

BrightSpire Capital Inc.

Sector exposures make us nervous,
downgrade to Underperform

Rating Change: UNDERPERFORM | PO: 6.50 USD | Price: 6.95 USD

Cautious on CRE mREITs broadly in 2024

[We are moving to a more cautious outlook for the CRE mREIT sector](#) and are downgrading BrightSpire Capital (BRSP) to an Underperform rating (Neutral prior). CRE mREITs outperformed other financial stocks in 2023 (Exhibit 1), but we think the fundamental headwinds CRE faces are likely to persist throughout 2024. While we think BRSP has done a good job cleaning up its legacy portfolio, we think the next few quarters may be choppy and risks are to the downside. BRSP specifically faces idiosyncratic risks due to its office and multifamily focus, and its high proportion of loans originated at historically low rates.

Portfolio overweight office, sunbelt multifamily

Consensus view is that office properties are the CRE sub-sector under the most stress, which represented 33% of BRSP's portfolio at 4Q. Additionally, an oversupply of sunbelt multifamily properties has negatively impacted rental incomes; 41% of BRSP's 4Q portfolio was sunbelt multifamily (Exhibit 2). Positively, BRSP has done well turning over its legacy portfolio and has limited credit issues in the portfolio (just 1 non-accrual loan as of 4Q), but we think risks are to the downside over the near-term given heightened credit risks and their overweight exposure to property types with fundamental headwinds.

4Q print largely ok, general CECL reserve higher

BRSP reported 4Q undepreciated book value of \$11.35 (-2% q/q) and distributable EPS of \$0.28/share, which comfortably covers the \$0.20/share quarterly dividend. Credit was largely ok - two loans previously on non-accrual were foreclosed on and the general CECL reserve increased to \$76M from \$55M (3Q specific CECL was \$35M). One loan was downgraded to non-accrual status, a multifamily property in Denver, CO.

Maintain \$6.50 PO, trim ests

BRSP shares currently trade at ~0.65x BVPS, in-line with their post-COVID average of ~0.65x while larger peers STWD & BXMT currently trade 15% below their post-COVID average. In our view, given elevated portfolio risk and market headwinds, a slight discount valuation for BRSP is warranted. We maintain our \$6.50 PO, based on an unchanged approximate 0.6x BVPS multiple. We reduce our 2024/2025 EPS ests to \$0.94/\$0.97 from \$0.98/\$1.01 and introduce 2026 ests of \$0.97. We reduce our dividend rating to "8" from "7".

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	0.98	1.06	0.94	0.97	0.97
GAAP EPS	0.35	(0.12)	0.24	0.28	0.27
EPS Change (YoY)	12.6%	8.2%	-11.3%	3.2%	0%
Consensus EPS (Bloomberg)			0.94	0.98	NA
DPS	0.79	0.80	0.80	0.80	0.80
Valuation (Dec)					
P/E	7.1x	6.6x	7.4x	7.2x	7.2x
GAAP P/E	19.9x	NM	29.0x	24.8x	25.7x
Dividend Yield	11.4%	11.5%	11.5%	11.5%	11.5%

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Timestamp: 04 March 2024 06:00AM EST

04 March 2024

Equity

Key Changes

(US\$)	Previous	Current
Inv. Opinion	C-2-7	C-3-8
Inv. Rating	NEUTRAL	UNDERPERFORM

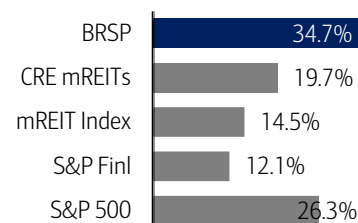
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Stock Data

Price	6.95 USD
Price Objective	6.50 USD
Date Established	1-Nov-2023
Investment Opinion	C-3-8
52-Week Range	5.20 USD -8.01 USD
Mrkt Val / Shares Out (mn)	903 USD / 130.0
Free Float	98.0%
Average Daily Value	5.06 USD
BofA Ticker / Exchange	BRSP / NYS
Bloomberg / Reuters	BRSP US / BRSP.N
ROE (2024E)	9.8%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

Exhibit 1: CRE mREITs outperformed in '23
BRSP a top performer in '23

Source: Bloomberg, BofA Global Research
BofA GLOBAL RESEARCH

iQprofileSM BrightSpire Capital Inc.

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Interest Income	127	125	101	105	101
% change	6.4%	-1.3%	-19.8%	4.9%	-4.0%
Net Fee Income	NA	NA	NA	NA	NA
Securities Gains / (Losses)	NA	NA	NA	NA	NA
Total Operating Income	223	233	216	221	217
Operating Expenses	(209)	(257)	(185)	(186)	(182)
% change	-23.0%	23.1%	-28.2%	0.5%	-2.0%
Provisions Expense	NA	NA	NA	NA	NA
% change	NA	NA	NA	NA	NA
Operating Pre-Tax Income	49	(15)	32	36	35
Operating Net Income to Comm S/Hold.	46	(16)	32	36	35
GAAP Net Income	46	(16)	32	36	35

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Assets	4,750	4,198	4,378	4,499	4,624
Average Interest Earning Assets	3,700	3,171	2,889	3,036	3,159
Total Gross Customer Loans	NA	NA	NA	NA	NA
% change	NA	NA	NA	NA	NA
Total Customer Deposits	NA	NA	NA	NA	NA
% change	NA	NA	NA	NA	NA
Tangible Equity	NA	NA	NA	NA	NA
Common Shareholders' Equity	1,388	1,277	1,205	1,137	1,069

Key Metrics (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Interest Margin	3.44%	3.95%	3.48%	3.47%	3.20%
Effective Tax Rate	5.0%	NM	NM	NM	NM
Loan / Deposit Ratio	NA	NA	NA	NA	NA
Tangible Common Equity / Assets	0%	0%	0%	0%	0%
ROA	2.3%	3.1%	2.9%	2.8%	2.8%
ROE	8.9%	10.4%	9.8%	10.8%	11.4%
RoTE	NA	NA	NA	NA	NA
Dividend Payout Ratio	225.2%	NA	329.9%	289.4%	293.9%
Efficiency Ratio (Cost / Income Ratio)	93.5%	110.4%	85.4%	83.8%	83.7%

Quality of Earnings (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Non-Interest Inc / Operating Inc	43.1%	46.1%	53.5%	52.4%	53.4%
NPLs plus Foreclosed Real Estate / Loans	NA	NA	NA	NA	NA
Loan Loss Reserves / NPLs	NA	NA	NA	NA	NA
Loan Loss Reserves / Total Loans	NA	NA	NA	NA	NA

Company Sector

Financial Services-Consumer/Commercial

Company Description

BRSP is an internally managed commercial real estate mortgage REIT that focuses on originating, acquiring, financing and managing a portfolio of predominantly US-based CRE debt investments and net leased properties. CRE debt investments are primarily first mortgage loans. BRSP may selectively originate mezzanine loans and preferred equity investments, often in conjunction with the origination of the corresponding first mortgages on the same properties.

Investment Rationale

BRSP is a way for investors to participate in the CRE markets, which should generate relatively high risk-adjusted returns for investors. BRSP has undergone a portfolio transformation to clean up its portfolio and simplify itself into a pure-play commercial mortgage REIT. That said, at current valuation and with the headwinds CRE faces, we believe risk/reward skews negative and look to see improving fundamentals, consistent operating results and growing profitability.

Stock Data

Average Daily Volume 727,749

Quarterly Earnings Estimates

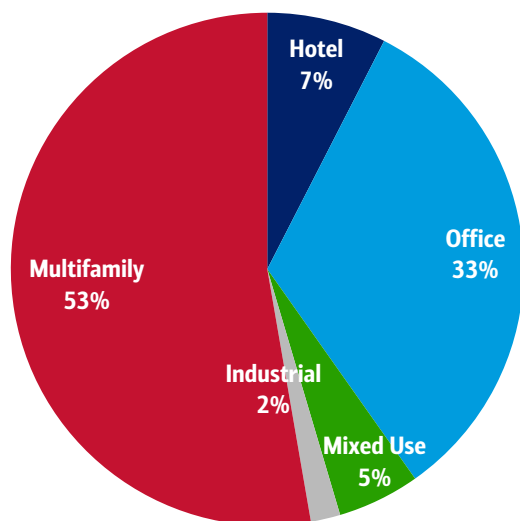
	2023	2024
Q1	0.27A	0.23E
Q2	0.25A	0.23E
Q3	0.28A	0.23E
Q4	0.28A	0.24E

Portfolio overweights makes us cautious

We are most cautious on office which faces fundamental headwinds that we think will persist, BRSP has a slightly higher allocation to vs peers at 33% of the loan portfolio. The largest part of BRSP's portfolio is multifamily, which makes up 53% of their total loan portfolio as of 4Q, which is 77% in the Sunbelt (41% of total loan portfolio). Sunbelt faces an inventory glut which has limited the ability to increase rents, a trend we expect to continue throughout 2024.

Exhibit 2: BRSP's portfolio is heavily exposed to office and multifamily loans

BRSP portfolio allocation by property type



Source: Company reports, BofA Global Research

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Exhibit 3: BRSP office loans are in Sunbelt, West and Northeast

Office loans by geography as a % of portfolio

	Office % of loan portfolio						
	US office					Int'l Office	Total % of Portfolio
	Northeast	Sunbelt	West	Midwest	Diversified		
ACRE	7%	12%	2%	13%	6%	0%	39%
BXMT**	12%	6%	9%	3%	0%	5%	34%
STWD*	Not disclosed						22%
ARI	5%	0%	0%	2%	0%	10%	19%
BRSP*	7%	12%	13%	0%	0%	0%	33%
LADR*	Not disclosed						28%
TRTX	11%	6%	3%	0%	0%	0%	20%

Source: Company reports, BofA Global Research

* Loan portfolio only

** Based on 150 largest loans

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Exhibit 4: BRSP multifamily loans are primarily in the Sunbelt

Multifamily loans by geography as a % of portfolio

	Multifamily % of portfolio						Total % of Portfolio
	Northeast	Sunbelt	West	Midwest	International	Diversified	
ACRE	7%	13%	3%	3%	0%	0%	26%
BXMT**	4%	10%	4%	1%	3%	0%	22%
STWD*			Not disclosed				37%
ARI	7%	0%	0%	1%	3%	2%	13%
BRSP*	1%	41%	11%	0%	0%	0%	53%
LADR*			Not disclosed				37%
TRTX	13%	22%	10%	5%	0%	0%	49%

Source: Company reports. BofA Global Research

* Loan portfolio only

** Based on 150 largest loans

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Valuation uncertainty for loans originated at low rates

By our math, BRSP originated ~74% of its loan portfolio post-COVID and ~82% of loans were originated with fed funds below 2.0% (Exhibits 5 & 6). This matters not only because it weighs on property valuations, but also because CRE mREIT loans are floating rate, and borrowers purchase rate caps to hedge against the risk of rate spikes which expire at loan maturity. Given the sharp move higher in rates, these rate caps have been important in keeping interest expenses in check. As loans mature, new rate caps will need to be purchased at prohibitive prices.

Exhibit 5: 74% of BRSP's portfolio was originated post-COVID

Vintage year as a % of total loan portfolio

	Vintage by year						
	2017 or prior	2018	2019	2020	2021	2022	2023
ACRE	2%	5%	10%	14%	35%	28%	5%
BXMT	2%	17%	17%	4%	39%	21%	0%
STWD			Not disclosed				
ARI	7%	3%	19%	7%	27%	32%	5%
BRSP*	2%	12%	10%	2%	43%	31%	0%
LADR*		14%		0%	57%	29%	0%
TRTX	1%	4%	17%	3%	42%	27%	6%

Source: Company reports. BofA Global Research

* Loan portfolio only

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Exhibit 6: 82% of BRSP's loan portfolio was originated when FF rates were below 2.0%

% of portfolio originated at or below given FF rate

	FF Rate below...			
	1.00%	2.00%	3.00%	4.00%
ACRE	68%	82%	92%	95%
BXMT	52%	75%	94%	94%
STWD			Not disclosed	
ARI	55%	74%	92%	92%
BRSP	63%	82%	100%	100%
LADR			Not disclosed	
TRTX	47%	60%	95%	96%

Source: Company reports. BofA Global Research

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Exhibit 7: BRSP summary income statement

2021A-2026E

(\$000s)	2021-A	2022-A	2023-A	Q1'24-E	Q2'24-E	Q3'24-E	Q4'24-E	2024-E	2025-E	2026-E
Income statement										
Interest income	168,846	236,180	298,703	68,851	67,423	66,173	65,591	268,038	261,125	263,405
Interest expense	(55,485)	(111,807)	(173,309)	(43,670)	(42,429)	(41,326)	(40,073)	(167,498)	(155,639)	(162,174)
Net interest income	119,511	127,103	125,394	25,181	24,994	24,847	25,518	100,540	105,486	101,231
Total other income	104,967	96,250	107,324	28,877	28,877	28,877	28,877	115,508	115,970	115,970
Total expenses	271,012	208,780	256,941	46,132	46,132	46,132	46,132	184,528	185,528	181,816
Other income (loss)										
Unrealized gain on securitized trusts	(50,521)	854	-	-	-	-	-			
Other gain/loss, net	(118,725)	33,776	615	-	-	-	-			
Earnings from unconsolidated ventures	(135,173)	25	9,055	-	-	-	-			
Income before income taxes	(98,301)	49,231	(14,553)	7,926	7,739	7,592	8,263	31,520	35,928	35,385
Income tax provision	6,276	2,438	1,071	-	-	-	-	-	-	-
Net income	(104,577)	46,793	(15,624)	7,926	7,739	7,592	8,263	31,520	35,928	35,385
Net Income to noncontrolling interests	3,532	(1,001)	69	-	-	-	-	-	-	-
Net income available to BRSP common	(101,045)	45,792	(15,555)	7,926	7,739	7,592	8,263	31,520	35,928	35,385
Adjusted distributable net income	116,086	127,477	138,176	30,510	30,323	30,176	30,847	121,856	126,264	126,009
Diluted shares + OP units (EOP)	132,835	128,872	129,985	129,985	129,985	129,985	129,985	129,985	129,985	129,985
Diluted shares + OP units (WAv)	132,807	130,539	129,974	129,985	129,985	129,985	129,985	129,985	129,985	129,985
Diluted EPS	(\$0.78)	\$0.35	(\$0.12)	\$0.06	\$0.06	\$0.06	\$0.06	\$0.24	\$0.28	\$0.27
Adjusted distributable EPS	\$0.87	\$0.98	\$1.06	\$0.23	\$0.23	\$0.23	\$0.24	\$0.94	\$0.97	\$0.97
Dividends (PS)	\$0.58	\$0.79	\$0.80	\$0.20	\$0.20	\$0.20	\$0.20	\$0.80	\$0.80	\$0.80
BV (PS)	\$ 11.22	\$ 10.77	\$ 9.83	\$ 9.70	\$ 9.56	\$ 9.42	\$ 9.28	\$ 9.28	\$ 8.76	\$ 8.23
Undepreciated BV (PS)	\$ 12.37	\$ 12.06	\$ 11.35	\$ 11.29	\$ 11.22	\$ 11.14	\$ 11.07	\$ 11.07	\$ 10.82	\$ 10.56

Source: Company reports, BofA Global Research estimates

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Price objective basis & risk

BrightSpire Capital Inc. (BRSP)

Our \$6.50 PO is based on an approximate 0.6x multiple to undepreciated book value per share (BVPS). Commercial mREIT peers trade at approximately 0.7x undepreciated BVPS. BRSP should trade at a discount to peers until it is able to demonstrate consistent operating results and improves profitability.

Upside/downside risks to achieving our price objective are 1) faster/slower-than-expected origination volumes could result in faster/slower capital deployment and increase/reduce earnings, 2) wider/tighter assets spreads could increase/reduce returns on incremental investments, 3) improving/deteriorating access to capital at reasonable prices could increase/limit portfolio growth, 4) material strengthening/weakening in real estate fundamentals could lead to over/underperformance in related assets and potentially lead to reduced/increased credit losses, and 5) material decreases/increases in interest rates could improve/impair the value of underlying investments and BRSP's shares.

Analyst Certification

I, Eric Dray, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Ares Capital Corporation	ARCC	ARCC US	Derek Hewett
	Bank of Montreal	BMO	BMO US	Ebrahim H. Poonawala
	Bank of Montreal	YBMO	BMO CN	Ebrahim H. Poonawala
	Barings BDC Inc	BBDC	BBDC US	Derek Hewett
	Blue Owl Capital Corporation	OBDC	OBDC US	Derek Hewett
	Carlyle Secured Lending Inc	CGBD	CGBD US	Derek Hewett
	Citigroup Inc.	C	C US	Ebrahim H. Poonawala
	Compass Diversified Holdings	CODI	CODI US	Derek Hewett
	Crescent Capital BDC	CCAP	CCAP US	Derek Hewett
	Cullen/Frost Bankers Inc	CFR	CFR US	Ebrahim H. Poonawala
	East West Bancorp, Incorporated	EWBC	EWBC US	Ebrahim H. Poonawala
	Fifth Third Bank	FITB	FITB US	Ebrahim H. Poonawala
	First Bancorp Puerto Rico	FBP	FBP US	Brandon Berman
	First Horizon Corporation	FHN	FHN US	Ebrahim H. Poonawala
	FNB Corporation of Pennsylvania	FNB	FNB US	Brandon Berman
	Goldman Sachs	GS	GS US	Ebrahim H. Poonawala
	JPMorgan Chase & Co.	JPM	JPM US	Ebrahim H. Poonawala
	KeyCorp	KEY	KEY US	Ebrahim H. Poonawala
	M&T Bank	MTB	MTB US	Ebrahim H. Poonawala
	Morgan Stanley	MS	MS US	Ebrahim H. Poonawala
	New Mountain Finance Corporation	NMFC	NMFC US	Derek Hewett
	Northern Trust Corporation	NTRS	NTRS US	Ebrahim H. Poonawala
	Nuveen Churchill Direct Lending	NCDL	NCDL US	Derek Hewett
	Royal Bank of Canada	RY	RY US	Ebrahim H. Poonawala
	Royal Bank of Canada	YRY	RY CN	Ebrahim H. Poonawala
	Safehold, Inc	SAFE	SAFE US	Derek Hewett
	Sixth Street Specialty Lending, Inc	TSIX	TSIX US	Derek Hewett
	Synovus Financial Corp.	SNV	SNV US	Ebrahim H. Poonawala
	The Bank of New York Mellon Corporation	BK	BK US	Ebrahim H. Poonawala
	Truist Financial	TFC	TFC US	Ebrahim H. Poonawala
	U.S. Bancorp	USB	USB US	Ebrahim H. Poonawala
	Webster Financial Corp.	WBS	WBS US	Brandon Berman
	Wells Fargo & Company	WFC	WFC US	Ebrahim H. Poonawala

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Western Alliance Bancorp	WAL	WAL US	Ebrahim H. Poonawala
NEUTRAL				
	AGNC Investment Corp	AGNC	AGNC US	Derek Hewett
	Ally Financial	ALLY	ALLY US	Brandon Berman
	Annaly Capital Management	NLY	NLY US	Derek Hewett
	Associated Banc-Corp	ASB	ASB US	Brandon Berman
	Bain Capital Specialty Finance, Inc.	BCSF	BCSF US	Derek Hewett
	Bank of Nova Scotia	YBNS	BNS CN	Ebrahim H. Poonawala
	Bank of Nova Scotia	BNS	BNS US	Ebrahim H. Poonawala
	Blackstone Mortgage Trust Inc	BXMT	BXMT US	Eric Dray, CFA
	Blackstone Secured Lending Fund	BXSL	BXSL US	Derek Hewett
	Canadian Imperial Bank of Commerce	CM	CM US	Ebrahim H. Poonawala
	Canadian Imperial Bank of Commerce	YCM	CM CN	Ebrahim H. Poonawala
	Citizens Financial Group	CFG	CFG US	Ebrahim H. Poonawala
	Comerica Incorporated	CMA	CMA US	Brandon Berman
	Commerce Bancshares Inc.	CBSH	CBSH US	Brandon Berman
	Goldman Sachs BDC, Inc.	GSBD	GSBD US	Derek Hewett
	Golub Capital BDC, Inc.	GBDC	GBDC US	Derek Hewett
	Huntington Bancshares Inc.	HBAN	HBAN US	Ebrahim H. Poonawala
	Ladder Capital Corp	LADR	LADR US	Eric Dray, CFA
	New York Community Bancorp	NYCB	NYCB US	Ebrahim H. Poonawala
	Palmer Square Capital BDC	PSBD	PSBD US	Derek Hewett
	PennyMac Mortgage Investment Trust	PMT	PMT US	Derek Hewett
	Popular Inc	BPOP	BPOP US	Brandon Berman
	Regions Financial	RF	RF US	Ebrahim H. Poonawala
	Starwood Property Trust	STWD	STWD US	Eric Dray, CFA
	The PNC Financial Services Group, Inc.	PNC	PNC US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	TD	TD US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	YTD	TD CN	Ebrahim H. Poonawala
UNDERPERFORM				
	Apollo Commercial Real Estate Finance	ARI	ARI US	Eric Dray, CFA
	Ares Commercial Real Estate Corporation	ACRE	ACRE US	Eric Dray, CFA
	Bank of Hawaii Corp.	BOH	BOH US	Brandon Berman
	BrightSpire Capital Inc.	BRSP	BRSP US	Eric Dray, CFA
	First Hawaiian Inc.	FHB	FHB US	Brandon Berman
	Guild Holdings Company	GHLD	GHLD US	Derek Hewett
	Invesco Mortgage Capital, Inc.	IVR	IVR US	Derek Hewett
	loanDepot Inc	LDI	LDI US	Derek Hewett
	MidCap Financial Investment Co	MFIC	MFIC US	Derek Hewett
	Prosperity Bancshares Inc	PB	PB US	Ebrahim H. Poonawala
	State Street Corporation	STT	STT US	Ebrahim H. Poonawala
	Texas Capital Bancshares Inc.	TCBI	TCBI US	Brandon Berman
	TPG RE Finance Trust, Inc.	TRTX	TRTX US	Eric Dray, CFA
	Zions Bancorp	ZION	ZION US	Brandon Berman

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

iQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

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Disclosures

Important Disclosures

BrightSpire Capital (BRSP) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Financial Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	156	53.79%	Buy	94	60.26%
Hold	72	24.83%	Hold	48	66.67%
Sell	62	21.38%	Sell	35	56.45%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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