

**Chicago Atlantic BDC Inc (Q4 2024)**  
**March 31, 2025**

**Corporate Speakers:**

- Tripp Sullivan; Chicago Atlantic BDC, Inc; Head, Investor Relations
- Peter Sack; Chicago Atlantic BDC, Inc; Chief Executive Officer
- Martin Rodgers; Chicago Atlantic BDC, Inc; Chief Financial Officer
- Dino Colonna; Chicago Atlantic BDC, Inc; President

**Participants:**

- Pablo Zuanic; Zuanic Associates; Analyst

**PRESENTATION**

Operator^ Good morning. And welcome to the Chicago Atlantic BDC fourth quarter 2024 Conference Call. (Operator Instructions) Please note this event is being recorded.

I would now like to turn the Conference over to Tripp Sullivan of Investor Relations. Please go ahead.

Tripp Sullivan^ Thank you. Good morning. Welcome to the Chicago Atlantic BDC Conference Call to review the Company's results. On the call today will be Peter Sack, Chief Executive Officer, Martin Rodgers, Chief Financial Officer, and Dino Colonna, President. Our results were released this morning in our Earnings Press Release, which can be found on the Investor Relations Section of our website, along with our Supplemental Earnings Presentation filed with the SEC. A live audio webcast of this call is being made available today. For those who listen to the replay of this webcast, we remind you that the remarks made herein are as of today and will not be updated subsequent to this call.

Before we begin, I would like to remind everyone that certain statements that are not based on historical facts made during this call, including any statements related to financial guidance, may be deemed forward-looking statements under Federal Securities laws, because these forward-looking statements involve known and unknown risks and uncertainties that are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. We encourage you to reference -- we encourage you to refer to our most recent SEC filings for information on some of these risk factors. Chicago Atlantic BDC assumes no obligation or responsibility to update any forward-looking statements.

Please note that the information reported on this call speaks only as of today, March, 31st 2025, therefore you are advised that time-sensitive information may no longer be accurate at the time of any replay or transcript reading.

I'll now turn the call over to Peter Sack. Please go ahead.

Peter Sack^ Thanks, Tripp. Good morning, everyone. We are pleased to announce the company's first full quarter of operations as Chicago Atlantic BDC, Inc. When we launched in October, we pledged to create a scaled, diversified portfolio of Senior Secured Investments, generating highly attractive yields and leveraging Chicago Atlantic's industry leading expertise in Cannabis and other underserved lending markets. We have delivered to and continue to execute to that plan and we are quite proud of our achievements to date.

I want to take a moment to call out several of these achievements. First we declared two dividends of \$0.34 per share, a 36% increase from the \$0.25 per share dividend for the quarter ended September 30th, 2024. We closed on a \$100 million Senior Secured Credit Facility with an attractive rate of 300 basis points over SOFR. We also deployed a total of \$45.5 million in gross fundings by principal value from October 1st, 2024, to March 31st, 2025.

Since establishing the Chicago Atlantic Platform in 2019, we have maintained a disciplined underwriting process that reflects the core tenets of successful direct lending and that same thesis is deployed in Chicago Atlantic BDC, Inc. We focus on strong operators, strong markets, diversity of cash flow, low leverage, high amortization, and robust collateral coverage to manage downside risk and to ensure protection of principal.

We are a differentiated BDC as the only BDC focused on and able to lend to Cannabis companies. We also have three sub strategies where we work collaboratively with borrowers and other industries, generally nonsponsored transactions, where the more traditional BDC lenders don't provide capital, leading to idiosyncratic opportunities that aren't available in other BDC's or private funds.

When we compare Chicago Atlantic BDC to other BDCs, our key financial metrics are differentiated as well. Our weighted average yield on debt investments as of December 31 was 16.5% compared with the BDC average of 12.1%, according to recent BDC research from Ladenburg Thalmann. We have almost no exposure to second-lien subordinated debt or equity compared to the BDC average of 19%. We had no leverage at year end and no nonaccruals which compares favorably to the BDC average of 1.1x, and 3.9%, respectively.

This vehicle provides an attractive yield to shareholders on an unlevered basis. Once we begin deploying the capital from the credit facility and that deployment flows to earnings and distributions, we expect we'll have an even further differentiated risk-reward profile compared to other BDCs.

A lack of meaningful federal cannabis reforms has created challenges within our industry of focus, but we continue to underwrite assuming that the federal regulatory environment remains unchanged, and that operators will continue to need debt capital to grow. This philosophy and our strong liquidity have enabled us to grow the portfolio in 2024 and build a pipeline of nearly \$644 million comprised of many of the leading operators and

brands. We believe our remarkable consistency and the ability to work collaboratively with our borrowers will be an important asset in 2025.

Martin, why don't you take it from here?

Martin Rodgers^ Good morning. Thanks Peter. Before I start my brief comments, I want to highlight our investor presentation that we filed this morning that serves as our earnings supplemental. Turning to our highlights for the fourth quarter. Gross investment income for this quarter was \$12.7 million compared to \$3.7 million in the fourth quarter last year. Excluding the costs specifically related to the Loan Portfolio Acquisition, expenses were \$4.3 million compared to \$1.2 million a year ago. Investment income excluding these transaction expenses was \$8.3 million or \$0.36 per share compared with \$1.7 million or \$0.28 per share a year ago.

Consistent with our expectations of a much smaller amount of transaction-related expenses this quarter, we had a total of \$300,000 related to the Loan Portfolio Acquisition. Reported net investment income was \$8 million or \$0.35 per share for the quarter. Net assets were \$301.2 million at quarter end and NAV per share was \$13.20. As of year end, there were 22.8 million common shares issued and outstanding on a basic and diluted basis.

As we look to the investment portfolio, I'd like to highlight how strong and diversified the portfolio is as of year end. We have 28 portfolio companies, 23.2% of our portfolio is invested outside of cannabis, across multiple sectors. Our average debt position size is about 3.3% of our debt portfolio, 79.5% of the portfolio is floating rate, and 99% of these loans have a rate floor which shields us from declining interest rates. The gross weighted average yield of company debt investments is approximately 16.5%. The weighted average secured net leverage of our portfolio companies is one and a half times and none of our loans is on nonaccrual status.

At the BDC level we had no debts as of year end as we continue to deploy cash from the balance sheet to fund new investments. Subsequent to year end, we closed on the new \$100 million credit facility Peter mentioned earlier. This facility gives us additional capital to deploy, which should take leverage up slightly as the year progresses. We still expect our leverage to remain well below BDC averages even as we grow the investment portfolio during 2025.

I will now turn it over to Dino to talk about our origination efforts.

Dino Colonna^ Thanks, Martin. We funded seven investments in the fourth quarter with a par value of approximately \$24.8 million comprised of five investments to existing borrowers for approximately \$18.9 million and two investments to new borrowers of about \$5.9 million. We are proud to continue to help fund the growth of our existing portfolio companies and are excited to welcome two new borrowers to the Chicago Atlantic Platform. During the quarter, we also had principal repayments and sales of investments totaling approximately \$17.1 million. Subsequent to quarter end, we

committed approximately \$32.3 million in new debt investments and funded approximately \$20.8 million of that, this included the funding of four investments to four new borrowers to the BDC, all originated directly from our origination platform.

The current pipeline across the Chicago Atlantic platform remains robust, with approximately \$644 million in potential debt transactions across 39 unique companies. Our pipeline continued to be full of highly attractive opportunities to a diverse group of companies across Cannabis and non-Cannabis. With our \$100 million credit facility in place, we are now better positioned to capture more of this pipeline and grow the portfolio over the next several quarters.

Recall that in addition to Cannabis, we are also now able to invest in other unique opportunities to provide credit to underserved pockets of the lower and middle market. We have segmented these opportunities into three sub strategies, which include growth in technology companies, esoteric and asset-based lending opportunities, and companies in need of liquidity driven debt solutions. As of year end, roughly 23% of our portfolio was comprised of non-Cannabis investments, and a roughly similar amount of non-Cannabis companies made up the active pipeline. These three substrategies greatly expand the number of companies and industries that we can work with to tailor customized lending solutions that diversifies the portfolio and enhances our ability to deliver differentiated credit alpha.

Similar to how we have approached Cannabis investing, we are focused on lending to leading companies, brands, and management teams with low-debt-to-enterprise value and ample collateral or cash flow coverage. We have the same methodical and quantitatively driven approach to underwriting. It's just part of the DNA of the Chicago Atlantic Platform regardless of industry, company, or opportunity. We also have the same approach to crafting lender-friendly loan documents with strong covenant packages that protect principle.

We are excited about the current pipeline across both Cannabis and non-Cannabis, and are working hard to execute on these opportunities in a methodical but expeditious manner. We anticipate the opportunity set in front of us to grow the portfolio will remain robust, and we are pleased to have a flexible credit facility in place with a great banking partner that gives us some dry powder to execute on.

Operator, we're now ready for questions.

## QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from Pablo Zuanic with Zuanic Associates. Please go ahead.

Pablo Zuanic^ Thank you. Good morning, everyone. Peter, maybe -- it's a two-part question, but maybe if we can remind the audience of the advantages of the BDC, both from the Chicago Atlantic point of group -- point of view, but also from the borrower

point of view, what's the advantage for a borrower of a -- borrowing money from a BDC compared to a mortgage REIT or a sale leaseback? If you can -- just in general terms.

But the second part to the question is in terms of more of the restrictions around what is the assets you're going to invest in. There's a percentage. There has to be I understand private or smaller. Just talk about that where you are. I mean there seem to be quite a bit of public companies or larger companies in the portfolio, maybe I'm wrong about that, but just remind us of what the restrictions in terms of what you can invest in and what you cannot. Thank you.

Peter Sack^ Thank you, Pablo. From a borrower perspective, the borrower -- the borrower doesn't want to know about your restrictions. The borrower doesn't want to hear about what a lender's limitations are. A borrower wants to -- a borrower wants availability of capital and a strategic partner that can -- that understands their business and can support their growth both through good times and challenging times. And so the BDC is another lever through which Chicago Atlantic can support operators across the industry and provide another toolkit, another source of funding, to allow us to provide more flexible capital solutions to our operators.

BDCs are registered by the 1940 Investment Act. BDCs have limitations on concentration. And they have limitations on the number of companies that may be invested in that are public with a market cap above \$250 million. They were established in order to support lending to small and medium-sized private companies across the U.S., and that's the purpose to which we deploy this capital today, and with particular focus on the U.S. Cannabis industry and other underserved -- other underserved lending markets.

Pablo Zuanic^ All right. That's good. Thank you. So just moving on, in terms of the pipeline, you've talked about -- I don't know how much guidance you can give but \$32 million new debt, new fundings in the -- in new debt in the first quarter, is that a -- is that a pace that we can assume can be sustained throughout the year, \$30 million each quarter? And just related to that, the appetite for leverage, I think Martin referred to taking on debt but leverage less than the average BDC, what does that mean 20%, 50%? Thank you.

Peter Sack^ We'll focus on deploying the credit facility that we announced in the first quarter. As far as pacing goes, it's difficult to forecast because deployments can be lumpy, and can accelerate quickly. So it's difficult for us to forecast quarter by quarter through the end of the year but we're focused on deploying the existing credit facility today.

Martin Rodgers^ And Pablo, just to clarify that, roughly \$30 million of commitments and roughly \$20 million of fundings post the end of the year.

Pablo Zuanic^ Right. Yes. Yes. Yes. All right. Understood. Okay. So in terms of leverage target, I mean we can just assume you make full use of the facility by year end?

Peter Sack^ That's not an unreasonable assumption.

Pablo Zuanic^ Okay. Thank you. Then just obviously you've highlighted the quality of the book. We've seen issues at other companies, right, [dividend cuts], some issues with the IPR, with their tenants. From one angle we would say, well it's a challenging industry so that's something that should be expected, but it sounds like you are in a -- you're in a in a much better situation in terms of your book. I don't know what more color you can give because from outside one could say it's not so much about execution on the lender side, it's more about just the landscape out there. But maybe that's the wrong read. Thank you.

Peter Sack^ I think that at Chicago Atlantic we've created something special. We've been operating in this space for close to 6 years. We've deployed more than \$2 billion of capital across close to 200 investments. And we've done so through various cycles of Cannabis Equity Capital markets, through challenging state-level dynamics, and we've done so with a pretty impressive track record.

We do think of it as execution but it's execution on our side. Our task is to underwrite risk that features characteristics that is our area of focus, which is low leverage, to focus on diversified cash flows, strong collateral base, with some of the best operators in the industry. And that discipline has allowed us to maintain our track record of operator success in portfolio construction over the last 6 years. And that's what we're looking to continue to perform to in the BDC.

Pablo Zuanic^ Thank you. One last one maybe for Martin. Just talk about your interest rate exposure, floors, flexible fixed rate versus flexible rates, if you can touch on that? Thank you (inaudible).

Martin Rodgers^ Yes. I appreciate the question. Pablo. I think we've mentioned that the vast majority of our loans are fixed rate or have floors usually between SOFR and Prime. Approximately 99% of our loans have a -- have a floor, so it certainly helps to decrease the downside risk of any interest rates.

Not sure if there's any more color you want to add to that -- you want me to add to that, Pablo?

Pablo Zuanic^ No. That's fine. That's -- good. All right. That's all for me. Thank you.

Peter Sack^ Thank you, Pablo. Appreciate the question.

Operator^ This concludes our question and answer session. I would like to turn the conference back over to Peter Sack, for any closing remarks.

Peter Sack^ Thank you to our Investors for the support. And we look forward to reporting Q1 in the coming weeks. Thank you.

Operator^ The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.