

Ladder Capital Corp. Class A (LADR)

Value Fit 6 / 10

University of Wisconsin–Milwaukee | Lubar College of Business | Investment Management Certificate Program

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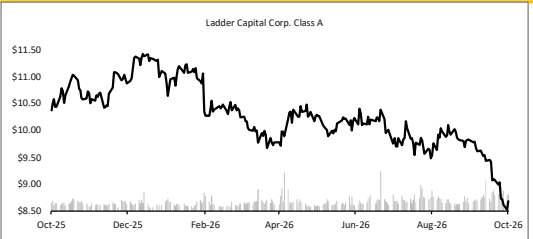
Recommendation: Buy

Philosophy Fit 4 / 5

As of: 10/07/2026

WISCONSIN VALUE FUND LENS — Maximize return by buying improving companies at reasonable valuations.

Performance level — ROIC (FY2026E) vs. ke	5.8% vs 8.1% → Below ke
Change in performance — ΔROIC	+1.2 pts, FY2026E vs FY2025A → Improving
Lifecycle phase	Phase III — highest expectations
Valuation gap — target vs. price	+38.2% → Price below our value



BUSINESS DESCRIPTION

Ladder Capital Corp. is a holding company, which engages in the provision of commercial real estate finance services. It operates through the following segments: Loans, Securities, Real Estate, and Corporate and Other. The Loans segment includes mortgage loan receivables held for investment, and mortgage loan receivables held for sale. The Securities segment consists of all the company's activities related to securities, as well as investments in commercial mortgage-backed securities, United States agency securities, corporate bonds, and equity securities. The Real Estate segment is involved in the net leased properties, office buildings, student housing portfolios, hotels, industrial buildings, shopping centers, and condominium units. The Corporate and Other segment includes cash and cash equivalents, senior unsecured notes, compensation and employee benefits, operating expenses, and unallocated items including any inter-segment eliminations necessary to reconcile to consolidated company totals. The company was founded by Pamela McCormack, Robert Perelman, and Brian Harris in October 2008 and is headquartered in New York, NY.

INVESTMENT THESIS

Ladder is an internally managed, investment-grade commercial real estate lender with resilient credit (CECL reserve of 1.7% of loans) and adjusted leverage of 2.3x, at the low end of its 2x to 3x range. With the forecast tied to consensus distributable EPS, our equal-weighted FCFE value is \$11.82, 36% above the \$8.68 price, before a 10.6% dividend yield. Redeploying loan repayments and an S&P investment-grade upgrade are the catalysts. BUY.

MARKET SNAPSHOT

Current Price	\$8.68	Market Cap (\$B)	\$1.1	Beta	0.78
52-Week Range	\$8.52 – \$11.42	Inst. Ownership	41.2%	Insider Own.	8.2%
Shares Out. (mm)	125.5	Short Interest (% float)	5.4%	Dividend Yield	10.6%
Consensus L-T Growth	12.9%	Payout Ratio	221.6%	Cost of Equity	8.1%
Price Target	\$12.00	Upside to Target	38.2%	Value Range	\$8 – \$16

VALUATION SUMMARY — equity DCF, FCFE discounted at ke

Method	Value / Share	Upside	Terminal Assumption
Equity DCF – terminal P/E	\$15.77	81.6%	15.6x P/E
Equity DCF – terminal P/S	\$7.66	(11.8%)	1.4x P/S
Equity DCF – terminal P/B	\$9.28	7.0%	0.6x P/B
Equity DCF – constant growth	\$14.56	67.8%	2.0% g, 8.1% ke
Average of methods	\$11.82	36.1%	Equal-weighted
Analyst price target	\$12.00	38.2%	Blue = analyst override

PHILOSOPHY FIT — Five pillars · Score: 4 / 5

		Fit?
1. Fundamental improvement & valuation discipline	ΔROIC +1.2 pts; price is 0.73x our average value	Yes
2. Investing through company cycles	Phase III; EBIT margin 62.0% → 80.5%	Yes
3. Initial position sizing & risk limits	Starter weight at entry; add only below model value	Yes
4. Capital allocation discipline	Net debt/invested capital 69.1%; net debt/EBIT 14.3x	No
5. Identifiable catalysts & conservative underwriting	Catalysts: S&P upgrade, loan growth; EPS tied to consensus	Yes

VALUE CRITERIA — 10-Point Checklist · Score: 6 / 10

1. Catalyst / Investment Drivers							Yes
Driver 1 — Investment-grade funding costs	Fitch (BBB-) and Moody's (Baa3) rated Ladder investment grade in May 2025, and S&P upgraded it to BB+ in January 2026, moving the outlook to positive in July 2026. A third investment-grade rating would widen access to unsecured debt and should lower funding costs over time. Monitor: S&P rating action and new unsecured issue spreads.						
Driver 2 — Loan growth and redeployment	CRE loans held for investment rose 7% to \$2.8B in Q2'26 on \$550M of originations (\$486M funded) against \$291M of repayments, for net funded activity of \$195M. Adjusted leverage of 2.3x sits at the low end of the 2x to 3x historical range, leaving room to grow the book. Monitor: net funded loan activity and adjusted leverage.						
Driver 3 — Credit quality and dividend coverage	The CECL reserve held at \$47M (1.7% of loans) and the Q2'26 provision was only \$122K, although non-accruals rose to \$64M (2.3% of loans, 2 loans) from \$51M. Distributable EPS of \$0.24 covered the \$0.23 quarterly dividend, unchanged since Q3'22. Monitor: non-accruals and distributable EPS coverage of the dividend.						
What does management say?	Management expects to resolve the new Minneapolis office non-accrual (\$13.4M carrying value) by Q4'26, and it foreclosed on a Birmingham, AL office property (\$8M) in the quarter. Per BofA's 28 July 2026 note, elevated repayments held back loan growth, but net capital deployment should improve from here.						
2. Low P/E Ratio							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
EPS (model)	\$0.81	\$0.86	\$0.51	\$1.01	\$1.08	\$1.10	
P/E at current price	10.7x	10.1x	17.0x	8.6x	8.0x	7.9x	
Peer median P/E (FactSet, subject excl.)	21.7x	FY2026E P/E vs. peer median		(61%)			
3. Low Price / Cash Flow							No
FCFE / share	\$3.90	\$3.49	-\$9.22	\$0.78	\$0.85	\$0.87	
Price / FCFE	2.2x	2.5x	NM	11.1x	10.2x	10.0x	
Peer median P/CF (FactSet, subject excl.)	5.9x	Price / FCFE (today) vs. peer median		n/a			
4. Low Price / Book Value							No
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Book value / share	\$12.30	\$12.22	\$11.83	\$11.86	\$11.91	\$11.95	
Price / Book	0.7x	0.7x	0.7x	0.7x	0.7x	0.7x	
ROE (EOY book)	6.6%	7.1%	4.3%	8.5%	9.1%	9.2%	
Peer median P/B (FactSet, subject excl.)	0.6x	Price / book (today) vs. peer median		+29%			

5. Soundness							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Total debt (\$mm)	3,806	3,153	3,525	3,625	3,727	3,833	
Net debt (\$mm)	2,790	1,830	3,487	3,584	3,684	3,786	
Total debt / equity (gross)	248.3%	205.4%	237.5%	239.2%	240.9%	242.6%	
Total debt / assets (gross)	69.0%	65.1%	68.4%	68.6%	68.7%	68.8%	
Net debt / invested capital	51.5%	38.6%	69.1%	69.2%	69.3%	69.4%	
Net debt / EBIT	7.7x	5.3x	14.3x	11.4x	11.1x	11.1x	
Tax rate	5.2%	Book equity (\$mm)		1,484 IG-rated, 2.3x adjusted leverage			
6. Positive Earnings Dynamics							No
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Sales growth	(3.4%)	(2.6%)	(23.3%)	2.6%	2.6%	2.6%	
EBIT margin	69.2%	67.7%	62.0%	78.0%	80.1%	80.5%	
EPS growth	(29.1%)	6.3%	(40.7%)	97.8%	6.9%	1.8%	
7. Business Strategy & Segment Mix							Yes
Strategy	Diversified CRE finance platform that moves capital among senior first-mortgage loans, AAA-rated CMBS and owned real estate toward the best risk-adjusted return, funded mainly with long-term unsecured and non-recourse, non-mark-to-market debt.						
Segment / geography mix	Q2'26 portfolio plus cash of \$5.8B: CRE loans \$2.8B (49%), CRE securities \$1.9B (32%, 96% AAA-rated), CRE equity \$1.06B (18%, undepreciated) and cash \$38M (1%). Lending is nationwide, with a focus on the U.S. middle market.						
8. Capable Management & Insider Ownership							Yes
Insider ownership	8.2%	Inst. ownership		41.2%	Div. + buybacks, % of NOPAT (FY1E)		32.9%
Insider activity / governance	Internally managed; insider ownership is 8.2% per FactSet (BoFA cites over 11%), which aligns management with shareholders. Review recent Form 4 filings before any entry.						
9. Valuation — Value Creation (ROIC vs. ke)							No
ROIC (FY1E)	5.8%	Cost of equity (ke)		8.1%	EVA spread (ROIC – ke)		(2.3%)
Price target / upside	\$12.00	38.2%		Value / share range (low-high)		\$8 – \$16	
10. Uses of Capital — allocation discipline							Yes
Reinvestment 44% of NOPAT, dividends + buybacks 33% in FY2026E; dividend held at \$0.23 a quarter since Q3'22 and no large M&A. Full detail in the Uses of Capital table below.							
VALUE FIT SCORE — criteria met							6 / 10

USES OF CAPITAL — full range, as % of cash generated (NOPAT)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	Avg 2023–2028
NOPAT before reinvestment (\$mm)	349	335	231	297	313	323	
<i>Uses, as % of NOPAT</i>							
Loan & investment book growth (Δ NFA)	(232.0%)	(287.0%)	688.3%	44.2%	43.0%	42.7%	49.9%
Working capital (Δ NWC)	(9.5%)	(6.5%)	1.9%	(0.6%)	(0.6%)	(0.6%)	(2.7%)
Dividends	33.4%	35.1%	50.9%	39.5%	40.7%	40.9%	40.1%
Share buybacks	(4.3%)	(3.4%)	(0.9%)	(6.5%)	(6.1%)	(6.1%)	(4.6%)
Debt repaid (neg. = borrowing)	130.6%	194.5%	(161.0%)	(33.7%)	(32.8%)	(32.6%)	10.9%
Cash & securities build	116.6%	91.7%	(557.5%)	1.0%	1.0%	0.9%	(57.7%)
Interest & other (residual)	65.3%	75.5%	78.3%	56.2%	54.8%	54.7%	64.1%
Total uses of capital	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Discipline — reinvestment, % of NOPAT	(241.5%)	(293.5%)	690.2%	43.5%	42.4%	42.1%	47.2%
Dividends + buybacks, % of NOPAT	29.1%	31.7%	50.0%	32.9%	34.6%	34.8%	35.5%

COMPS OVERVIEW (current multiples, FactSet)						
Ticker	Company	P/E	P/S	P/B	P/CF	EV/EBIT
STWD	Starwood Property Trust, Inc.	21.7x	2.3x	0.7x	6.5x	19.6x
BXMT	Blackstone Mortgage Trust, Inc. Class A	130.4x	1.3x	0.6x	5.4x	15.8x
KREF	KKR Real Estate Finance Trust, Inc.		0.9x	0.6x	6.2x	14.2x
TRTX	TPG RE Finance Trust, Inc.	11.0x	1.4x	0.4x	5.1x	15.1x
BRSP	BrightSpire Capital Inc		1.4x	0.6x	5.6x	19.3x
ACRE	Ares Commercial Real Estate Corporation		1.8x	0.4x	13.7x	28.3x
Median	Peer median (subject excluded)	21.7x	1.4x	0.6x	5.9x	17.6x
LADR	Subject, at current price	17.0x	2.8x	0.7x	NM	18.8x
Premium / (discount) to peer median		(22%)	+97%	+29%	n/a	+7%

KEY RISKS

1. Credit: non-accruals rose to \$64M (2.3% of loans) from \$51M, and both new problem assets in Q2'26 were office properties. Further office losses would erode book value. Watch non-accruals and the CECL reserve.
2. Funding and rates: Ladder relies on unsecured debt and securities funding. Wider credit spreads or a stalled S&P upgrade would raise funding costs and squeeze margins. Watch new-issue spreads.
3. Dividend coverage: the GAAP payout ratio is 222%. If distributable EPS falls below the \$0.23 quarterly dividend, a cut becomes likely.
4. Model risk: the \$12 target assumes Ladder delivers consensus distributable EPS. GAAP earnings run well below that, so a miss would cut the value sharply.

Exit discipline: sell if the price reaches our \$12 target, if consensus EPS falls below the \$0.92 annual dividend, or if non-accruals rise above 3% of loans.

Sources: model outputs linked to Auto-FinandValInfo and AutoTearSheet-5Page (FactSet). Information for educational purposes only. Not a recommendation to buy or sell any security.