

11/23/25

Team Number: 2

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Investment Summary

Proposal

Investment Recommendation

- ❖ Buy Rithm Capital Corp. RITM 8.00% 2030 Sr. notes due 7/15/30 (B3/B-/B-) trading at \$100.919 - 7.69% YTW and 407bps OAS
- **❖ Target spread: 340bps,** base-case 3yr annualized return: **6.85%**

Rationale

Stable Revenue from MSR Segment and AM Growth

- Full-service originate-to-service with \$800bn+ unpaid principal balance MSR base hedges agency MBS investments
- Diversification into asset management provides stable fee revenue throughout the real-estate cycle

C-Corp Conversion will Lead to Higher ProfitRetention

- Cashflows retained estimated to increase \$200M from \$290M LTM, fueling organic growth and AFFO expansion
- \$205M estimated saved in distributions net of tax, supporting liquidity profile and growing equity to \$11.1bn by 2027

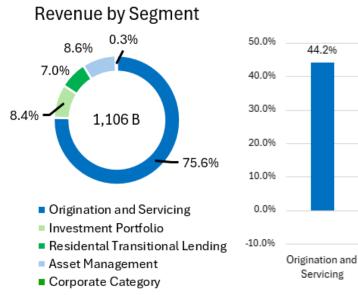


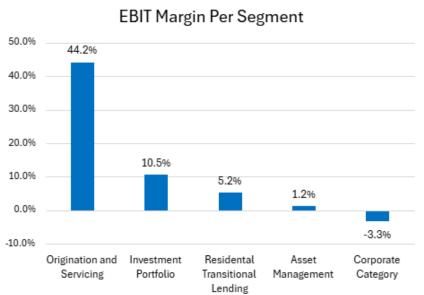
Company Overview

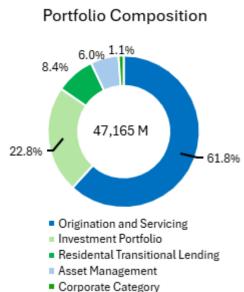


Situation Overview

- Rithm Capital: REIT that operates in mortgage origination, servicing, and asset management
- Recent Push into Asset Management via nonorganic growth and Sculptor aum growth
- Acquisition of Crestline expected Q4 for \$300M
 - Alternatives manager: \$17B aum in reinsurance, NAV lending, direct lending
- Acquisition of Paramount expected Q4 for \$1.6B
 - Grade A Office REIT in NYC, SF: \$7B aum, supports fee-related-earnings









RITM's non-operating capital structure is moderately leveraged

- ❖ Recent debt issuance of \$500M 7/15/2030 Sr. notes to refinance 6.25% \$275M Sr. Notes due 2025 on 06/17/2025
- ❖ \$1.4B in perpetual preferred to meet REIT dividend payout requirements

								9/30/2025	
PF Adj. Capitalization	Coupon	Maturity	Price	YTW	OAS	Ratings	Outstanding (\$mm)	xLTM EBIT	LTV
Short Term Financing F	acilities						1,141		
Total First Lien Debt							1,141	1.1x	13.0%
2029 Sr. Unsec Notes	8.00%	2/28/2029	101.551	7.26%		376 B3/B-/B-	775		
2030 Sr. Unsec Notes	8.00%	7/15/2030	100.919	7.69%		407 B3/B-/B-	500		
Total Debt							2,416	2.4x	27.6%
Cash and Equivalents							1,270		
Net Debt							1,146	1.1x	13.1%
Float Perp. Pref.	9.94%		25.35				105		
Float Perp.Pref.	9.78%		25.12				283		
Float Perp.Pref.	9.11%		24.60				398		
7 Perp. Pref.	7.00%		24.55				465		
8.75 Perp. Pref.	8.75%		25.23				190		
Net Debt + Hybrid Seco	urities						2,587	2.5x	29.6%
Equity Market Cap							6,163	6.1x	70.4%
Enterprise Value							8,750	8.6x	100.0%

Pricing as of 11/21/25



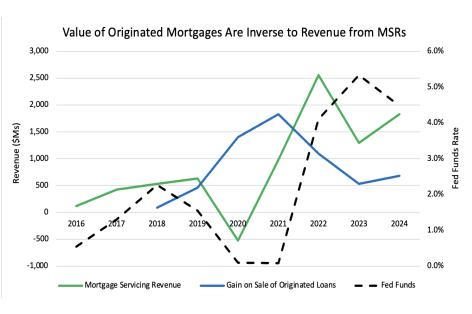
Investment Thesis

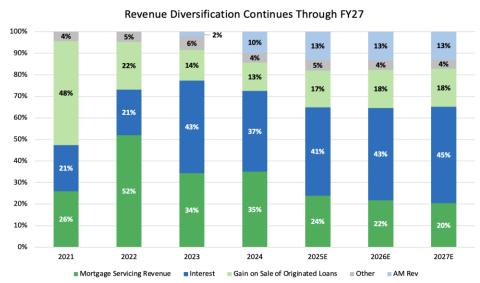


Thesis #1: MSRs Hedge Interest Rate Risk and AM Diversification Create Durable, Recurring Revenue

Stable Revenue from MSR Segment & AM Growth

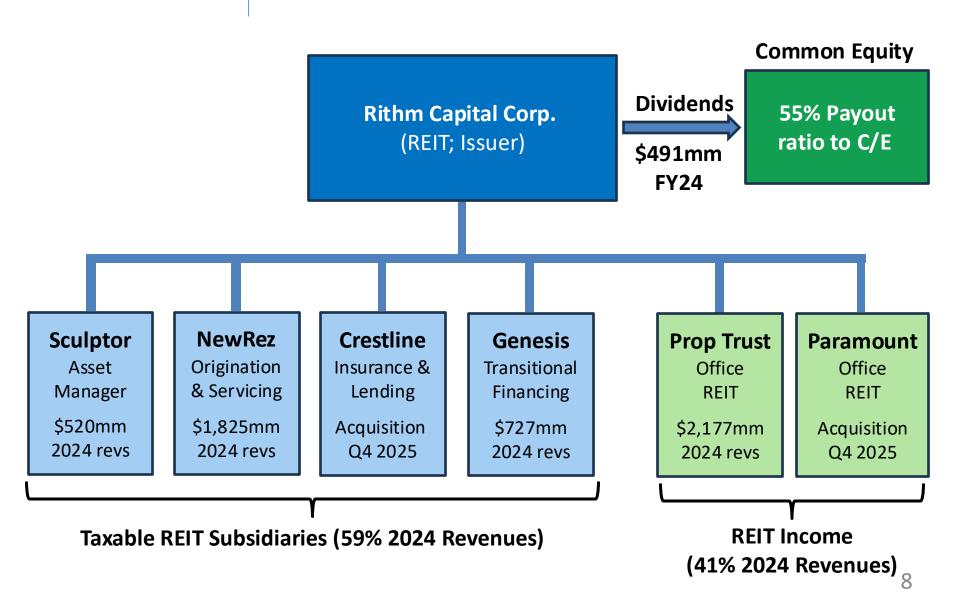
- MSRs offset MBS exposure through negative correlation
 - 10% prepayment rise reduces MSRs \$176M, boosts MBS value \$302M
- Diversification into AM and \$844B MSR base provides highly recurring revenue unavailable to traditional REITs
 - 1.5% base AM Fees; 0.23% base MSR fees
- ❖ Annualized cost of funding to fall 1.5% to 3.3% due to insurance float from Crestline acquisition





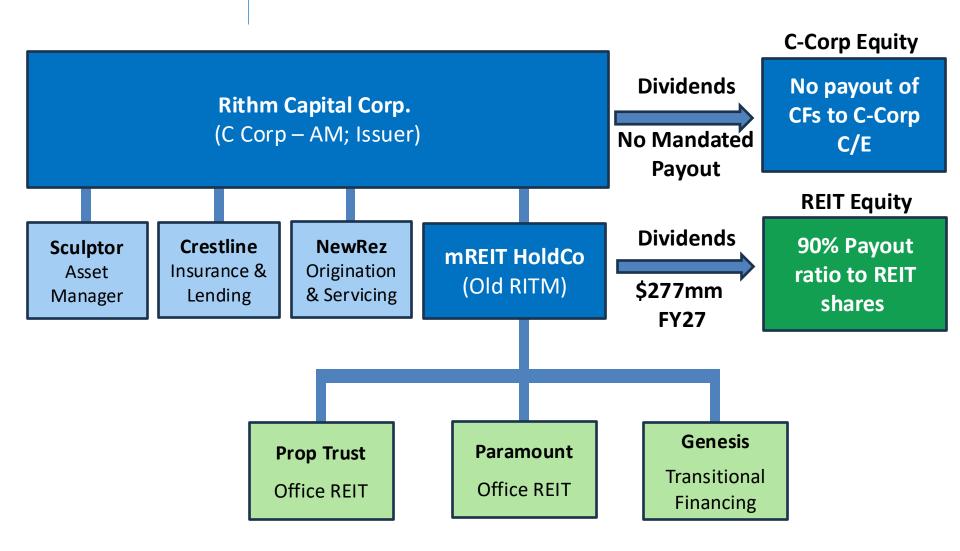


Current REIT Entity Structure Requires Large Distributions to Equity





Proposed C-Corp Structure with Asset Management Roll-up Reduces Payout Ratio from 51% to 32%

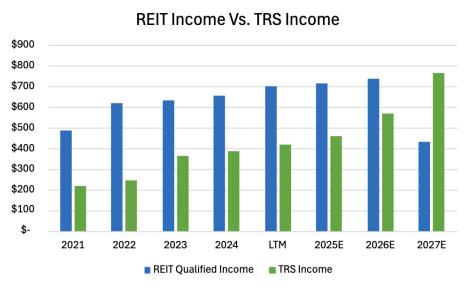


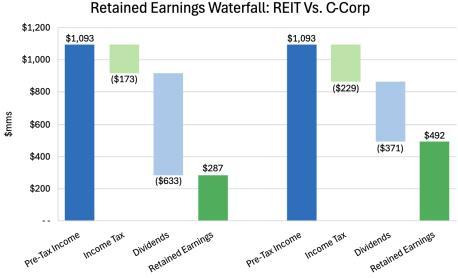


Thesis #2: Conversion to C-Corp Focused on Asset Management will Save RITM \$205M Annually

C-Corp Conversion will Lead to Higher Profit Retention

- Cashflows retained estimated to increase from \$287M LTM to \$492M in conversion
 - Decreased dividends distributions by \$250M
 - Net benefit of \$205M annually
- Income mix increasingly from taxable REIT subsidiaries (TRS)
 - Estimated income tax expense only increases 5% vs LTM
- Provides greater flexibility, no longer required to comply with restrictive REIT tests, additional fees







Valuation



340bps Target Spread over 3 years; Annualized Return of 6.85%

Bear – Widens 73bps to 480bps (closer to where ABR trades) for a 6.55% annualized return

Base – Tightens 67bps to 340bps (toward B-curve) for a 6.85% annualized return

Bull – Tightens 107bps to 300bps (at B-curve) for a 6.91% annualized return

	Moody's	S&P	Base	Bear	Bull
Upgrade Triggers	 Successful integration of M&A NI/Avg. Managed Assets>2.5% Equity/Total Assets > 17.5% Greater use of Unsec. funding 	 Successful M&A execution Debt/Equity < 4.5x-6.0x Sufficient liquidity 	✓	×	√
Downgrade Triggers	 Integration fails NI/Avg. Managed Assets < 1% Equity/Total Assets < 15% 	 Trouble renewing funding Debt/Equity > 6.5x Shift into riskier assets 	×	√	×

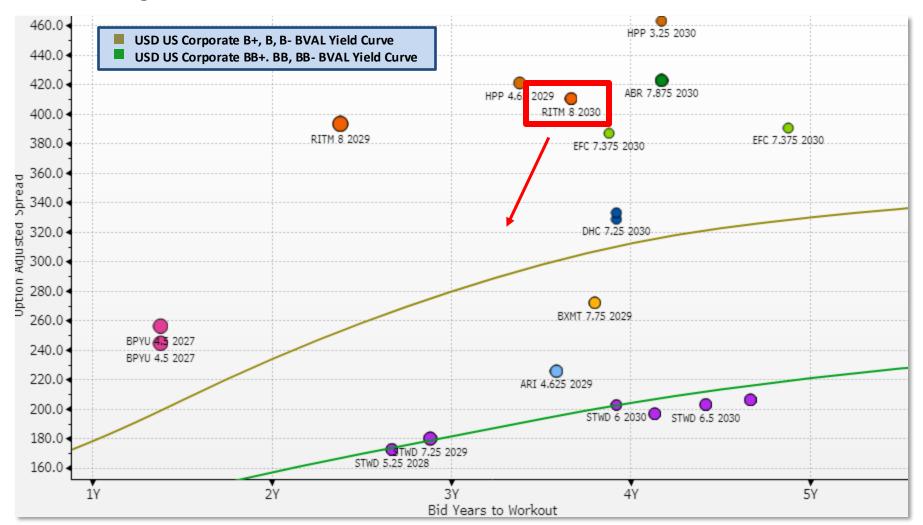
	Bond	Coupon	N	laturity	YTW	OAS	De	bt/Equity	Rating
RITM 8 Sr. Unsecured Bond	RITM 8 7/15/30	8.00	0%	Jul 2030		7.69%	407	415.8%	B3/B-/B-
Comparables									
Starwood Property Trust Inc.	STWD Sr. Unsecured	6.50	0%	Jul 2030		5.42%	179	73.3%	Ba3/BB-/BB+
Arbor Reality Trust Inc.	ABR Sr. Unsecured	3.2	5%	Jan 2030		8.33%	467	314.8%	Ba3/B+/BB-
Blackstone Mortgage Trust Inc.	BXMT Secured	7.7	5%	Dec 2029		6.15%	258	414.4%	B1/B+/BB-
Hudson Pacific Properties Inc.	HPP Sr. Unsecured	4.6	5%	Apr 2029		7.92%	440	143.4%	B2/B+/BB-
Indices									
Bloomberg HY Index			5	Years		6.95%	298		
Bloomberg B Index			5	Years		6.76%	336		

Pricing as of 11/21/25



Relative value: RITM's stable revenue and C-Corp reorganization should lead to spreads tightening towards US Corporate Single-B Curve

RITM vs Single-B Curve



Source: Bloomberg 13



Bull, Bear, and Base Financials

Key Assumptions:

Bear		Base			Bull		
*	(6%) 3-yr retained earnings CAGR	*	39% 3-yr retained earnings CAGR	*	61% 3-yr retained earnings CAGR		
*	No Reorg in 2027 and common dividend remains same	*	Reorg in 2027 and cut common dividends by 50% (\$277mm)	*	Reorg in 2027 and cut common dividend by 65% (\$360mm)		
*	Asset management AUM grows to \$44.4bn by 2027	*	Asset management AUM grows to \$46.6bn by 2027	*	Asset management AUM grows to \$66.8bn by 2027		

Model (\$mm)	FYE 12/31		Bear			Base			Bull	
	2024A	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	5,206	4,393	4,581	4,777	4,393	4,820	5,146	4,393	4,823	5,314
% YoY Change	38.4%	(15.6%)	4.3%	4.3%	(15.6%)	9.7%	6.8%	(15.6%)	9.8%	10.2%
EBIT	1,367	625	1,101	1,159	625	1,511	1,702	624	1,706	2,261
% YoY Change	68.2%	(54.3%)	76.3%	5.3%	(54.3%)	141.9%	12.6%	(54.3%)	173.2%	32.5%
% Margin	26.3%	14.2%	24.0%	24.3%	14.2%	31.4%	33.1%	14.2%	35.4%	42.5%
EAD	1,038	1,173	965	802	1,173	1,306	1,196	1,173	1,468	1,638
% YoY Change	4.1%	13.1%	(17.7%)	(16.9%)	13.1%	11.3%	(8.4%)	13.0%	25.1%	11.6%
% Margin	19.9%	26.7%	21.1%	16.8%	26.7%	27.1%	23.2%	26.7%	30.4%	30.8%
Retained Earnings	353	319	249	286	319	590	957	319	752	1,482
% Payout Ratio	56.7%	54.8%	68.8%	82.9%	54.8%	50.9%	32.4%	54.8%	45.3%	18.6%
Leverage Ratios										
Recourse Debt	24,521	23,211	24,044	23,844	23,211	24,044	23,844	23,211	24,044	23,844
Nonrecourse Debt	6,509	6,124	5,791	5,441	6,124	5,791	5,441	6,124	5,791	5,441
Net Interest Margin	0.6%	0.6%	2.6%	2.7%	0.6%	3.0%	3.8%	0.6%	3.0%	4.1%
EBIT / Interest	0.7x	0.4x	0.8x	0.8x	0.4x	1.1x	1.2x	0.4x	1.2x	1.7x
Gross Debt / Equity	3.9x	3.2x	3.2x	3.1x	3.2x	3.1x	2.8x	3.2x	3.0x	2.6x
Net Debt / Equity	3.7x	3.1x	3.1x	3.0x	3.1x	2.9x	2.7x	3.1x	2.8x	2.5x
Gross Recourse Debt / Equity	3.1x	2.6x	2.6x	2.5x	2.6x	2.5x	2.3x	2.6x	2.5x	2.1x
Net Recourse Debt / Equity	2.9x	2.4x	2.4x	2.4x	2.4x	2.3x	2.2x	2.4x	2.3x	2.0x



Risks and Mitigants

Risks	Mitigants
Execution Risk	4 successful acquisitions (Sculptor, Crestline, Paramount, Specialized Loan Servicing) have already been integrated into RITM over the first 2 years of transition to an alternative asset manager
Short-term Financing: Encumbered Assets Risk	RITM's \$16.5 billion outstanding in secured financing agreements (repos) funds agency RMBS, Treasuries, and originated agency-qualifying loans
	These assets are high quality and less exposed to liquidity risks during periods of market dislocation
Liquidity Risk	RITM has \$1.6 billion in unrestricted cash on its balance sheet and \$600 million available under committed funding lines after considering collateral constraints



Summary Slide

Investment Recommendation

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- ❖ Target spread: 340bps, base-case 3yr annualized return: 6.85%

Stable Revenue from MSR Segment and AM Growth

C-Corp Conversion will Lead to Higher ProfitRetention



Appendix



Management Team

CEO	CFO	Head of Investments	Chief Counsel for M&A
Micheal Nierenberg	Nick Santoro	Charles Sorrentino	Philip Sivin
 ❖ Appointed CEO and President in 2013 and Chairman in 2016 ❖ Joined Rithm Capital in 2013 	❖ Appointed CFO/CAO in 2015❖ With Rithm Capital since 2015	 ❖ Started as MD in PE division of Fortress Investment Group ❖ Joined Rithm Capital in 2015 	 Appointed Chief Counsel for M&A in 2024 With Rithm Capital since 2021

Source: UA website



Competitor Breakdown

*All #s in \$Ms	Starwood Property Trust Inc.	Arbor Reality Trust Inc.	Blackstone Mortgage Trust Inc.	Rithm Capital Corp.	Hudson Pacific Properties Inc.
	STARWOOD PROPERTY TRUST	ARBOR	Blackstone Mortgage Trust	rithm	UDSON PACIFIC PROPERTIES
Issuer Rating	Ba3/BB-/BB+	Ba2/BB/NR	B1/B+/B+	B1/B/NR	B2/B/B-
Outlook	S/S/S	S/S	S/N/S	S/P	S/S/S
Revenue	1,300	622	(63)	3,212	842
EBIT	811	288	(219)	1,028	(43)
Margin %	62.4%	46.3%	NM	32.0%	-5.1%
Net Interest Margin %	2.4%	3.0%	2.3%	0.3%	-2.6%
ROE %	10.6%	7.6%	-0.1%	17.1%	-14.3%
ROA %	2.6%	1.7%	0.0%	2.4%	-4.4%
Payout Ratio %	178.2%	158.3%	NM	60.3%	NM
P/B	0.9x	0.8x	0.9x	0.9x	0.2x
Gross Debt/Equity	73.3%	314.8%	414.4%	415.8%	143.4%
Gross Debt/EBIT	7.9x	6.5x	-13.5x	2.1x	-79.1x
Net Debt/EBIT	7.5x	4.8x	-11.9x	1.0x	-74.6x

Data as of FY24; BXMT: Unusual 384mm charge off from expected credit losses



Model Forecast Assumptions

RITM Financials (\$mm)	FY2A	FY23A	FY24A	LTM	FY2E	FY26E	FY27E
	12/31	12/31	12/31	12/31	12/31	12/31	12/31
Service Growth YoY	160.6%	(49.4%)	41.1%	47.6%	(42.7%)	0.3%	
Interest Income Growth YoY	28.1%	55.6%	20.6%	0.0%	(7.4%)	14.4%	11.6%
Gain on Originated Growth YoY	(40.2%)	(51.2%)	27.9%	20.4%	9.9%	13.5%	6.9%
Asset Management Growth YoY			529.3%	53.0%	10.5%	11.0%	4.4%
Other Revenues Growth YoY	39.5%	2.3%	(3.7%)	(47.1%)	(5.0%)		
Net Revenues Growth YoY	30.0%	(23.5%)	38.4%	14.4%	(15.6%)	9.7%	6.8%
Net Interest Income Grwoth YoY	(16.9%)	(17.6%)	(46.7%)	85.2%	19.7%	399.6%	34.2%
Net Interest Margin	1.2%	1.3%	0.6%	0.8%	0.6%	3.0%	3.8%
Annualized Interest Earning Yield	6.2%	9.3%	9.2%	8.6%	8.2%	9.0%	9.0%
Annualized Cost of Funding	3.1%	4.3%	4.8%	4.4%	4.1%	3.3%	3.2%
Asset Management Fee % AUM		0.7%	1.0%	1.5%	1.5%	1.5%	1.5%

Guidance and Assumptions

- ❖ Annualized cost of funding decreases to 3.2% by 2027 due to Crestline float
- ❖ AUM in asset management \$46.6bn by 2027, with management fee at 1.5% through 2027
- ❖ Mortgage servicing rights revenue growth forecasted flat through 2027



Select Financials

RITM Financials (\$mm)	FY2A	FY23A	FY24A	LTM	FY25E	FY26E	FY27E
Full Year Ended	12/31	12/31	12/31	9/30	12/31	12/31	12/31
Operating Summary							
Service Revenue	2,559	1,294	1,826	1,552	1,047	1,049	1,049
Interest Income	1,038	1,616	1,950	1,859	1,805	2,065	2,304
Gain on Originated Mortgage Loans	1,093	533	683	727	750	851	910
Asset Management Fees		83	520	526	575	638	666
Other Revenues	231	236	227	216	216	216	216
Net Revenues	4,921	3,762	5,206	4,881	4,393	4,820	5,146
Interest Expense	(778)	(1,401)	(1,835)	(1,689)	(1,668)	(1,381)	(1,386)
Net Interest Income	261	215	114	170	137	684	918
Operating Expenses	(2,574)	(1,548)	(2,003)	(2,176)	(2,100)	(1,928)	(2,058)
Operating Income	2,347	2,214	3,203	2,706	2,293	2,892	3,088
Non-operating Expense	(307)	(60)	(158)	76	328		
Income Tax Expense	(280)	(122)	(267)	(173)	10	(257)	(357)
Net Income (Loss)	983	631	941	919	962	1,254	1,344
Adjustments for Non-Core Earnings	(232)	465	203	342	360	200	
Earnings Available for Distribution	752	1,095	1,144	1,261	1,322	1,454	1,344
Retained Earnings Summary							
Net Income (Loss)	983	631	941	919	962	1,254	1,344
Preferred Dividends Paid	(90)	(90)	(96)	(109)	(110)	(110)	(110)
Common Dividends Paid	(469)	(481)	(492)	(523)	(533)	(554)	(277)
Current Year Earnings Retained	425	60	353	287	319	590	957
Prior Year Retained Earnings Balance	(813)	(388)	(328)	(178)	25	344	934
Ending Balance Retained Earnings	(388)	(328)	25	109	344	934	1,891



Key Terms

- **❖ MSR** Mortgage servicing rights; collection and servicing on existing mortgages
- ❖ TRS Taxable REIT subsidiary; wholly-owned subsidiary of REIT whose income is fully taxable and not subject to required distribution
- ❖ Nonrecourse typically short-term financing for mortgages originated but not sold, with debt issued through variable interest entities with no legal claim on RITM
- Recourse financing used in both origination and servicing, with debt issued through RITM or wholly-owned subs with legal claims on RITM