the Company's ability to originate additional investments and completion of pending investments, the availability of capital, the availability and cost of financing, market trends and conditions in the Company's industry and the general economy, the level of lending and borrowing spreads and interest rates, commercial real estate loan volumes, the impact of the COVID-19 pandemic and the pandemic's impact on the U.S. and global economy, the Company's ability to pay future dividends at historical levels or at all, and the risks described from time to time in the Company's filings with the Securities and Exchange Commission (the "SEC"), including, but not limited to, the risk factors described in Part I, Item 1A. Risk Factors in the Company's Annual Report on Form 10-K, filed with the SEC on February 15, 2022 and the risk factors described in Part II, Item 1A. Risk Factors in the Company's Quarterly Report on Form 10-Q, filed with the SEC on May 3, 2022. Any forward-looking statement, including any contained herein, speaks only as of the time of this press release and Ares Commercial Real Estate Corporation undertakes no duty to update any forward-looking statements made herein or on the webcast/conference call. Projections and forward-looking statements are based on management's good faith and reasonable assumptions, including the assumptions described herein.

ARES COMMERCIAL REAL ESTATE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	As of	
	March 31, 2022	December 31, 2021
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$ 13,759	\$ 50,615
Loans held for investment (\$1,028,398 and \$974,424 related to consolidated VIEs, respectively)	2,421,772	2,414,383
Current expected credit loss reserve	(20,452)	(23,939)
Loans held for investment, net of current expected credit loss reserve	2,401,320	2,390,444

Real estate owned held for sale, net	—	36,602
Other assets (\$2,267 and \$2,592 of interest receivable related to consolidated VIEs, respectively; \$74,615 and \$128,589 of other receivables related to consolidated VIEs, respectively)	100,726	154,177
Total assets	\$2,515,805	\$2,631,838

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Secured funding agreements	\$740,022	\$840,047
Notes payable	22,631	50,358
Secured term loan	149,061	149,016
Collateralized loan obligation securitization debt (consolidated VIEs)	861,788	861,188
Secured borrowings	22,612	22,589
Due to affiliate	3,823	4,156
Dividends payable	16,740	16,674
Other liabilities (\$689 and \$570 of interest payable related to consolidated VIEs, respectively)	9,794	9,182
Total liabilities	1,826,471	1,953,210

Commitments and contingencies

STOCKHOLDERS' EQUITY

Common stock, par value \$0.01 per share, 450,000,000 shares authorized at March 31, 2022 and December 31, 2021 and 47,412,436	467	465
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and 47,144,058 shares issued and outstanding at March 31, 2022 and December 31, 2021, respectively

Additional paid-in capital	707,579	703,950
Accumulated other comprehensive income	10,458	2,844
Accumulated earnings (deficit)	(29,170)	(28,631)
Total stockholders' equity	689,334	678,628
Total liabilities and stockholders' equity	\$2,515,805	\$2,631,838

ARES COMMERCIAL REAL ESTATE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)

	For the three months ended March 31,	
	2022	2021
	(unaudited)	(unaudited)
Revenue:		
Interest income	\$ 33,364	\$ 30,704
Interest expense	(12,013)	(12,139)
Net interest margin	21,351	18,565
Revenue from real estate owned	2,672	2,658
Total revenue	24,023	21,223

Expenses:

Management and incentive fees to affiliate	2,974	2,567
Professional fees	778	785
General and administrative expenses	1,613	1,157
General and administrative expenses reimbursed to affiliate	834	752
Expenses from real estate owned	4,309	3,277
Total expenses	10,508	8,538
Provision for current expected credit losses	(594)	(3,240)
Gain on sale of real estate owned	2,197	—
Income before income taxes	16,306	15,925
Income tax expense, including excise tax	105	185
Net income attributable to common stockholders	\$ 16,201	\$ 15,740

Earnings per common share:

Basic earnings per common share	\$ 0.34	\$ 0.46
Diluted earnings per common share	\$ 0.34	\$ 0.45

Weighted average number of common shares outstanding:

Basic weighted average shares of common stock outstanding	47,204,397	34,417,040
Diluted weighted average shares of common stock outstanding	47,654,549	34,720,950

Dividends declared per share of common stock⁽¹⁾	\$ 0.35	\$ 0.35
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(1) There is no assurance dividends will continue at these levels or at all.

SCHEDULE I

Reconciliation of Net Income to Non-GAAP Distributable Earnings

Distributable Earnings is a non-GAAP financial measure that helps the Company evaluate its financial performance excluding the effects of certain transactions and GAAP adjustments that it believes are not necessarily indicative of its current loan origination portfolio and operations. To maintain the Company's REIT status, the Company is generally required to annually distribute to its stockholders substantially all of its taxable income. The Company believes the disclosure of Distributable Earnings provides useful information to investors regarding the Company's ability to pay dividends, which is one of the principal reasons investors invest in the Company. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. Distributable Earnings is defined as net income (loss) computed in accordance with GAAP, excluding non-cash equity compensation expense, the incentive fees the Company pays to its Manager (Ares Commercial Real Estate Management LLC), depreciation and amortization (to the extent that any of the Company's target investments are structured as debt and the Company forecloses on any properties underlying such debt), any unrealized gains, losses or other non-cash items recorded in net income (loss) for the period, regardless of whether such items are included in other comprehensive income or loss, or in net income (loss), one-time events pursuant to changes in GAAP and certain non-cash charges after discussions between the Company's Manager and the Company's independent directors and after approval by a majority of the Company's independent directors. Loan balances that are deemed to be uncollectible are written off as a realized loss and are included in Distributable Earnings. Distributable Earnings is aligned with the calculation of "Core Earnings," which is defined in the Management Agreement and is used to calculate the incentive fees the Company pays to its Manager.

Reconciliation of net income attributable to common stockholders, the most directly comparable GAAP financial measure, to Distributable Earnings is set forth in the table below for the three months and twelve months ended March 31, 2022 (\$ in thousands):

	For the three months ended March 31, 2022	For the twelve months ended March 31, 2022
Net income attributable to common stockholders	\$ 16,201	\$ 60,921
Stock-based compensation	766	2,185
Incentive fees to affiliate	358	2,452

Depreciation of real estate owned ⁽¹⁾	(2,385)	(1,784)
Provision for current expected credit losses	(594)	2,656
Realized gain on termination of interest rate cap derivative ⁽²⁾	1,960	1,960
Distributable Earnings	\$ 16,306	\$ 68,390

Net income attributable to common stockholders	\$ 0.34	\$ 1.34
Stock-based compensation	0.02	0.05
Incentive fees to affiliate	0.01	0.05
Depreciation of real estate owned ⁽¹⁾	(0.05)	(0.04)
Provision for current expected credit losses	(0.01)	0.06
Realized gain on termination of interest rate cap derivative ⁽²⁾	0.04	0.04
Basic Distributable Earnings per common share	\$ 0.35	\$ 1.50

Net income attributable to common stockholders	\$ 0.34	\$ 1.33
Stock-based compensation	0.02	0.05
Incentive fees to affiliate	—	0.05
Depreciation of real estate owned ⁽¹⁾	(0.05)	(0.04)
Provision for current expected credit losses	(0.01)	0.06

Realized gain on termination of interest rate cap derivative ⁽²⁾	0.04	0.04
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Diluted Distributable Earnings per common share	\$ 0.34	\$ 1.49
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(1) For the three months ended March 31, 2022, Distributable Earnings include a \$2.4 million adjustment to reverse the impact of accumulated depreciation following the sale of the hotel property that was recognized as real estate owned. For periods prior to the sale, depreciation of real estate owned was an additive adjustment to Distributable Earnings.

(2) For the three months ended March 31, 2022, Distributable Earnings include a \$2.0 million adjustment to include the realized gain from the termination of the interest rate cap derivative.

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INVESTOR RELATIONS

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