



# Second Quarter Earnings Conference Call



August 3, 2015

---

# Safe Harbor Disclosure

- ❖ We make forward-looking statements in this presentation that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, cash flow and plans and objectives. When we use the words “believe,” “expect,” “anticipate,” “estimate,” “plan,” “continue,” “intend,” “should,” “may” or similar expressions, we intend to identify forward-looking statements.
- ❖ Statements regarding the following subjects, among others, may be forward-looking: market trends in our industry, interest rates, real estate values, the debt financing markets or the general economy or the demand for residential real estate loans; our business and investment strategy; our projected operating results; actions and initiatives of the U.S. government and changes to U.S. government policies and the execution and impact of these actions, initiatives and policies; the state of the U.S. economy generally or in specific geographic regions; economic trends and economic recoveries; our ability to obtain and maintain financing arrangements; changes in the value of our mortgage portfolio; changes to our portfolio of properties; impact of and changes in governmental regulations, tax law and rates, accounting guidance and similar matters; our ability to satisfy the REIT qualification requirements for U.S. federal income tax purposes; availability of qualified personnel; estimates relating to our ability to make distributions to our shareholders in the future; general volatility of the capital markets and the market price of our shares of common stock; and degree and nature of our competition.
- ❖ The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. Forward-looking statements are not predictions of future events. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Furthermore, forward-looking statements are subject to risks and uncertainties, including, among other things, those described under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014, which can be accessed through the link to our SEC filings on our website ([www.great-ajax.com](http://www.great-ajax.com)) or at the SEC's website ([www.sec.gov](http://www.sec.gov)). Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected may be described from time to time in reports we file with the SEC, including reports on Forms 10-Q, 10-K and 8-K. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## Business Overview

- ❖ Leverage long-standing relationships to acquire loans through privately negotiated transactions from a diverse group of customers
  - Over 90% of acquisitions by Great Ajax Corp. have been privately negotiated
  - Acquisitions made in 96 transactions
- ❖ Use our manager's proprietary analytics to price each pool on an asset-by-asset basis
- ❖ Adjust individual loan bid price to accumulate clusters of loans in attractive demographic metropolitan areas
  - Typical acquisitions contain 25 – 100 loans with total market value between \$5 – \$20 million
- ❖ Our affiliated servicer services the loans asset-by-asset and borrower-by-borrower
- ❖ Objective is to maximize returns for each asset by utilizing full menu of loss mitigation and asset optimization techniques
- ❖ Use moderate non-mark-to-market leverage
  - Four securitizations since inception totaling \$407.2 million of loan UPB. Approximate leverage of 2.33x from the sale of senior bonds

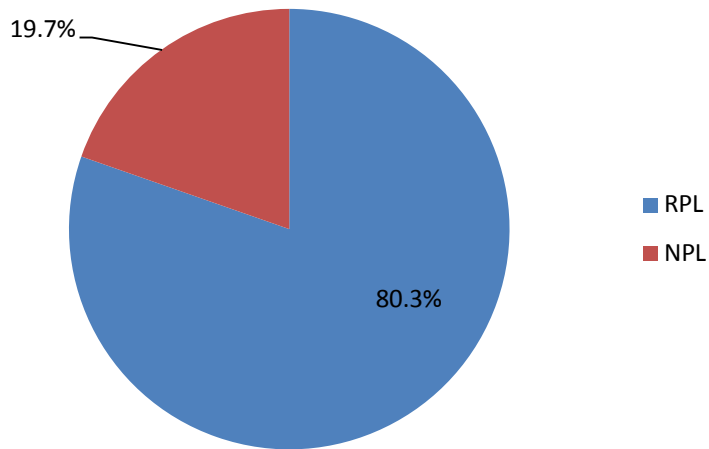
# Highlights - Second Quarter 2015



- ❖ Acquired mortgage-related assets with aggregate UPB of \$204.6 million for total purchase price of \$159.5 million. RPLs represent \$188.9 million UPB and NPLs represent \$15.7 million UPB
  - RPLs at an average price to UPB of ~79.6%; price to property value of ~66.3%
  - NPLs at an average price to UPB of ~57.6%; price to property value of ~58.9%
  - REO at an average price to property value of ~63.1%
- ❖ At June 30, 2015 owned a portfolio of 2,620 mortgage loans with aggregate UPB of \$598.9 million and 56 properties.
- ❖ Net interest income of \$8.5 million and \$14.3 million for the three months and six months ended June 30, 2015, respectively, and net income attributable to common stockholders of \$5.4 million and \$9.1 million for the three and six month periods, respectively.
- ❖ GAAP net income of \$0.36 per diluted share and \$0.64 per diluted share for the three and six months ended June 30, 2015, respectively. For the quarter ended June 30, 2015, our loan transaction expense included approximately \$0.3 million or \$0.02 per fully diluted share of additional due diligence expenses related to approximately 550 mortgage loans from new sellers which were excluded from our purchases since these loans did not meet our acquisition criteria or quality standards.
- ❖ Taxable net income for the three and six months ended June 30, 2015 of \$0.23 per diluted share and \$0.35 per diluted share respectively.

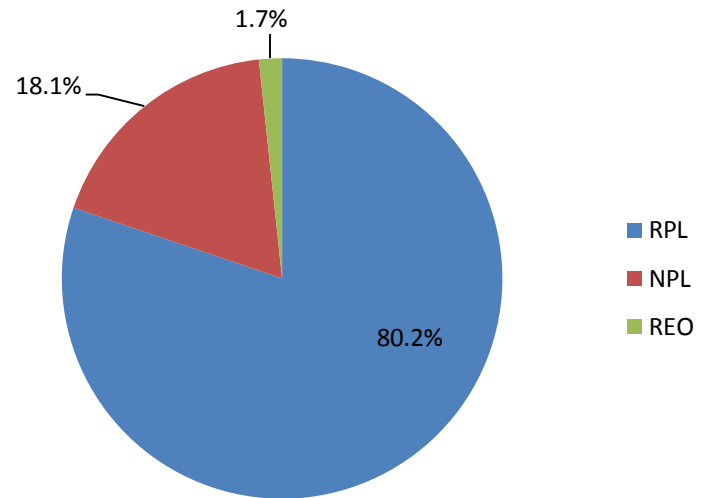
# Portfolio Overview – as of June 30, 2015

### UPB as of June 30 2015



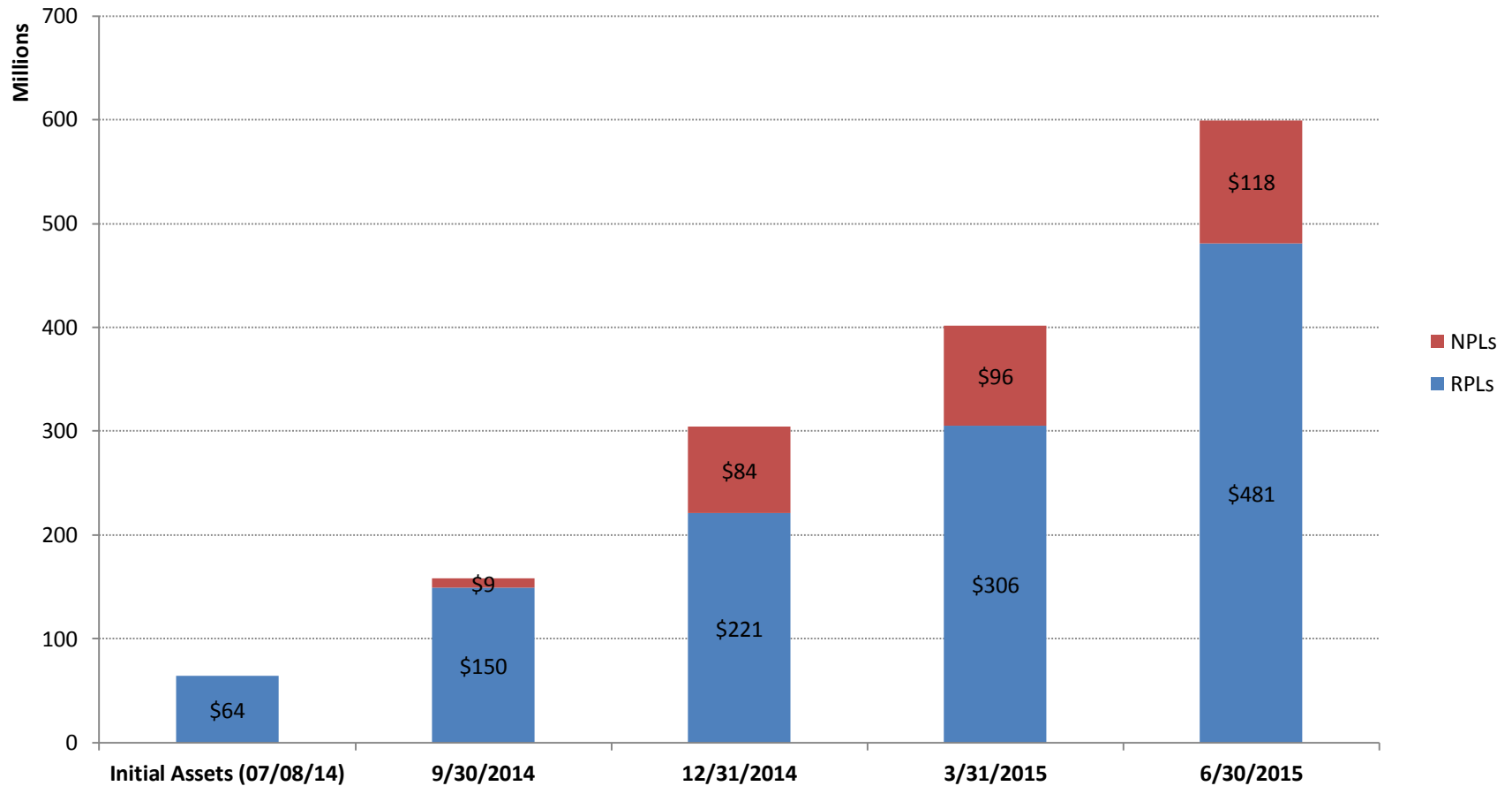
**\$598.9 MM**

### Property Value as of June 30 2015

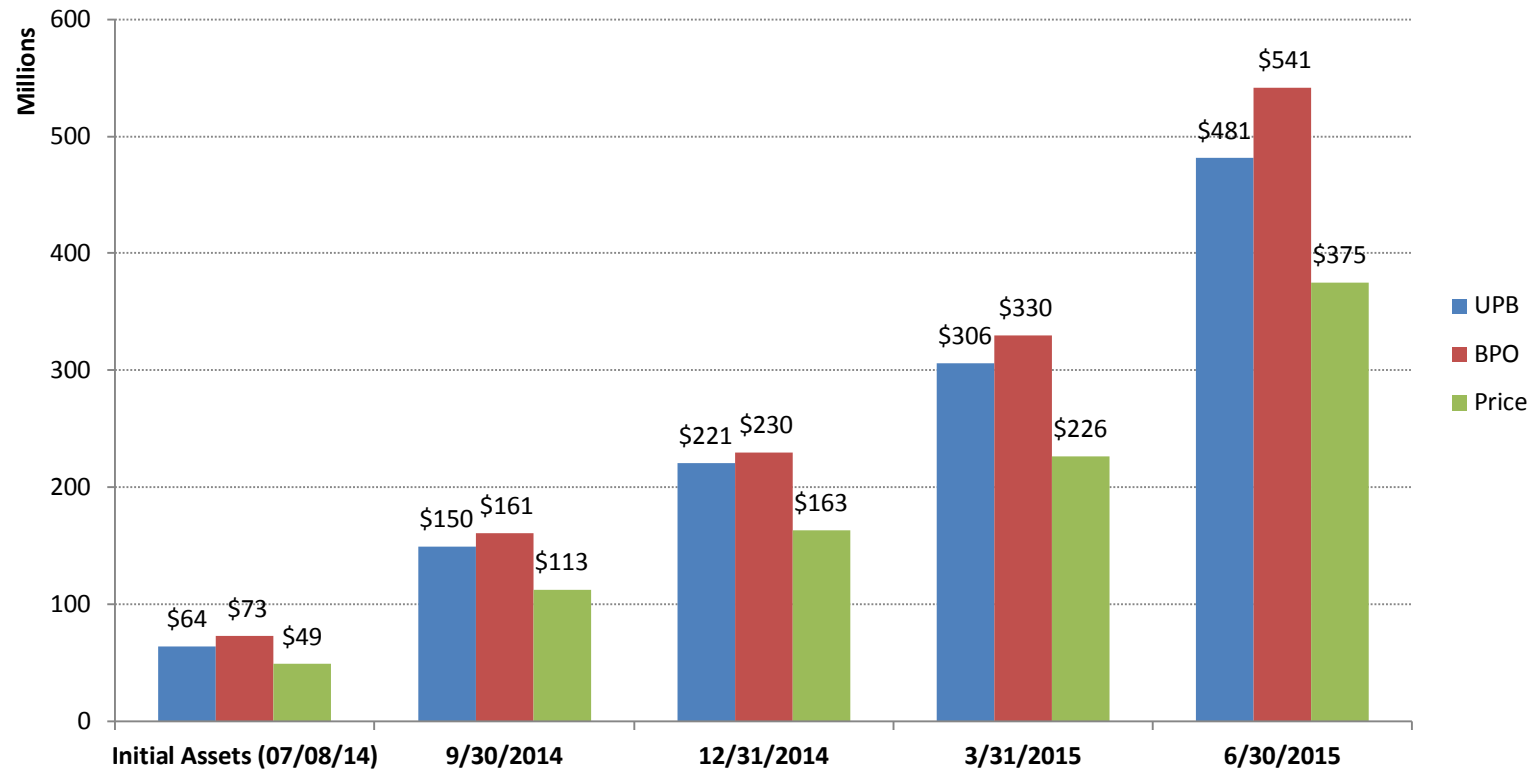


**\$663.6 MM**

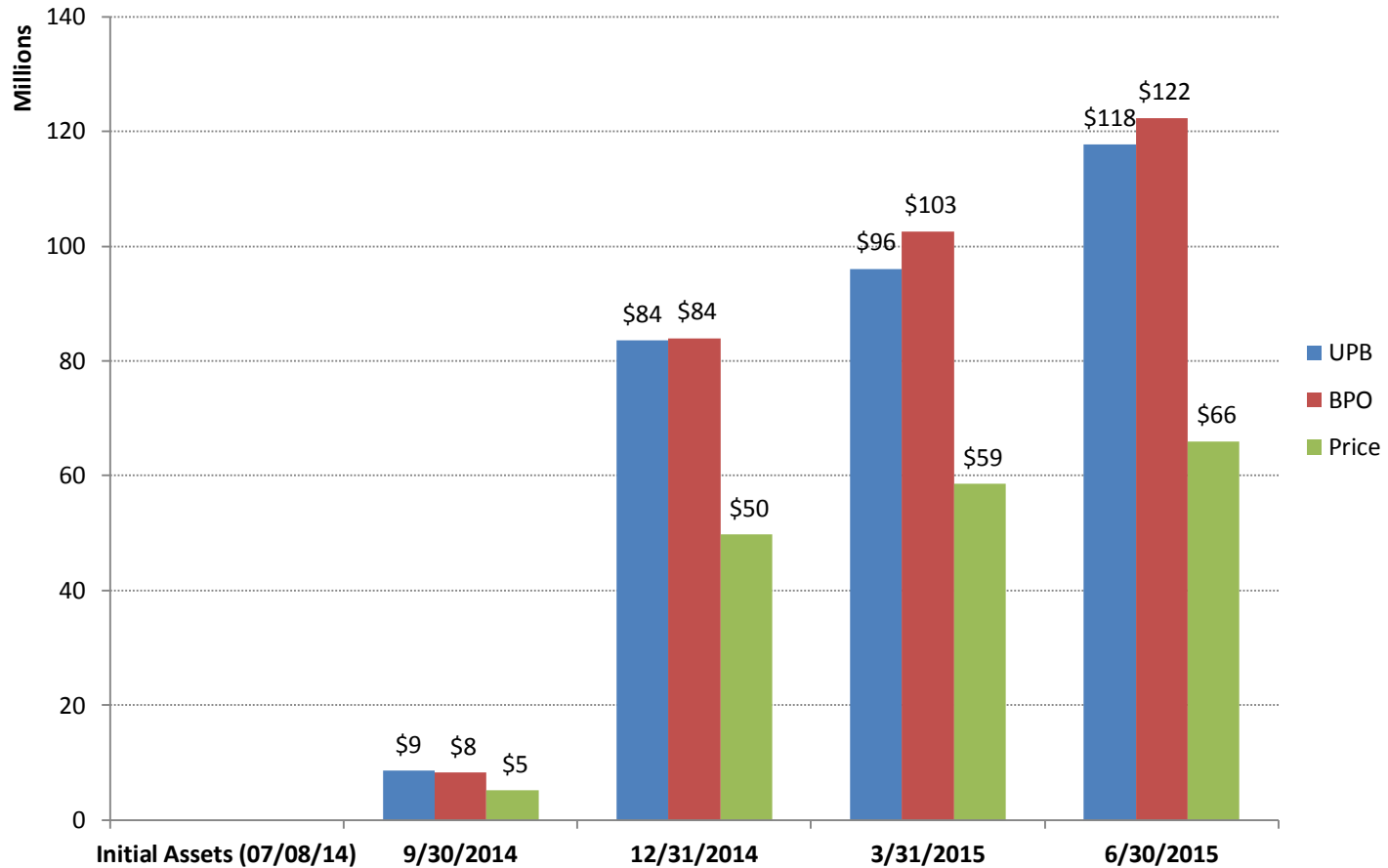
## Unpaid Principal Balance



## Re-performing Loans



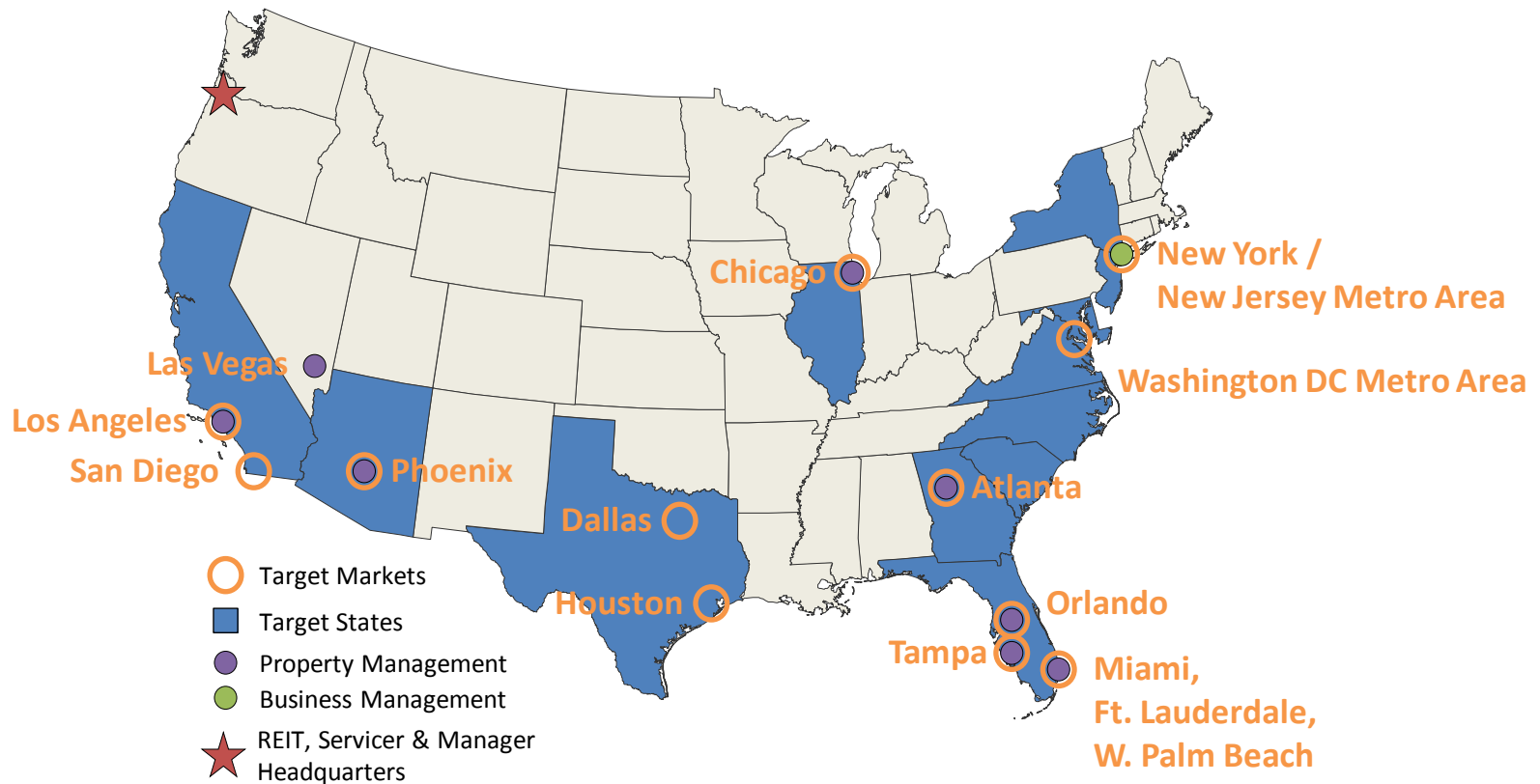
## Non-performing Loans





# Portfolio Concentrated in Attractive Markets

- ❖ Clusters of loans in attractive, densely populated markets
- ❖ Stable liquidity and home prices
- ❖ Over 80% of the portfolio in our target markets



# Building Net Asset Value



In evaluating our financial results, management regularly considers the following analysis, which is intended to arrive at a “net asset value” equivalent. Based on the leverage from the four securitizations, securitization investors value our loan portfolio at between \$16.82 and \$17.93 per share.

As shown below, at June 30, 2015, if we were to lever our whole loan portfolio through a securitization, the face value of the equity tranche would be approximately \$149.7 MM under scenario 1 where the senior attachment point is 55% (similar to our most recent securitization) and \$179.7 MM under scenario 2 where the senior attachment point is 50%. Given that our securitization investors currently value the equity tranche at between 30%-50%, using the average 40%, the value of our equity tranche would be \$59.89 MM under scenario 1, which is \$56.7 MM or \$3.57 per share over the remaining basis of \$3.16 MM. Our current book value per share is \$14.36. By contrast, our current NAV based on this securitization analysis would be the sum of \$14.36 and \$3.57, or \$17.93 per share.

Entire Portfolio	6/30/2015
UPB	\$598,908,668
Price	\$440,817,429
Book Value / Share	\$14.36

	Leverage (Bond Face/UPB)	Bond Face Value	Bond Price	Net Proceeds	Equity Basis	Implied value/Share	Implied NAV per Share
Senior	55%	\$329,399,767	100%	\$324,458,771			
B1	10%	\$59,890,867	99%	\$59,291,958			
B2	10%	\$59,890,867	90%	\$53,901,780			
Equity-Trust Certificate		<b>\$149,727,167</b>	<b>40%</b>	<b>\$59,890,867</b>	<b>\$3,164,920</b>	<b>\$3.57</b>	<b>\$17.93</b>

	Leverage (Bond Face/UPB)	Bond Face Value	Bond Price	Net Proceeds	Equity Basis	Implied value/Share	Implied NAV per Share
Senior	50%	\$299,454,334	100%	\$294,962,519			
B1	10%	\$59,890,867	99%	\$59,291,958			
B2	10%	\$59,890,867	90%	\$53,901,780			
Equity-Trust Certificate		<b>\$179,672,600</b>	<b>40%</b>	<b>\$71,869,040</b>	<b>\$32,661,172</b>	<b>\$2.46</b>	<b>\$16.82</b>

This illustration has not been prepared in accordance with GAAP and is not intended to constitute a non-GAAP financial measure, but rather an additional tool for investors to consider.

# Subsequent Events

- ❖ **Fourth securitization closed on July 2, 2015**
  - ❖ Approximate leverage of 3.3x from the sale of senior bonds
  - ❖ Senior bond interest rate of 3.875%
  
- ❖ **July Acquisitions**
  - ❖ RPL
    - ❖ UPB: \$46.8 MM
    - ❖ Collateral Value: \$60.5 MM
    - ❖ Price/UPB: 77.0%
    - ❖ Price/Collateral Value: 59.6%
  
- ❖ **August Acquisitions\***
  - ❖ RPL
    - ❖ UPB: \$38.5 MM
    - ❖ Collateral Value: \$37.5 MM
    - ❖ Price/UPB: 67.5%
    - ❖ Price/Collateral Value: 69.3%

\* While these acquisitions are expected to close by August 31, 2015, there can be no assurance that these acquisition agreements will close or that the terms thereof may not change.

# Income Statement - Second Quarter 2015



**GREAT AJAX CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In thousands except share and per share amounts)  
(unaudited)

	<u>Three months ended</u> <u>June 30, 2015</u>	<u>Six months ended</u> <u>June 30, 2015</u>
<b><u>INCOME:</u></b>		
Loan interest income	\$ 10,793	\$ 17,677
Interest expense	(2,269)	(3,344)
Net interest income	<u>8,524</u>	<u>14,333</u>
Other income	232	446
Total income	<u>8,756</u>	<u>14,779</u>
<b><u>EXPENSE:</u></b>		
Related party expense - management fee	856	1,602
Related party expense - loan servicing fees	851	1,507
Loan transaction expense	729	989
Professional fees	356	741
Other expense	289	450
Total expense	<u>3,081</u>	<u>5,289</u>
Income before provision for income tax	5,675	9,490
Provision for income tax	16	16
Consolidated net income	<u>5,659</u>	<u>9,474</u>
Less: consolidated net income attributable to noncontrolling interests	<u>223</u>	<u>398</u>
Consolidated net income attributable to common stockholders	<u>\$ 5,436</u>	<u>\$ 9,076</u>
Basic earnings per common share	<u>\$ 0.36</u>	<u>\$ 0.64</u>
Diluted earnings per common share	<u>\$ 0.36</u>	<u>\$ 0.64</u>
Weighted average shares - basic	<u>15,237,739</u>	<u>14,129,162</u>
Weighted average shares - diluted	<u>15,909,634</u>	<u>14,801,319</u>

# Balance Sheet as of June 30, 2015



**GREAT AJAX CORP. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands except share and per share amounts)  
(unaudited)

<u>ASSETS</u>	<u>30-Jun-15</u>	<u>31-Dec-14</u>
Cash and cash equivalents	\$36,240	\$53,099
Mortgage loans, net <sup>(1)</sup>	444,408	211,159
Property held-for-sale	9,018	1,316
Rental property, net	121	290
Receivable from servicer	3,538	1,340
Investment in affiliate	2,445	2,237
Prepaid expenses and other assets	6,068	3,317
Total Assets	<u>\$501,838</u>	<u>\$272,758</u>
<u>LIABILITIES AND EQUITY</u>		
<i>Liabilities:</i>		
Secured borrowings <sup>(1)</sup>	\$116,349	\$84,679
Borrowings under repurchase agreement	153,804	15,249
Management fee payable	441	258
Accrued expenses and other liabilities	2,794	1,292
Total liabilities	<u>273,388</u>	<u>101,478</u>
<i>Equity:</i>		
Preferred stock \$.01 par value; 25,000,000 shares authorized, none issued or outstanding	-	-
Common stock \$.01 par value; 125,000,000 shares authorized, 15,253,998 shares issued and outstanding, and 11,223,984 shares issued and outstanding respectively	152	112
Additional paid-in capital	211,361	158,951
Retained earnings	7,279	2,744
Equity attributable to common stockholders	<u>218,792</u>	<u>161,807</u>
Noncontrolling interests	9,658	9,473
Total equity <sup>(2)</sup>	<u>228,450</u>	<u>171,280</u>
Total Liabilities and Equity	<u>\$501,838</u>	<u>\$272,758</u>

Mortgage loans includes \$179,808 and \$127,559 of loans transferred to securitization trusts that are variable interest entities ("VIEs") that can only be used to settle obligations of the VIEs. Secured borrowings consist of notes issued by VIEs that can only be settled with the assets and cash flows of the VIEs. The creditors do not have recourse to the primary beneficiary (Great Ajax Corp.).

Net book value per diluted share was \$14.36 and \$14.43 at June 30, 2015 and December 31, 2014 respectively.