

# Ares Commercial Real Estate Corporation Reports First Quarter 2024 Results

May 09, 2024 6:00 AM

*First quarter GAAP net income (loss) of \$(12.3) million or \$(0.23) per diluted common share and Distributable Earnings (Loss)<sup>(1)</sup> of \$(33.5) million or \$(0.62) per diluted common share*

*- Subsequent to three months ended March 31, 2024 -*

*Declared second quarter 2024 dividend of \$0.25 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 (loss) of \$(12.3) million or \$(0.23) per diluted common share and Distributable Earnings (Loss)<sup>(1)</sup> of \$(33.5) million or \$(0.62) per diluted common share for the first quarter of 2024.

“Our first quarter results reflect further progress that we have made to resolve underperforming loans,” said Bryan Donohoe, Chief Executive Officer of Ares Commercial Real Estate Corporation. “During the first quarter, we exited or restructured four loans, leading to a 31% decline in the outstanding principal balance of loans on non-accrual status. Looking forward, we believe the real estate capabilities of the Ares platform, coupled with our liquidity and capital position, positions us well to continue to execute on our plan to drive further shareholder value.”

“During the first quarter, we continued to de-lever our balance sheet by further reducing our debt balance by an additional 8%, resulting in an outstanding principal balance below \$1.5 billion at the end of the quarter,” said Tae-Sik Yoon, Chief Financial Officer of Ares Commercial Real Estate Corporation.

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

## **COMMON STOCK DIVIDEND**

On February 22, 2024, the Board of Directors of the Company declared a regular cash dividend of \$0.25 per common share for the first quarter of 2024. The first quarter 2024 dividend was paid on April 16, 2024 to common stockholders of record as of March 28, 2024.

On May 9, 2024, the Board of Directors of the Company declared a regular cash dividend of \$0.25 per common share for the second quarter of 2024. The second quarter 2024 dividend will be payable on July 16, 2024 to common stockholders of record as of June 28, 2024.

## **ADDITIONAL INFORMATION**

The Company issued a presentation of its first quarter 2024 results, which can be viewed at [www.arescre.com](http://www.arescre.com) on the Investor Resources section of our home page under Events and Presentations. The presentation is titled “First Quarter 2024 Earnings Presentation.” The Company

also filed its Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 with the U.S. Securities and Exchange Commission on May 9, 2024.

## **CONFERENCE CALL AND WEBCAST INFORMATION**

On Thursday, May 9, 2024, the Company invites all interested persons to attend its webcast/conference call at 9:00 a.m.(Eastern Time) to discuss its first quarter 2024 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 [www.arescre.com](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 (800) 343-5172. International callers can access the conference call by dialing +1 (785) 424-1699. Please provide passcode ACREQ124. 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 9, 2024 at 5:00 p.m. (Eastern Time) to domestic callers by dialing +1 (800) 759-0728 and to international callers by dialing +1 (402) 220-7229. An archived replay will also be available through June 9, 2024 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 (the "Company") 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](http://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. These statements relate to future events or the Company's future performance or financial condition and include, but are not limited to, statements about the resolution of underperforming loans, reduction of CECL reserve and increase of available borrowings. 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 global economic trends and economic conditions, including high inflation, slower growth or recession, changes to fiscal and monetary policy, higher interest rates and currency fluctuations, as well as geopolitical instability, including conflicts between Russia and Ukraine and the conflict in the Middle East, changes in interest rates, credit spreads and the market value of the Company's investments, the Company's business and investment strategy, the Company's projected operating results, the return or impact of current and future investments, the demand for commercial real estate loans, rates of prepayments on the Company's mortgage loans and the effect on the Company's business of such prepayments, availability of investment opportunities in mortgage-related and real estate-related investments and

securities, ACREM’s ability to locate suitable investments for the Company, monitor, service and administer the Company’s investments and execute its investment strategy, 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 22, 2024, and the risk factors described in Part II, Item 1A. Risk Factors in the Company’s subsequent Quarterly Reports on Form 10-Q. 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)**

	<b>As of</b>	
	<b>March 31, 2024</b>	<b>December 31, 2023</b>
	<b>(unaudited)</b>	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 99,518	\$ 110,459
Loans held for investment (\$773,904 and \$892,166 related to consolidated VIEs, respectively)	2,014,500	2,126,524
Current expected credit loss reserve	(139,763 )	(159,885 )
Loans held for investment, net of current expected credit loss reserve	1,874,737	1,966,639
Loans held for sale, at fair value (\$38,981 related to consolidated VIEs as of December 31, 2023)	—	38,981
Investment in available-for-sale debt securities, at fair value	28,148	28,060

Real estate owned, net	82,499	83,284
Other assets (\$3,537 and \$3,690 of interest receivable related to consolidated VIEs, respectively; \$6,539 and \$32,002 of other receivables related to consolidated VIEs, respectively)	25,795	52,354
Total assets	\$2,110,697	\$2,279,777

## **LIABILITIES AND STOCKHOLDERS' EQUITY**

### **LIABILITIES**

Secured funding agreements	\$630,299	\$639,817
Notes payable	104,714	104,662
Secured term loan	149,443	149,393
Collateralized loan obligation securitization debt (consolidated VIEs)	595,105	723,117
Due to affiliate	4,281	4,135
Dividends payable	13,802	18,220
Other liabilities (\$1,918 and \$2,263 of interest payable related to consolidated VIEs, respectively)	11,964	14,584
Total liabilities	1,509,608	1,653,928

Commitments and contingencies

### **STOCKHOLDERS' EQUITY**

Common stock, par value \$0.01 per share, 450,000,000 shares authorized at March 31, 2024 and December 31, 2023 and 54,422,613 and 54,149,225 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	532	532
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Additional paid-in capital	813,468	812,184
Accumulated other comprehensive income	234	153
Accumulated earnings (deficit)	(213,145 )	(187,020 )
Total stockholders' equity	601,089	625,849
Total liabilities and stockholders' equity	\$2,110,697	\$2,279,777

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

**For the Three Months Ended  
March 31,**

**2024**                      **2023**

**Revenue:**

Interest income	\$ 44,033	\$ 49,500
Interest expense	(28,819 )	(22,999 )
Net interest margin	15,214	26,501
Revenue from real estate owned	3,478	—
Total revenue	18,692	26,501

**Expenses:**

Management and incentive fees to affiliate	2,768	3,010
Professional fees	533	771
General and administrative expenses	2,081	1,685
General and administrative expenses reimbursed to affiliate	1,132	732
Expenses from real estate owned	2,037	—
Total expenses	8,551	6,198
Provision for current expected credit losses	(22,269 )	21,019
Realized losses on loans	45,726	5,613
Change in unrealized losses on loans held for sale	(995 )	—
<b>Income (loss) before income taxes</b>	(12,321 )	(6,329 )
Income tax expense, including excise tax	2	110
<b>Net income (loss) attributable to common stockholders</b>	\$ (12,323 )	\$ (6,439 )
<b>Earnings (loss) per common share:</b>		
Basic earnings (loss) per common share	\$ (0.23 )	\$ (0.12 )
Diluted earnings (loss) per common share	\$ (0.23 )	\$ (0.12 )
<b>Weighted average number of common shares outstanding:</b>		
Basic weighted average shares of common stock outstanding	54,396,397	54,591,650
Diluted weighted average shares of common stock outstanding	54,396,397	54,591,650

<b>Dividends declared per share of common stock<sup>(1)</sup></b>	\$ 0.25	\$ 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 (Loss) to Non-GAAP Distributable Earnings (Loss)**

Distributable Earnings (Loss) 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 (Loss) provides useful information to investors regarding the Company's ability to pay dividends, which is one of the principal reasons the Company believes 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 (Loss) is defined as net income (loss) attributable to common stockholders 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 (Loss). Distributable Earnings (Loss) 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 (loss) attributable to common stockholders, the most directly comparable GAAP financial measure, to Distributable Earnings (Loss) is set forth in the table below for the three months and twelve months ended March 31, 2024 (\$ in thousands):

	<b>For the Three Months Ended March 31, 2024</b>	<b>For the Twelve Months Ended March 31, 2024</b>
Net income (loss) attributable to common stockholders	\$ (12,323)	\$ (44,751)
Stock-based compensation	1,284	4,314
Incentive fees to affiliate	—	334
Depreciation and amortization of real estate owned	786	1,801

Provision for current expected credit losses	(22,269)	48,537
Realized gain on termination of interest rate cap derivative <sup>(1)</sup>	—	(464 )
Unrealized losses on loans held for sale	(995 )	—
<b>Distributable Earnings (Loss)</b>	<b>\$ (33,517)</b>	<b>\$ 9,771</b>

Net income (loss) attributable to common stockholders	\$ (0.23 )	\$ (0.83 )
Stock-based compensation	0.02	0.08
Incentive fees to affiliate	—	0.01
Depreciation and amortization of real estate owned	0.01	0.03
Provision for current expected credit losses	(0.41 )	0.89
Realized gain on termination of interest rate cap derivative <sup>(1)</sup>	—	(0.01 )
Unrealized losses on loans held for sale	(0.02 )	—
<b>Basic Distributable Earnings (Loss) per common share</b>	<b>\$ (0.62 )</b>	<b>\$ 0.18</b>

Net income (loss) attributable to common stockholders	\$ (0.23 )	\$ (0.83 )
Stock-based compensation	0.02	0.08
Incentive fees to affiliate	—	0.01
Depreciation and amortization of real estate owned	0.01	0.03



Provision for current expected credit losses	(0.41 )	0.89
Realized gain on termination of interest rate cap derivative <sup>(1)</sup>	—	(0.01 )
Unrealized losses on loans held for sale	(0.02 )	—
<b>Diluted Distributable Earnings (Loss) per common share</b>	<b>\$ (0.62 )</b>	<b>\$ 0.18</b>

For the twelve months ended March 31, 2024, Distributable Earnings (Loss) includes a \$464 (1) thousand adjustment to reverse the impact of the \$2.0 million realized gain from the termination of the interest rate cap derivative that was amortized into GAAP net income (loss).

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#### **INVESTOR RELATIONS CONTACTS**

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