

Colony Credit Real Estate, Inc. Announces First Quarter 2019 Financial Results

LOS ANGELES, May 8, 2019 – Colony Credit Real Estate, Inc. (NYSE: CLNC) (“Colony Credit Real Estate” or the “Company”) today announced its financial results for the first quarter ended March 31, 2019.

Kevin P. Traenkle, President and Chief Executive Officer of Colony Credit Real Estate commented, “2019 is off to a good start for Colony Credit Real Estate. Our operating performance is on budget and we have successfully executed the first of our planned strategic transactions -- the disposal of approximately 89% of our interests in real estate private equity funds. The aggregate sales price of approximately \$142 million is in line with the Company’s carrying value on such interests. Furthermore, the Company has already received \$63 million in proceeds, with the substantial portion of the remaining \$79 million of proceeds anticipated in the second quarter of 2019.”

Mr. Traenkle added, “As these private equity interests did not meaningfully contribute to the Company’s 2018 core earnings, we expect the reinvestment of these proceeds into targeted assets to be highly accretive.”

First Quarter 2019 Significant Developments and Subsequent Events

- First quarter 2019 GAAP net income attributable to common stockholders of \$14.9 million, or \$0.11 per common share, and core earnings of \$11.8 million, or \$0.09 per diluted share. Excluding: (i) \$35.5 million of realized losses related to completed foreclosure proceedings under a mezzanine loan; and (ii) \$2.0 million of realized losses and transactions costs associated with the sale of real estate private equity interests: core earnings of \$49.3 million, or \$0.38 per diluted share. The Company already recorded a \$35.5 million loan loss provision in the fourth quarter 2018 in connection with this anticipated foreclosure
- GAAP book value of \$2.7 billion, or \$20.86 per diluted share, as of March 31, 2019
- Undepreciated book value of \$2.9 billion, or \$21.68 per diluted share, as of March 31, 2019
- Declared and paid a monthly cash dividend of \$0.145 per share of Class A common stock for January, February, and March 2019. The dividend represents an annualized dividend of \$1.74 per share of common stock, equating to an 11.0% annualized dividend yield based on the \$15.85 closing price on May 6, 2019
- Subsequent to quarter end, the Company’s Board of Directors declared a monthly cash dividend of \$0.145 per share of common stock for April and May 2019
- During the first quarter, consummated or executed binding purchase and sale agreements for the sale of 89% of the Company’s \$161 million interests in real estate private equity funds for a sales price of approximately \$142 million. Since December 2018, the Company has received approximately \$63 million in cash proceeds, with the substantial portion of the remaining \$79 million in proceeds anticipated in the second quarter of 2019
- During the first quarter, allocated and initially funded \$278 million and \$225 million of capital, respectively, across eight investments
- During the first quarter, completed a \$35 million upsize under the accordion feature of the corporate revolving credit facility, increasing total commitments from \$525 million to \$560 million
- Subsequent to quarter end, amended two master repurchase facilities to allow for European investments concurrent with \$200 million aggregate upsize; total master repurchase capacity now at approximately \$2.3 billion, with approximately \$1.2 billion of current excess capacity
- Subsequent to quarter end, allocated and initially funded an additional \$206 million and \$184 million of capital, respectively, across three investments
- As of May 6, 2019, total corporate liquidity of approximately \$346 million through cash-on-hand and availability under the corporate revolving credit facility

Common Stock and Operating Partnership Units

On February 1, 2019, all Class B-3 common stock converted to Class A common stock (the “common stock”). As of May 6, 2019, the Company had approximately 128.5 million shares of common stock outstanding and the Company’s operating partnership had approximately 3.1 million operating partnership units (“OP units”) outstanding held by members other than the Company or its subsidiaries.

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Dividend Announcement

The Company's Board of Directors declared a monthly cash dividend of \$0.145 per share of common stock (the "common stock") (i) for the monthly period ended January 31, 2019, which was paid on February 11, 2019, to stockholders of record on January 31, 2019, (ii) for the monthly period ended February 28, 2019, which was paid on March 11, 2019, to stockholders of record on February 28, 2019, and (iii) for the monthly period ended March 31, 2019, which was paid on April 10, 2019, to stockholders of record on March 31, 2019.

Subsequent to the end of the first quarter, the Company's Board of Directors declared a monthly cash dividend of \$0.145 per share of common stock (i) for the monthly period ended April 30, 2019, which will be paid on May 10, 2019, to stockholders of record on April 30, 2019 and (ii) for the monthly period ending May 31, 2019, which will be paid on June 10, 2019, to stockholders of record on May 31, 2019.

Non-GAAP Financial Measures and Definitions

Core Earnings

We present Core Earnings, which is a non-GAAP supplemental financial measure of our performance. We believe that Core Earnings provides meaningful information to consider in addition to our net income and cash flow from operating activities determined in accordance with accounting principles generally accepted in the United States ("U.S. GAAP" or "GAAP"). This supplemental financial measure helps us to evaluate our performance excluding the effects of certain transactions and U.S. GAAP adjustments that we believe are not necessarily indicative of our current portfolio and operations. We also use Core Earnings to determine the incentive fees we pay to our Manager. For information on the fees we pay our Manager, see Note 11, "Related Party Arrangements" to our consolidated financial statements included in Form 10-Q to be filed with the U.S. Securities and Exchange Commission ("SEC"). In addition, we believe that our investors also use Core Earnings or a comparable supplemental performance measure to evaluate and compare the performance of us and our peers, and as such, we believe that the disclosure of Core Earnings is useful to our investors.

We define Core Earnings as U.S. GAAP net income (loss) attributable to our common stockholders (or, without duplication, the owners of the common equity of our direct subsidiaries, such as our OP) and excluding (i) non-cash equity compensation expense, (ii) the expenses incurred in connection with our formation, (iii) the incentive fee, (iv) acquisition costs from successful acquisitions, (v) depreciation and amortization, (vi) any unrealized gains or losses or other similar non-cash items that are included in net income for the current quarter, regardless of whether such items are included in other comprehensive income or loss, or in net income, (vii) one-time events pursuant to changes in U.S. GAAP and (viii) certain material non-cash income or expense items that in the judgment of management should not be included in Core Earnings. For clauses (vii) and (viii), such exclusions shall only be applied after discussions between our Manager and our independent directors and after approval by a majority of our independent directors. Core Earnings reflects adjustments to U.S. GAAP net income to exclude impairment of real estate and provision for loan losses. Such impairment and losses may ultimately be realized, in part or full, upon a sale or monetization of the related investments and such realized losses would be reflected in Core Earnings.

Core Earnings does not represent net income or cash generated from operating activities and should not be considered as an alternative to U.S. GAAP net income or an indication of our cash flows from operating activities determined in accordance with U.S. GAAP, a measure of our liquidity, or an indication of funds available to fund our cash needs, including our ability to make cash distributions. In addition, our methodology for calculating Core Earnings may differ from methodologies employed by other companies to calculate the same or similar non-GAAP supplemental financial measures, and accordingly, our reported Core Earnings may not be comparable to the Core Earnings reported by other companies.

The Company calculates Core Earnings per share, a non-GAAP financial measure, based on a weighted average number of common shares and operating partnership units (held by members other than the Company or its subsidiaries).

First Quarter 2019 Conference Call

The Company will conduct a conference call to discuss the financial results on May 8, 2019 at 2:00 p.m. PT / 5:00 p.m. ET. To participate in the event by telephone, please dial (877) 407-0784 ten minutes prior to the start time (to allow time for registration). International callers should dial (201) 689-8560 and use passcode 13689689. The call will also be broadcast live over the Internet

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and can be accessed on the Shareholders section of the Company's website at www.clncredit.com. A webcast of the call will be available for 90 days on the Company's website.

For those unable to participate during the live call, a replay will be available starting May 8, 2019, at 5:00 p.m. PT / 8:00 p.m. ET, through May 15, 2019, at 8:59 p.m. PT / 11:59 p.m. ET. To access the replay, dial (844) 512-2921 (U.S.), and use passcode 13689689. International callers should dial (412) 317-6671 and enter the same conference ID number.

Supplemental Financial Report

A First Quarter 2019 Supplemental Financial Report will be available on the Company's website at www.clncredit.com. This information will be furnished to the SEC in a Current Report on Form 8-K.

About Colony Credit Real Estate, Inc.

Colony Credit Real Estate (NYSE: CLNC) is one of the largest publicly traded commercial real estate (CRE) credit REITs, focused on originating, acquiring, financing and managing a diversified portfolio consisting primarily of CRE senior mortgage loans, mezzanine loans, preferred equity, debt securities and net leased properties predominantly in the United States. Colony Credit Real Estate is externally managed by a subsidiary of leading global real estate and investment management firm, Colony Capital, Inc. Colony Credit Real Estate is organized as a Maryland corporation that intends to elect to be taxed as a REIT for U.S. federal income tax purposes for its taxable year ending December 31, 2019. For additional information regarding the Company and its management and business, please refer to www.clncredit.com.

Cautionary Statement Regarding Forward-Looking Statements

This press release may contain forward-looking statements within the meaning of the federal securities laws. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," or "potential" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and contingencies, many of which are beyond our control, and may cause actual results to differ significantly from those expressed in any forward-looking statement. Among others, the following uncertainties and other factors could cause actual results to differ from those set forth in the forward-looking statements: operating costs and business disruption may be greater than expected; the Company's operating results may differ materially from the information presented in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018; the fair value of the Company's investments may be subject to uncertainties; the Company's use of leverage could hinder its ability to make distributions and may significantly impact its liquidity position; given the Company's dependence on its external manager, an affiliate of Colony Capital, Inc., any adverse changes in the financial health or otherwise of its manager or Colony Capital, Inc. could hinder the Company's operating performance and return on stockholder's investment; the ability to realize substantial efficiencies as well as anticipated strategic and financial benefits, including, but not limited to expected returns on equity and/or yields on investments; the Company's liquidity, including its ability to continue to generate liquidity by more accelerated sales of certain lower yielding and non-core assets; the timing of and ability to deploy available capital; the Company's ability to maintain or grow the dividend at all in the future; the timing of and ability to complete repurchases of the Company's stock; the ability of the Company to refinance certain mortgage debt on similar terms to those currently existing or at all; and the impact of legislative, regulatory and competitive changes. The foregoing list of factors is not exhaustive. Additional information about these and other factors can be found in Part I, Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, as well as in Colony Credit Real Estate's other filings with the Securities and Exchange Commission.

We caution investors not to unduly rely on any forward-looking statements. The forward-looking statements speak only as of the date of this press release. Colony Credit Real Estate is under no duty to update any of these forward-looking statements after the date of this press release, nor to conform prior statements to actual results or revised expectations, and Colony Credit Real Estate does not intend to do so.

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Investor Relations

Colony Credit Real Estate, Inc.
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Colony Credit Real Estate was formed on January 31, 2018, through the combination of a select commercial real estate debt and credit real estate portfolio of Colony Capital, Inc. ("Colony Capital Investment Entities") with substantially all of the assets and liabilities of NorthStar Real Estate Income Trust, Inc. and all of the assets and liabilities of NorthStar Real Estate Income II, Inc. As a result, the statements of operations for the three month period ending March 31, 2018, represents only the results of operations for the Colony Capital Investment Entities, the Company's accounting predecessor, on a stand-alone basis from January 1, 2018 through January 31, 2018, and the results of Colony Credit Real Estate following January 31, 2018. As a result, comparisons of the Company's period to period accompanying consolidated financial information may not be meaningful.

COLONY CREDIT REAL ESTATE, INC. CONSOLIDATED BALANCE SHEETS (In thousands, except share and per share data)

	March 31, 2019 (Unaudited)	December 31, 2018
Assets		
Cash and cash equivalents	\$ 89,916	\$ 77,317
Restricted cash	107,441	110,146
Loans and preferred equity held for investment, net	1,998,493	2,020,497
Real estate securities, available for sale, at fair value	239,559	228,185
Real estate, net	2,049,009	1,959,690
Investments in unconsolidated ventures (\$101,923 and \$160,851 at fair value, respectively)	795,341	903,037
Receivables, net	55,948	48,806
Deferred leasing costs and intangible assets, net	150,868	134,068
Other assets	75,765	62,006
Mortgage loans held in securitization trusts, at fair value	3,142,448	3,116,978
Total assets	\$ 8,704,788	\$ 8,660,730
Liabilities		
Securitization bonds payable, net	\$ 53,663	\$ 81,372
Mortgage and other notes payable, net	1,193,918	1,173,019
Credit facilities	1,385,273	1,365,918
Due to related party	15,347	15,019
Accrued and other liabilities	125,169	106,187
Intangible liabilities, net	33,422	15,096
Escrow deposits payable	63,672	65,995
Dividends payable	19,083	18,986
Mortgage obligations issued by securitization trusts, at fair value	2,998,329	2,973,936
Total liabilities	5,887,876	5,815,528
Commitments and contingencies		
Equity		
Stockholders' equity		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, no shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively	-	-
Common stock, \$0.01 par value per share		
Class A, 950,000,000 and 905,000,000 shares authorized, 128,513,280 and 83,410,376 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively	1,285	834
Class B-3, no shares authorized, issued and outstanding as of March 31, 2019 and 45,000,000 shares authorized and 44,399,444 shares issued and outstanding as of December 31, 2018	-	444
Additional paid-in capital	2,899,669	2,899,353
Accumulated deficit	(234,145)	(193,327)
Accumulated other comprehensive income (loss)	13,120	(399)
Total stockholders' equity	2,679,929	2,706,905
Noncontrolling interests in investment entities	72,015	72,683
Noncontrolling interests in the Operating Partnership	64,968	65,614
Total equity	2,816,912	2,845,202
Total liabilities and equity	\$ 8,704,788	\$ 8,660,730

COLONY CREDIT REAL ESTATE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Net interest income		
Interest income	\$ 38,409	\$ 36,139
Interest expense	(19,292)	(7,415)
Interest income on mortgage loans held in securitization trusts	38,476	25,865
Interest expense on mortgage obligations issued by securitization trusts	(35,635)	(24,278)
Net interest income	21,958	30,311
Property and other income		
Property operating income	63,134	28,545
Other income	177	517
Total property and other income	63,311	29,062
Expenses		
Management fee expense	11,358	8,000
Property operating expense	28,180	11,719
Transaction, investment and servicing expense	529	30,941
Interest expense on real estate	13,607	6,393
Depreciation and amortization	27,662	18,792
Administrative expense (including \$1,843 and \$285 of equity-based compensation expense, respectively)	6,653	3,228
Total expenses	87,989	79,073
Other income (loss)		
Unrealized gain on mortgage loans and obligations held in securitization trusts, net	1,029	497
Realized gain on mortgage loans and obligations held in securitization trusts, net	48	-
Other gain (loss), net	(5,079)	465
Loss before equity in earnings of unconsolidated ventures and income taxes	(6,722)	(18,738)
Equity in earnings of unconsolidated ventures	21,310	15,788
Income tax benefit	369	549
Net income (loss)	14,957	(2,401)
Net (income) loss attributable to noncontrolling interests:		
Investment entities	298	(2,370)
Operating Partnership	(347)	57
Net income (loss) attributable to Colony Credit Real Estate, Inc. common stockholders	\$ 14,908	\$ (4,714)
Net income (loss) per common share – basic and diluted	\$ 0.11	\$ (0.05)
Weighted average shares of common stock outstanding – basic and diluted	127,943	98,662

COLONY CREDIT REAL ESTATE, INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION
(In thousands, except per share data)
(Unaudited)

GAAP Net Income to Core Earnings

	Three Months Ended	
	March 31, 2019	
Net income attributable to Colony Credit Real Estate, Inc. common stockholders	\$	14,908
<i>Adjustments:</i>		
Net income attributable to noncontrolling interest of the Operating Partnership		347
Non-cash equity compensation expense		1,843
Transaction costs		196
Depreciation and amortization		28,017
Net unrealized loss on investments		3,180
Provision for loan losses previously adjusted for Core Earnings on loans foreclosed		(35,509)
Adjustments related to noncontrolling interests in investment entities		(1,178)
Core earnings attributable to Colony Credit Real Estate, Inc. common stockholders and noncontrolling interest of the Operating Partnership ⁽¹⁾	\$	11,804
Core earnings per share ⁽²⁾	\$	0.09
Weighted average number of common shares and OP units ⁽²⁾		131,018

(1) Core earnings reflects adjustments to U.S. GAAP net income to exclude impairment of real estate and provision for loan losses. Upon realization of the related investments, such impairment and losses, to the extent realized, would be reflected in core earnings

(2) The Company calculates core earnings per share, a non-GAAP financial measure, based on a weighted average number of common shares and OP units (held by members other than the Company or its subsidiaries). For the first quarter 2019, the weighted average number of common shares and OP units was approximately 131.0 million

GAAP Book Value to Undepreciated Book Value

	As of March 31, 2019	
	Amount	Per Diluted Share⁽²⁾
GAAP book value (excluding noncontrolling interests in investment entities)	\$ 2,744,897	\$ 20.86
Accumulated depreciation and amortization ⁽¹⁾	108,208	0.82
Undepreciated book value	\$ 2,853,105	\$ 21.68
Total common shares and OP units outstanding ⁽²⁾		131,589

(1) Represents net accumulated depreciation and amortization on real estate investments, including related intangible assets and liabilities

(2) The Company calculates GAAP book value (excluding noncontrolling interests in investment entities) per share and undepreciated book value per share, a non-GAAP financial measure, based on the total number of common shares and OP units (held by members other than the Company or its subsidiaries) outstanding at the end of the reporting period. As of March 31, 2019, the total number of common shares and OP units outstanding was approximately 131.6 million