

BLACKSTONE MORTGAGE TRUST, INC

Our sell recommendation and target of \$11.50 are based on our projection for declining revenue of 6-7% from through 2026 and the high probability of continued impairments in the U.S. office portion of the portfolio (26% of BXMT portfolio, \$6 billion and \$34 per share). We project a dividend reduction from the current 2.48 per share to \$1.75 in 24 or 25 in order to keep the dividend below the “earned” distributable income. With the shares already trading at a \$1 billion discount (\$6 per share) to the current book value of \$23.93, it is conceivable that the portfolio may be adequately discounted in the market, but we expect the shares to trade at a higher yield of around 15%, of the lowered dividend, leading to our price target of \$11.50.

Blackstone Mortgage Trust (BXMT) is a commercial mortgage REIT with a 22.4 billion-dollar loan portfolio comprised of 178 individual loans. Many of the buildings are readily searchable such as 10900 Wilshire Blvd., 444 N Michigan Ave. and the Park Central Hotel in San Francisco. The mortgage portfolio is diversified between apartment, office, industrial, hotel and other types of properties. The current portfolio has roughly \$130 per BXMT share in mortgage assets and about \$106 per share in borrowings. As we have covered in the past, some of the losses on downtown metropolitan areas office mortgages have been enormous and often have exceeded 50% or more. This is due to the continuing work from home trend and the fact that many companies are exiting leases or downsizing office space. One property we have covered is the [Gas Company Tower](#) in downtown Los Angeles which is currently in a foreclosure sale and facing a value reduction of 70% or more. In addition, well-known short seller Carson Block covered the situation in a Blackstone Mortgage Trust [short recommendation report](#).

On the most recent conference call Blackstone Mortgage President and CEO Katie Keenan remarked that: “The recovery will take time, with additional reserves and losses along the way as we’ve seen this quarter.” Currently the company has CECL (Current Expected Credit Losses) reserves of \$766 million with about \$360 million of these reserves in the \$ 6 billion office portfolio. BXMT also has some protection due to the fact that the average office loan was created at 54% loan to value. BXMT management is accomplishing a lot as far as office exposure reduction and we could see stabilization as early as 2025. The company does a good job of laying out the information in the first quarter presentation (right).

\$18.15 / Recommendation: SELL, target \$11.50

Company Stats & Estimates \$	
Shares Outstanding	174
Equity Market Cap	3,158
Total Assets	23,265
Total Liabilities	19,101
Book Value	4,164
CECL reserve	766
Discount to Book Value	24.16%
2024 Total Revenue	1,976
2024 Distributable Earnings	390
2025 Distributable Earnings	375
2024 Current Cash Flow Yield	12.36%
Enterprise Value	22,259
EBITDA (2024 Est.)	1,866
Dividend coverage 2024	100%
Price to Dist. Earnings / Share	8.1
Mar. 31, 2024, Book V	\$23.93

[BXMT INVESTOR RELATIONS](#)

[FIRST QUARTER BXMT PRESENTATION](#)



monthly chart since 2020

BROXTON CAPITAL ADVISORS BXMT as of 3/31/2024

Monday, June 24, 2024

share price \$18.15

PROJECTIONS IN MM \$ fiscal yr. 2024 2025 2026

Income Statement

Interest Income	1,976	1,937	1,898
Interest Expense	1,476	1,476	1,476
Net Investment Income	385	347	326

Credit Provisions for losses*	NP	NP	NP
Total Expenses	131	110	110
non-controlling	4	3	3
Net Income	361	344	305

Net Income / Share GAAP	2.08	1.98	1.75
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Distributable Earnings Gross	390	375	336
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Distributable Earnings / Share	2.24	2.15	1.93
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Interest Income YOY	-3%	-2%	-2%
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EBITDA	1,866	1,851	1,812
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Cash Flow	390	375	336
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Projected Dividend	2.24	1.75	1.75
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Common Dividend Coverage %	100.1%	123.0%	110.3%
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Price to Dist. Earnings / Share	8.1	8.4	9.4
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Valuations

Distributable Earnings Yield	12.4%	11.9%	10.6%
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Dividend Yield	12.34%	9.64%	9.64%
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PE ratio	8.7	9.2	10.4
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Enterprise Value	22,259		
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Equity Market Cap	3,158	3,158	3,158
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Capital Structure

Shares Outstanding mm	174
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Total Liabilities	19,101
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Liquidity

MAR. 31 2024

Cash	413
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Borrowing Availability	1700+
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Total Assets	23,265
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Total Borrowings	19,101
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Ratio	122%
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Book Value

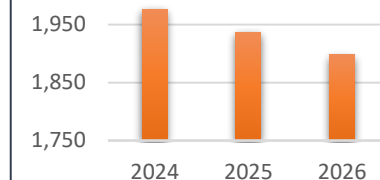
BV / Share	\$23.93
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Share Discount to Book Value	24.16%
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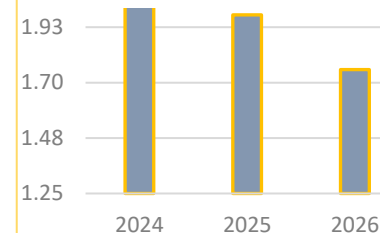
NOTES:

Amortization Schedule does not include Securitized debt obligations & Loan participations sold, net.* Future Credit Provisions are not projected in this report

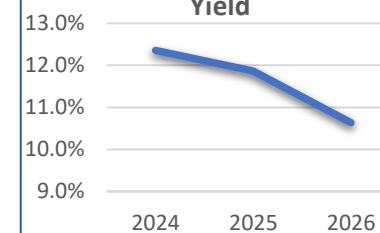
Revenue Projection



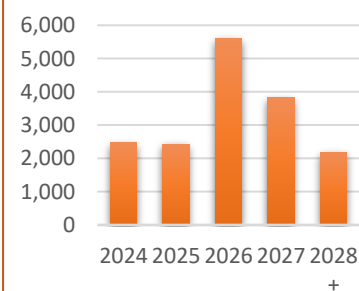
EPS Projection



Distributable Earnings Yield



Amortization Schedule



Disclosures

Previous reports are available upon request. Smart Yield Fund targets a mix of different security classes that contain the risk of loss. Investors should carefully consider the Fund's investment objectives and risk factors before investing. Investing involves risk, including possible loss of principal. Investors should consider the loss of principle and targeted returns are not guaranteed. Individual investors in Smart Yield are generally required to be accredited investors. Smart Yield is a fund operated through individual accounts creating the composite. Smart Yield Fund is a new product with an inception date of September 30, 2020, and as such does not have historical data. Asset Mix Projections on page 2 and 6, Smart Yield Portfolio Metrics on page 5 are estimated or targets of the fund. Asset class mix and targets may change based on the direction of the managers. Portfolio allocation projected annual return and beta assumption for each asset class on pages 7-10 are estimated. Beta for the fund and each asset class is estimated versus the S&P 500. The average beta for the entire fund is projected to be .32. Beta is a measure of the fund's volatility in relation to S&P 500 Index. This index has a beta of 1.0. The fund targets a total gross return before fees and expenses of 9.24%. The fund projects a blended return based on income securities and capital gains. Smart Yield attempts to continuously improve the value of investment portfolios by investing in corporate bonds, convertible bonds, other types of bonds (investment grade and sub-investment grade, [which may also have limited liquidity]), dividend paying equities, non-dividend paying equities, ETFs, including leveraged ETFs, and other securities. Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. All securities types mentioned in this brochure have the risk of loss. Long term strategies purchase securities which are underpriced according to our appraisal methodologies. Broxton uses regression analysis to obtain an average appraisal value for an individual company and places a priority on the securities of companies with improving financial performance and or additional catalysts that provide for increases in earnings and valuation. We use financial modeling, technical analysis, proprietary and third-party research. Smart Yield does not have any capitalization (market size), sector or industry allocation mandates. Asset class allocation percentages may be changed without notice. Broxton deploys technical analysis and momentum as indicators of movement for shorter term strategies, that may not involve deep fundamental analysis. Shorting (selling and then buying) of securities can be used for hedging and as a long term or short-term strategy. We exit positions in accordance with our discipline, this includes when valuation targets are clearly exceeded, or financial performance falls below our projections. Since Smart Yield returns will be calculated using a composite of accounts, the average account will not match the composite return and the return could be higher or lower. Broxton offers Smart Yield for other investment managers. Any commentary is solely the opinion of the Broxton Capital Advisors. It refers to securities we hold in our portfolio and sometimes ones we are considering but does not represent a complete list of positions held at Broxton Capital Advisors. A complete list covering the last twelve months will be furnished upon request. Price targets are mentioned for information purposes only. Nothing contained herein constitutes a recommendation to purchase or sell securities at any designated price or time. Targeted performance does not guarantee future results. 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Also, from time-to-time we may also discuss and display charts, graphs, formulas which are not intended to be used by themselves to determine which securities to buy or sell, or when to buy or sell them. Such charts and graphs offer limited information and should not be used on their own to make investment decisions.

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