

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 5, 2021

**AFC GAMMA, INC.**

(Exact name of Registrant as Specified in Its Charter)

Maryland  
(State or Other Jurisdiction of Incorporation)

001-39995  
(Commission File Number)

85-1807125  
(IRS Employer Identification No.)

525 Okeechobee Blvd., Suite 1770  
West Palm Beach, FL, 33401  
(Address of principal executive offices, including zip code)

561-510-2390  
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	AFCG	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**ITEM 2.02 Results of Operations and Financial Condition.**

On August 5, 2021, AFC Gamma, Inc. (the “Company”) issued a press release regarding its financial results for the second quarter ended June 30, 2021. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information contained in this Item 2.02 of this Current Report, including Exhibit 99.1 referenced herein, is being furnished herewith, and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section and shall not be incorporated by reference into any filing with, the Securities and Exchange Commission (“SEC”) under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as shall be expressly set forth by specific reference therein.

**ITEM 7.01 Regulation FD Disclosure.**

An investor presentation containing financial results and related information of the Company for the quarter ended June 30, 2021 is furnished as Exhibit 99.2 hereto and incorporated herein by reference. The presentation is also available in the Investor Relations section of the Company’s website at [www.afcgamma.com](http://www.afcgamma.com).

The information contained in this Item 7.01 of this Current Report, including Exhibit 99.2 referenced herein, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section and shall not be incorporated by reference into any filing with, the SEC under the Securities Act, or the Exchange Act, except as shall be expressly set forth by specific reference therein.

**ITEM 9.01 Financial Statements and Exhibits.**

(d) Exhibits

<b>Exhibit No.</b>	<b>Description</b>
<a href="#">99.1</a>	Press release issued by AFC Gamma, Inc. on August 5, 2021.
<a href="#">99.2</a>	Presentation of AFC Gamma, Inc. dated August 5, 2021.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 5, 2021

**AFC GAMMA, INC.**

By: /s/ Thomas Geoffroy  
Thomas Geoffroy  
Chief Financial Officer and Treasurer

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**AFC Gamma, Inc. Announces Financial Results for Quarter Ended June 30, 2021**

*Company to host conference call at 10:00 am (Eastern Time) on Thursday, August 5, 2021*

WEST PALM BEACH, FL, August 5, 2021 – AFC Gamma Inc. (NASDAQ:AFCG) (“AFCG” or the “Company”) today announced its financial results for the fiscal quarter ended June 30, 2021.

**Second Fiscal Quarter 2021 Highlights and Recent Developments**

- Net income in Q2 2021 of \$4.6 million, or earnings of \$0.34 per basic weighted average share of common stock
- Distributable earnings in Q2 2021 of \$5.8 million, or \$0.43 per basic weighted average share of common stock
- Ending Q2 2021 net book value per common share of \$16.66
- Closed \$71.3 million of new commitments in Q2 2021 and funded \$77.8 million of new and existing commitments
- Closed \$7.6 million of new commitments and funded \$10.9 million of new and existing commitments during the third quarter as of August 1, 2021
- Paid a dividend of \$0.38 per common share for Q2 2021

Our Chief Executive Officer, Leonard Tannenbaum, stated, “AFC Gamma has a best-in-class team, strong balance sheet and increased access to capital. Entering the second half of 2021, we continue to see substantial demand for capital and we believe that we are well positioned as a first mover and a leader in the rapidly growing cannabis lending market.”

**Portfolio and Investment Activity**

- Total loan commitments of \$187.7 million (\$163.7 million funded, \$24.0 million unfunded) as of June 30, 2021 across 13 portfolio companies
- As of August 1, 2021, the portfolio consisted of \$195.3 million of loan commitments with \$175.3 million of outstanding principal across 14 portfolio companies
- Weighted average yield to maturity of the portfolio as of August 1, 2021 was approximately 21% compared to 22% at December 26, 2020, as previously disclosed
- All loans are current and performing

**Results of Operations**

Total interest income for the quarter ended June 30, 2021 was \$8.7 million. Total expenses for the quarter ended June 30, 2021 was \$3.6 million.

The Company had GAAP net income of \$4.6 million, or earnings of \$0.34 per basic weighted average common share, and distributable earnings of \$5.8 million, or \$0.43 per weighted average common share for the quarter ended June 30, 2021. During the quarter ended June 30, 2021, distributable earnings was adjusted by approximately \$1.2 million, or approximately \$0.09 per basic weighted average common share in aggregate including the change in provision for current expected credit losses and fair value adjustment of loans held at fair value. Please see “Non-GAAP Financial Metrics” below for a reconciliation of GAAP net income to Distributable Earnings.

**Dividend Payment**

In June 2021, the Company paid a regular cash dividend of \$0.38 per share of common stock, relating to the second quarter of 2021, to the stockholders of record as of June 15, 2021. The aggregate amount of the regular cash dividend payment was approximately \$5.1 million.

The Board of Directors intends to declare a quarterly dividend for the third quarter of 2021 on or about September 15, 2021, payable on October 15, 2021 to common stockholders of record on September 30, 2021. The Company anticipates that the dividend relating to the third quarter of 2021 will be equal to or greater than the dividend of \$0.38 per share of common stock that the Company paid in the second quarter of 2021.

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## Capitalization and Liquidity

- AFCG completed a follow-on public offering in June 2021 totaling 2,750,000 shares at \$20.50 per share, and approximately \$53 million in net offering proceeds, less commissions and expenses.
- In July 2021, the underwriters partially exercised their over-allotment option to purchase 269,650 additional shares at \$20.50 per share, totaling approximately \$5 million in net offering proceeds, less commissions and expenses.
- On May 7, 2021, AFCG amended its secured revolving line of credit to increase the available funding amount from \$40 million to \$50 million, reduce the interest rate to 6% from 8%, and extend the maturity date from July 31, 2021 to December 31, 2021, subject to the terms of the amendment.
- The revolving line of credit remained undrawn as of June 30, 2021 and to date has resulted in \$0 interest expense and \$0 fee expense since inception.

## Additional Information

AFCG issued a presentation of its second quarter 2021 results, which can be viewed at [www.afcgamma.com](http://www.afcgamma.com) under the Investor Resources section. The presentation is titled “Second Quarter 2021 Earnings Presentation.” The Company also filed its Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 with the Securities and Exchange Commission on August 5, 2021 (the “Q2 Quarterly Report”).

We routinely post important information for investors on our website, [www.afcgamma.com](http://www.afcgamma.com). We intend to use this webpage as a means of disclosing material information, for complying with our disclosure obligations under Regulation FD and to post and update investor presentations and similar materials on a regular basis. AFCG encourages investors, analysts, the media and others interested in AFCG to monitor the Investors section of our website, in addition to following our press releases, SEC filings, public conference calls, presentations, webcasts and other information we post from time to time on our website. To sign-up for email-notifications, please visit the “Email Alerts” section of our website under the “IR Resources” section and enter the required information to enable notifications.

## Discussion of Financial Results

AFCG will host a conference call at 10:00 am (Eastern Time) on Thursday, August 5, 2021 to discuss its quarterly financial results. All interested parties are welcome to participate. The call will be available through a live audio webcast at the Investor Relations section of the Company’s website at [www.afcgamma.com](http://www.afcgamma.com), or live by calling 1-833-693-0548 (domestic) or 1-661-407-1588 (international). All callers will need to enter the Conference ID number 6754755 and reference “AFC Gamma Q2 2021 Earnings Call” after being connected with the operator. The complete webcast will be archived for 90 days on the Company’s website. A telephone playback of the conference call will also be available from 12:00 pm Eastern Time on Thursday, August 5, 2021 until 12:00 pm Eastern Time on Friday, August 13, 2021 by calling 855-859-2056 (domestic) and 404-537-3406 (international). For all replays, please reference Conference ID number 6754755.

## About AFC Gamma, Inc.

AFC Gamma, Inc. (NASDAQ:AFCC) is an institutional lender to leading cannabis companies with strong operations and cash-flow prospects, real-estate-security and other collateral, and locations in states with favorable supply/demand fundamentals and legislative environments. AFCG provides innovative and customized financing solutions through first-lien loans, mortgage loans, construction loans and bridge financings. The senior-management team of the company has approximately 100 years of combined experience in investment management and disciplined credit investing across a range of economic cycles.

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## Non-GAAP Metrics

In addition to using certain financial metrics prepared in accordance with GAAP to evaluate our performance, we also use Distributable Earnings and Adjusted Distributable Earnings to evaluate our performance excluding the effects of certain transactions and GAAP adjustments we believe are not necessarily indicative of our current loan activity and operations. Distributable Earnings is a measure that is not prepared in accordance with GAAP. Distributable Earnings, Adjusted Distributable Earnings and the other capitalized terms not defined in this section have the meanings ascribed to such terms in the Company's Q2 Quarterly Report. We use this non-GAAP financial measure both to explain our results to stockholders and the investment community and in the internal evaluation and management of our businesses. Our management believes that this non-GAAP financial measure and the information they provide are useful to investors since these measures permit investors and stockholders to assess the overall performance of our business using the same tools that our management uses to evaluate our past performance and prospects for future performance.

The determination of Distributable Earnings and Adjusted Distributable Earnings are substantially similar to the determination of Core Earnings under our Management Agreement, provided that Core Earnings is a component of the calculation of any Incentive Fees earned under the Management Agreement for the applicable time period, and thus Core Earnings is calculated prior to Incentive Fee expense, while the calculation of Distributable Earnings and Adjusted Distributable Earnings account for any Incentive Fees earned for such time period. We define Distributable Earnings as, for a specified period, the net income (loss) computed in accordance with GAAP, excluding (i) non-cash equity compensation expense, (ii) depreciation and amortization, (iii) any unrealized gains, losses or other non-cash items recorded in net income (loss) for the period, regardless of whether such items are included in other comprehensive income or loss, or in net income (loss); provided that Distributable Earnings does not exclude, in the case of investments with a deferred interest feature (such as OID, debt instruments with PIK interest and zero coupon securities), accrued income that we have not yet received in cash, (iv) provision for current expected credit losses and (v) one-time events pursuant to changes in GAAP and certain non-cash charges, in each case after discussions between our Manager and our independent directors and after approval by a majority of such independent directors. We define Adjusted Distributable Earnings, for a specified period, as Distributable Earnings excluding certain non-recurring organizational expenses (such as one-time expenses related to our formation and start-up).

We believe providing Distributable Earnings and Adjusted Distributable Earnings on a supplemental basis to our net income as determined in accordance with GAAP is helpful to stockholders in assessing the overall performance of our business. As a REIT, we are required to distribute at least 90% of our annual REIT taxable income and to pay tax at regular corporate rates to the extent that we annually distribute less than 100% of such taxable income. Given these requirements and our belief that dividends are generally one of the principal reasons that stockholders invest in our common stock, we generally intend to attempt to pay dividends to our stockholders in an amount equal to our net taxable income, if and to the extent authorized by our Board. Distributable Earnings is one of many factors considered by our Board in declaring dividends and, while not a direct measure of net taxable income, over time, the measure can be considered a useful indicator of our dividends.

Distributable Earnings and Adjusted Distributable Earnings are non-GAAP measures and should not be considered as substitutes for GAAP net income. We caution readers that our methodology for calculating Distributable Earnings and Adjusted Distributable Earnings may differ from the methodologies employed by other REITs to calculate the same or similar supplemental performance measures, and as a result, our reported Distributable Earnings and Adjusted Distributable Earnings may not be comparable to similar measures presented by other REITs.

The following table provides a reconciliation of GAAP net income to Distributable Earnings and Adjusted Distributable Earnings:

	For the three months ended June 30, 2021	For the six months ended June 30, 2021
<b>Net Income</b>	\$ 4,627,787	\$ 6,028,542
Adjustments to net income		
Non-Cash Equity compensation expense	11,457	1,610,572
Depreciation and amortization	-	-
Unrealized (gain), losses or other non-cash items	483,159	627,561
Provision for current expected credit losses	645,786	711,886
One-time events pursuant to changes in GAAP and certain non-cash charges	-	-
<b>Distributable Earnings</b>	<b>\$ 5,768,189</b>	<b>\$ 8,978,561</b>
<b>Adjustments to Distributable Earnings</b>		
Organizational expense	-	-
<b>Adjusted Distributable Earnings</b>	<b>\$ 5,768,189</b>	<b>\$ 8,978,561</b>
Basic weighted average shares of common stock outstanding (in shares)	13,457,536	10,318,542
<b>Adjusted Distributable Earnings per weighted Average Share</b>	<b>\$ 0.43</b>	<b>\$ 0.87</b>

## Forward-Looking Statements

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect the company's current views and projections with respect to, among other things, future events and financial performance. Words such as "believes," "expects," "will," "intends," "plans," "guidance," "estimates," "projects," "anticipates," and "future" or similar expressions are intended to identify forward-looking statements. These forward-looking statements, including statements about our expected dividend for the quarter ended September 30, 2021, are subject to the inherent uncertainties in predicting future results and conditions and are not guarantees of future performance, conditions or results. Certain factors, including the ability of our manager to locate suitable loan opportunities for us, monitor and actively manage our loan portfolio and implement our investment strategy; the demand for cannabis cultivation and processing facilities; management's current estimate of expected credit losses and current expected credit loss reserve and other factors discussed under the caption "Risk Factors" in our final prospectus filed with the U.S. Securities Exchange Commission on June 24, 2021, relating to the company's Registration Statement on Form S-11, as amended (File No. 333-257248), could cause actual results and performance to differ materially from those projected in these forward-looking statements. New risks and uncertainties arise over time, and it is not possible for the company to predict those events or how they may affect AFC Gamma, Inc. Therefore, you should not place undue reliance on these forward-looking statements. The company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

### AFC GAMMA INVESTOR CONTACT:

Robyn Tannenbaum  
(561) 510-2293  
[ir@advancedflowercapital.com](mailto:ir@advancedflowercapital.com)

### AFC GAMMA MEDIA CONTACT:

James Golden / Scott Bisang / Jack Kelleher  
Joele Frank Wilkinson Brimmer Katcher  
(212) 355-4449

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AFC Gamma, Inc.  
Q2 2021 Earnings Presentation  
August 5, 2021



# Forward Looking Statements

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Some of the statements contained in this presentation constitute forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and we intend such statements to be covered by the safe harbor provisions contained therein. The information contained in this section should be read in conjunction with our financial statements and notes thereto appearing elsewhere in our quarterly report on Form 10-Q for the quarter ended June 30, 2021. This description contains forward-looking statements that involve risks and uncertainties. Actual results could differ significantly from the results discussed in the forward-looking statements due to the factors set forth in "Risk Factors" in the final prospectus relating to our IPO filed with the Securities and Exchange Commission ("SEC") in accordance with Rule 424(b) of the Securities Act of 1933, as amended on June 24, 2021 ("Final Prospectus"). In addition, some of the statements in this presentation constitute forward-looking statements, which relate to future events or the future performance or financial condition of AFC Gamma, Inc. ("AFCG" and the "Company," "we," "us" and "our"). The forward-looking statements contained in this presentation involve a number of risks and uncertainties, including statements concerning: our business and investment strategy; our projected operating results including our projections for distributable earnings for the second quarter of 2021; the impact of the COVID-19 pandemic, on our business and the United States and global economies; the ability of our Manager to locate suitable loan opportunities for us, monitor, service and administer our loans and execute our investment strategy; a location of loan opportunities to us by our Manager; our projected operating results; actions and initiatives of the U.S. or state governments and changes to government policies and the execution and impact of these actions, initiatives and policies, including the fact that cannabis remains illegal under federal law; the state of the United States, European Union and Asian economies generally or in specific geographic regions; the estimated growth in and evolving market dynamics of the cannabis market; the demand for cannabis cultivation and processing facilities; shifts in public opinion regarding cannabis; the state of the U.S. economy generally or in specific geographic regions; economic trends and economic recoveries; the collectability and timing of cash flows, if any, from our loans; our ability to obtain and maintain financing arrangements; our expected leverage; changes in the value of our loans; our expected portfolio of loans; our expected investment and underwriting process; rates of default or decreased recovery rates on our loans; the degree to which our hedging strategies may or may not protect us from interest rate volatility; changes in interest rates of our loans and impacts of such changes on our results of operations, cash flows and the market value of our loans; interest rate mismatches between our loans and our borrowings used to fund such loans; the departure of any of the executive officers or key personnel supporting and assisting us from our Manager or its affiliates; impact of and changes in governmental regulations, tax law and rates, accounting guidance and similar matters; our ability to maintain our exemption from registration under the Investment Company Act of 1940 (the "1940 Act"); our ability to qualify and maintain our qualification as a real estate investment trust ("REIT") for United States federal income tax purposes; estimates relating to our ability to make distributions to our stockholders in the future; our understanding of our competition; market trends in our industry, interest rates, real estate values, the securities markets or the general economy.

We use words such as "anticipates," "believes," "expects," "intends," "will," "should," "may" and similar expressions to identify forward-looking statements, although not all forward-looking statements include these words. Our actual results and financial condition could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth in "Risk Factors" and the other information included in our Final Prospectus and elsewhere in our quarterly report on Form 10-Q for the quarter ended June 30, 2021.

We have based the forward-looking statements included in this presentation on information available to us on the date of this presentation, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the SEC, including annual reports on Form 10-K, registration statements on Form S-11, quarterly reports on Form 10-Q and current reports on Form 8-K.

# Legal Disclaimers

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## Important Notices

This presentation is by AFC Gamma, Inc., a publicly traded company that will elect to be taxed as a REIT for federal income tax purposes and is being furnished in connection with AFCG's results. This presentation is provided for investors in AFCG for informational purposes only and is not an offer to sell, or a solicitation of an offer to buy, any security or instrument. AFCG is not a registered investment adviser. AFCG is managed by AFC Management, LLC ("AFCM"), a registered investment adviser. This presentation is not a communication by AFCM and is not designed to maintain any existing AFCM client or investor or solicit new AFCM clients or investors.

We routinely post important information for investors on our website, [www.afcgamma.com](http://www.afcgamma.com). We intend to use this webpage as a means of disclosing material information, for complying with our disclosure obligations under Regulation FD and to post and update investor presentations and similar materials on a regular basis. AFCG encourages investors, analysts, the media and others interested in AFCG to monitor the Investors section of our website, in addition to following our press releases, SEC filings, public conference calls, presentations, webcasts and other information we post from time to time on our website. To sign-up for email-notifications, please visit the "Email Alerts" section of our website under the "IR Resources" section and enter the required information to enable notifications. Past performance is no guarantee of future results. There is no guarantee that any investment strategy referenced herein will work under all market conditions. You alone assume the responsibility of evaluating the merits and risks associated with any potential investment or investment strategy referenced herein. The information contained herein is not intended to provide, and should not be relied upon for accounting, legal or tax advice or investment recommendations for AFCG or any of its affiliates. Certain information contained in the presentation discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice.

## Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures, including Distributable Earnings to evaluate our performance excluding the effects of certain transactions and certain GAAP adjustments that we believe are not necessarily indicative of our current loan activity and operations. We believe the non-GAAP financial measures are useful for management, investors, analysts, and other interested parties in evaluating our performance but should not be viewed in isolation and are not a substitute for financial measures computed in accordance with GAAP.

The determination of Distributable Earnings is substantially similar to the determination of Core Earnings under our Management Agreement, provided that Core Earnings is a component of the calculation of any Incentive Fees earned under the Management Agreement for the applicable time period, and thus Core Earnings is calculated prior to Incentive Fee expense, while the calculation of Distributable Earnings accounts for any Incentive Fees earned for such time period. We define Distributable Earnings as, for a specified period, the net income (loss) computed in accordance with GAAP, excluding (i) non-cash equity compensation expense, (ii) depreciation and amortization, (iii) any unrealized gains, losses or other non-cash items recorded in net income (loss) for the period, regardless of whether such items are included in other comprehensive income or loss, or in net income (loss); provided that Distributable Earnings does not exclude, in the case of investments with a deferred interest feature (such as OID, debt instruments with PIK interest and zero coupon securities), accrued income that we have not yet received in cash, (iv) provision for current expected credit losses and (v) one-time events pursuant to changes in GAAP and certain non-cash charges, in each case after discussions between our Manager and our independent directors and after approval by a majority of such independent directors.

We caution readers that our methodology for calculating Distributable Earnings may differ from the methodologies employed by other REITs to calculate the same or similar supplemental performance measures, and as a result, our reported Distributable Earnings may not be comparable to similar measures presented by other REITs. We have not provided reconciliations of expected distributable earnings for the quarter ending June 30, 2021 for distributable earnings, in reliance on the unreasonable efforts exception provided under Item 10(e)(1)(i)(B) of Regulation S-K. We are unable, without unreasonable efforts, to forecast certain items required to develop meaningful comparable GAAP financial measures. These items include changes in unrealized gains, non-cash equity compensation expenses and the impact of non-cash adjustments for current expected credit losses that are difficult to predict in advance in order to include in a GAAP estimate.

Please see the section entitled "Reconciliation of Distributable Earnings to GAAP Net Income" in the attached Appendix C for a reconciliation to the most directly comparable GAAP financial measures.



# Management Presenters



**Leonard Tannenbaum**

Founder & Chief Executive Officer

Over 22 years of experience in credit investing

Founder and former Chief Executive Officer of Fifth Street, a ~\$5 billion credit-focused asset manager



**Jonathan Kalikow**

Head of Real Estate

Over 15 years experience in real estate as part of Kalikow Real Estate & Construction, a family-owned real estate firm operating for ~100 years

Co-Founder of Gamma Real Estate, a \$2 billion commercial real estate lender and investor



**Thomas Geoffroy**

Chief Financial Officer

20 years of experience in accounting and finance

Formerly the Chief Financial Officer at United Capital Markets and Controller at Ares Management



**Robyn Tannenbaum**

Partner, Head of Origination and Investor Relations

Over 7 years of experience in healthcare mergers & acquisitions and leveraged finance at CIT Group

Former Head of Investor Relations at Fifth Street



**Brandon Hetzel**

Controller

11 years of experience primarily in real estate accounting

Formerly Vice President of Finance for El-Ad National Properties



# Agenda

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**1** Why AFC Gamma?

**2** Q2 2021 Financial Highlights

**3** Market Opportunity

**4** Corporate Overview

**5** Appendix

Corporate Overview



# Why AFC Gamma?

Backed by years of combined lending expertise and real estate experience, AFC Gamma is well-positioned in the high-growth cannabis industry and poised to deliver enhanced value for shareholders

## A Leading Institutional Loan Origination Platform

- Premier financing source for cannabis operators
- Extensive loan sourcing, underwriting, structuring and portfolio management expertise
- Current Commitments of ~\$195.3 million and Outstanding Principal Balance of ~\$175.3 million <sup>(1)(2)</sup>

## Attractive Risk-Adjusted Returns on Investment

- Attractive supply-demand imbalance created by constrained financing environment
- Targeting loans with gross yields within the range of 12% to 20%, with an estimated yield-to-maturity of ~21% on the existing portfolio <sup>(1)</sup>

## Rapidly Growing Addressable Market

- First-mover advantage results in capturing market share and establishing long-term client relationships
- U.S. retail cannabis market is expected to generate between \$22.0 billion to \$26.4 billion in total sales for 2021<sup>(3)</sup>
- U.S. retail sales projected to rise to between \$38.4 billion and \$45.9 billion by 2025<sup>(3)</sup>

## Strong Balance Sheet

- Stringent and highly disciplined underwriting, combined with an unwavering focus on underlying real estate value, resulting in a high-quality portfolio
- Low leverage balance sheet and strong real estate, cash flow and license coverage across the portfolio



(1) As of August 1, 2021.  
(2) Current Commitments represents the total committed principal value at closing of our outstanding loans. This amount does not include an additional commitment to fund a \$19.75 million senior secured term loan which is contingent on the borrower raising additional equity as required by the loan agreement. Outstanding Principal Balance represents the current principal value of our outstanding loans, which includes impact from amortizations, repayments and capitalized Payment In Kind ("PIK") payments.  
(3) Source: 2021 Marijuana Business Daily.

# AFCG Company Overview

## Premier Commercial Mortgage REIT

NASDAQ: AFCG

- Only NASDAQ-listed provider of institutional loans to the cannabis industry
- Originates and funds loans to established high-quality cannabis operators in states with attractive licensing and favorable supply/demand environments
- Our objective is to provide compelling risk-adjusted returns with loans that typically include amortization and/or cash flow sweeps, significant collateral and favorable pricing, driving average annual gross yields of approximately 12% – 20%
- Robust investment review process including market research, management underwriting and in-depth due diligence
- Founded in July 2020 by veteran investor Leonard Tannenbaum
- Collectively, the management team has directly structured over \$10 billion in loan transactions and taken four companies public
- AFCG received a “BBB-” investment grade rating from Egan-Jones in June 2021



(1) Industry source: 2021 Marijuana Business Daily. All company data as of August 1, 2021.  
(2) Total Commitments represents the total committed principal value at closing. This amount does not include an additional commitment to fund a \$19.75 million senior secured term loan which is contingent on the borrower raising additional equity as required by the loan agreement.

## A Leading Lender to the Cannabis Space<sup>(1)</sup>

**\$237MM**

Total Commitments Since Inception by the Manager<sup>(2)</sup>

**~21%**

Estimated Yield on Existing Portfolio

**1.0x**

Real Estate Collateral Coverage on Existing Portfolio

**\$855MM**

Actionable Pipeline

**≥\$22.0Bn**

Retail Cannabis Market Size in 2021

**50+**

Years Investing Experience by Investment Committee

# Market Opportunity in the Current Environment

## Legalization Fuels Expanding Market Size<sup>(1)</sup>

**68%**

Americans Support  
Legalization

**~20%**

Projected Adult-Use Retail  
Cannabis Market CAGR  
2020-2025

**~192MM**

People Worldwide Use  
Cannabis as of 2018

**>\$38.4Bn**

Expected Legal Market Size  
by 2025

## Potential Reform at the Federal Level<sup>(2)</sup>

### The SAFE Banking Act

- The SAFE Banking Act would protect the business banking practices (i.e., all lenders and depository institutions) of those operating legally under state law
- Money from state-legal cannabis companies would not be considered as proceeds of a crime, as state-legal cannabis would be carved out of enumerated unlawful activities

### The MORE Act & Other Initiatives

- The MORE Act would end criminalization of cannabis at the federal level by removing it from the list of controlled substances
- In February 2021, the Senators Booker, Wyden and Schumer announced a plan to introduce cannabis reform legislation that would ensure restorative justice, protect public health and implement responsible taxes and regulations to the cannabis industry



(1) Sources: Gallup Poll: "Support for Legal Marijuana Inches Up to New High of 68%" Gallup, 9 November 2020; 2021 Marijuana Business Factbook; United Nations 2020 World Drug Report.  
(2) Sources: Secure And Fair Enforcement ("SAFE") Banking Act of 2019; The Marijuana Opportunity Reinvestment and Expungement ("MORE") Act of 2019; "Booker, Wyden, Schumer Joint Statement on Cannabis Reform Legislation," 01 February 2021: <https://www.booker.senate.gov/newsroom/record/booker-wyden-schumer-joint-statement-on-cannabis-reform-legislation>.

# AFCG's Market Opportunity

## Limited Supply of Capital

- Institutional banks generally decline to provide full services to cannabis-related businesses
- Alternative sources of financing needed to complete commitments, allowing lenders to demand strong risk-adjusted returns with significant collateral

## Market Challenges

- Stringent state-by-state regulations and lengthy license approval processes
- Costly and complex distribution process
- Current sizable illicit market in legalized cannabis states

## Opportunistic Solutions

- Rapidly growing industry combined with high-quality cannabis operators running capital-intensive businesses that face significant hurdles accessing capital provides opportunities for AFCG, as the only U.S. publicly-traded lender focused on the industry





# Impact of COVID-19

91%

Medical cannabis users with mental health conditions reported a 91% increase in use on average since COVID-19

8

States have deemed cannabis essential for both medicinal and adult use

21

States have deemed cannabis essential for medicinal use only\*

Most state governments around the nation have deemed medical marijuana companies "essential" during the coronavirus pandemic, meaning the vast majority can keep doing business after residents were told to stay at home and many businesses were ordered to scale back or close their operations

Of the 29 states with operational cannabis programs, all but one have deemed cannabis an essential service for the entirety of their cannabis program (medicinal only, or medicinal and recreational)

During the COVID-19 pandemic, all of AFCG's clients were deemed essential businesses and remained open

# From Origination to Management

Given our commitment to sourcing loans with high return potential and controlled risk, AFCG is involved in all key phases of the lending process

## 1 Origination

AFCG maintains a direct-origination platform, which works to create enhanced yields and allows us to put in greater controls for loans that AFCM originates and structures. The platform drives increased deal flow, which provides for improved selectivity

## 2 Underwriting

AFCG screens potential deals based on four criteria: company financial strength, the in-state environment for cannabis, regulatory/license value considerations, and property-value metrics<sup>(1)</sup>

## 3 Investment Committee

Our Investment Committee focuses on managing risk via a comprehensive company analysis. Approval from the committee is required for each loan before commitment papers are issued

## 4 Ongoing Review

Our investment team works alongside external counsel to negotiate loan documents, with an emphasis on financial covenants and a limitation of actions that may be adverse to lenders. Once the loan is funded, we monitor the company's performance over the life of the loan

# AFC Gamma's Underwriting Criteria

## Borrower & Operations

- Type of operations – cultivation, processing, manufacturing and distribution
- Mix analysis – wholesale vs. retail
- State regulatory approval
- Quality of management – cultivation experience and financial expertise, among other factors
- Brand analysis – owned brands or produce for others
- Quality control analysis – testing, operational procedures, remediation procedures
- Construction projects – historical ability to hit budget and timeline

## Loan Analysis

- Loan size and capital structure overview – current and pro forma
- Loan economics – interest rate, Original Issue Discount ("OID"), exit fees, prepayment penalties, etc.
- Loan security – real estate, licenses, parent guaranty, cash flow, trademarks, etc.
- Thorough covenant analysis and remedies to breach
- Review of the agent and participants in the syndication process
- Risks and mitigants of the loan – credit risk, business risk, structure risk, etc.
- Assigned Rights are sold concurrently with closing and recognized as additional OID

## Real Estate & Structure

- Type of cultivation (outdoor, greenhouse, indoor), processing capabilities, and distribution abilities
- Size, construction, and suitability of the facility
- Total land and hard/s oft costs analysis to determine total basis and estimate replacement costs
- Visual and/or physical site visit to inspect the land, facilities, and specific systems in use
- Real estate metrics:
  - Loan to Cost
  - Loan to Value

## Financial Analysis & Metrics

- Historical and projected cash flow analysis
- Capital structure analysis – current and pro forma
- Loans are structured with covenants such as maximum leverage ratio, debt service coverage ratio, fixed charge coverage ratio, minimum EBITDA, and minimum cash
- Cost per gram of the product
- Full financial model – vertically integrated, wholesaler, distributor, etc.
- Quality of earnings report

## State-by-State Analysis

- Legislative environment of every state a company operates within
- Probability analysis of legislative changes in each state
- Growing conditions and seasonality within the state
- Local planning and permits
- Current political climate and importance of cannabis
- License dynamics – number and type (vertical, single)

## License Analysis

- Fully examine the licenses owned in each state
- Review the licenses under application in each state
- Evaluate the transferability of license(s) held by the company
- Analyze the valuation and marketplace for licenses in each state

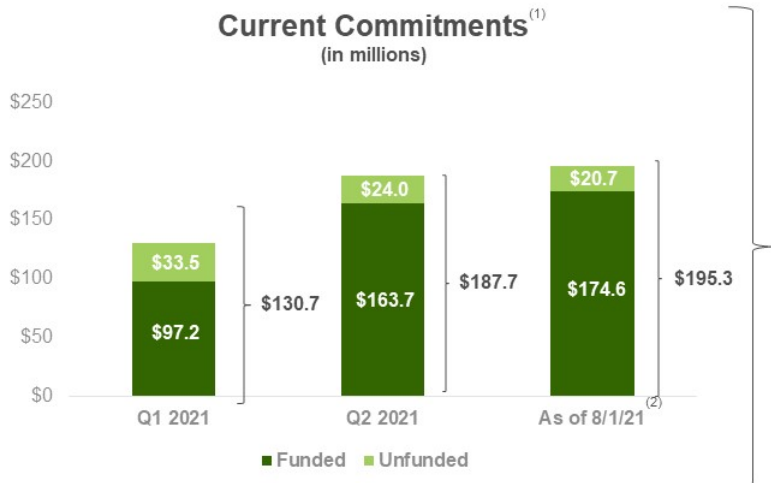
# AFC Gamma Maintains a Strong Deal Funnel and Pipeline

Through AFC Gamma's direct origination platform, the Company continues to source deals across the cannabis industry in various states and maintains a robust pipeline of actionable opportunities



(1) Represents deals sourced by AFCG's manager from January 1, 2020 through August 1, 2021.  
(2) Includes potential syndications.  
(3) Total Commitments represents the total committed principal value at closing.  
(4) This amount does not include an additional commitment to fund a \$19.75 million senior secured term loan which is contingent on the borrower raising additional equity as required by the loan agreement.  
(5) Current Commitments represents the total committed principal value at closing of our outstanding loans.  
(6) Outstanding Principal Balance represents the current principal value of our outstanding loans, which includes impact from amortizations, repayments and capitalized PIK payments.

# Investment Portfolio Activity



Weighted average yield to maturity of  
**~21%**  
 as of August 1, 2021<sup>(3)</sup>

(1) Current Commitments represents the total committed principal value at closing of our outstanding loans (as of March 31, 2021, June 30, 2021, and August 1, 2021). This amount does not include an additional commitment to fund a \$19.75 million senior secured term loan which is contingent on the borrower raising additional equity as required by the loan agreement.  
 (2) This amount does not include an additional commitment to fund a \$19.75 million senior secured term loan which is contingent on the borrower raising additional equity as required by the loan agreement.  
 (3) Estimated YTM calculations require management to make estimates and assumptions, including, but not limited to, the timing and amounts of loan draws on delayed draw loans, the timing collectability of exit fees, the probability and timing of prepayments and the probability of contingent features occurring. For example, our credit agreements with certain borrowers contain provisions pursuant to which certain PIK interest rates and fees earned by us under such credit agreements will decrease upon the satisfaction of certain specified criteria, which we believe may improve the risk profile of the applicable borrower. To be conservative, we have not assumed any prepayment penalties or early payoffs in our estimated YTM calculation. Estimated YTM is based on current management estimates and assumptions, which may change. Actual results could differ from those estimates and assumptions.

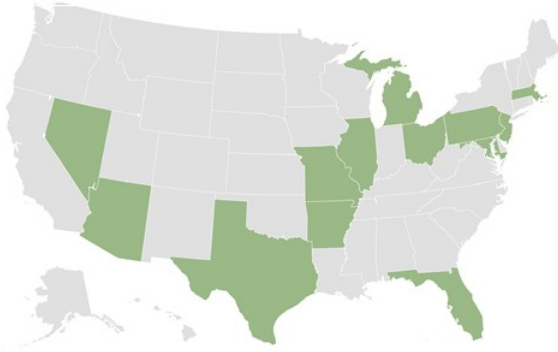
# Diversified Portfolio Across Geography Type

Cannabis is a rapidly expanding market with a limited supply of institutional capital

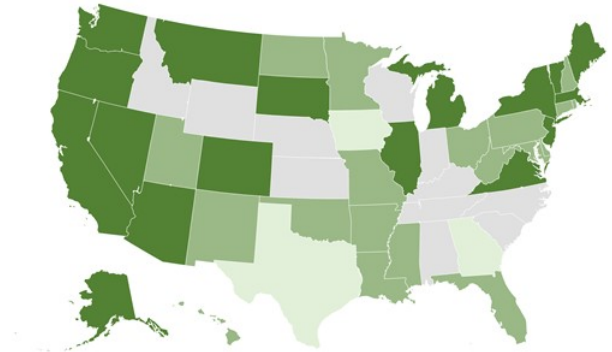
36 states + DC have legalized medicinal cannabis, of those, 18 + DC have legalized adult use cannabis and 2 states have legalized high-CBD, low-THC medical programs<sup>(1)</sup>

AFCG's active loan portfolio includes 15 loans across 14 states<sup>(2)</sup>

AFCG Portfolio Diversification<sup>(2)</sup>



Current Legalization by State



• States with AFCG operations and/or collateral supporting loans

● Legalized ● Medical Only ● High-CBD/Low-THC Medical Programs ● Illegal


(1) The 2018 Farm Bill permits state regulation of the increased cannabidiol ("CBD") and lower tetrahydrocannabinol ("THC") programs.  
 (2) As of August 1, 2021.





# AFCG Portfolio Summary

AFCG has reviewed 344 deals, representing \$6.7 billion in Aggregate Value\*

 **15** Funded
  **3** Committed
  **65** In Review
  **261** Rejected

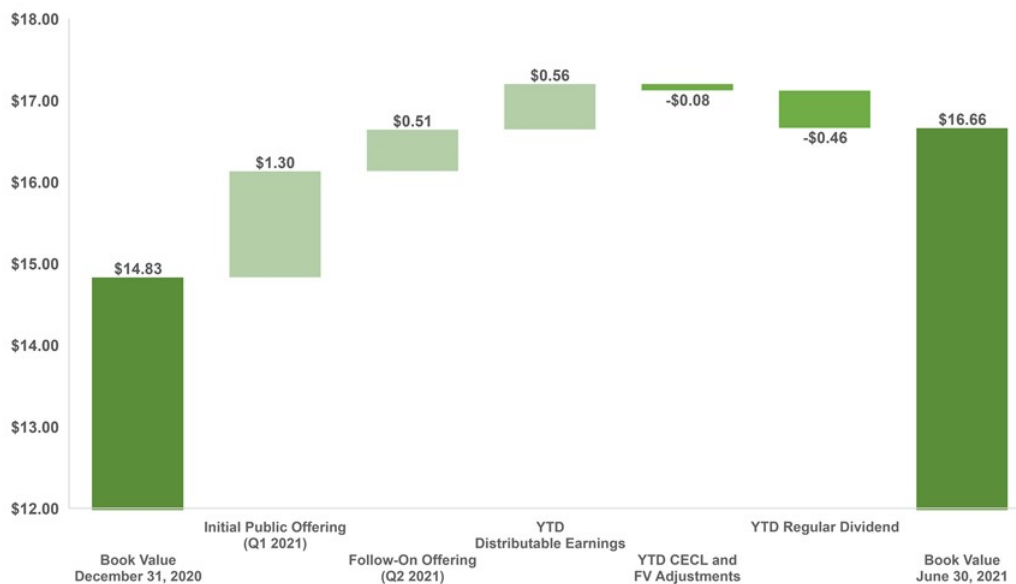
Loan Names	Status	Original Funding Date <sup>(1)</sup>	Loan Maturity	AFCG Loan, net of Syndication	% of Total AFCG	Principal Balance as of 8/1/2021	Cash Interest Rate	Paid In Kind ("PIK")	Fixed/ Floating	Amortization During Term	YTM <sup>(2)(3)</sup>
Public Co. A - Real Estate Loan	Funded	7/3/2019	1/26/2023	\$ 2,940,000	1.5%	\$ 2,940,000	12.0%	2.0%	Fixed	No	19%
Public Co. A - Equipment Loans	Funded	8/5/2019	3/5/2024	4,000,000	2.0%	2,936,222	12.0%	N/A	Fixed	Yes	19%
Private Co. A	Funded	5/8/2020	5/8/2024	34,000,000	17.4%	34,596,678	13.0%	4.0%	Fixed	Yes	23%
Private Co. B	Funded	9/10/2020	9/1/2023	10,500,000	5.4%	9,108,586	13.0%	4.0%	Fixed	Yes	26%
Private Co. C	Funded	11/5/2020	12/1/2025	22,000,000	11.3%	18,924,222	13.0%	4.0%	Floating	Yes	22%
Sub. of Public Co. D <sup>(4)</sup>	Funded	12/18/2020	12/18/2024	10,000,000	5.1%	10,000,000	12.9%	N/A	Fixed	No	14%
Private Co. D	Funded	12/23/2020	1/1/2026	12,000,000	6.1%	12,148,120	13.0%	2.0%	Fixed	Yes	20%
Private Co. E	Funded	3/30/2021	4/1/2026	21,000,000	10.8%	11,248,289	13.0%	4.0%	Floating	Yes	26%
Private Co. F	Funded	4/27/2021	5/1/2026	13,000,000	6.7%	7,247,375	13.0%	4.0%	Fixed	Yes	28%
Public Co. E <sup>(4)</sup>	Funded	4/29/2021	4/29/2025	15,000,000	7.7%	15,000,000	13.0%	N/A	Fixed	Yes	17%
Sub of Private Co. G	Funded	4/30/2021	5/1/2026	22,000,000	11.3%	22,225,656	13.0%	4.0%	Floating	Yes	19%
Sub of Private Co. H <sup>(5)</sup>	Funded	5/11/2021	5/11/2023	5,781,250	3.0%	5,781,250	15.0%	N/A	Fixed	No	20%
Public Co. F	Funded	5/21/2021	5/30/2023	10,000,000	5.1%	10,000,000	9.8%	N/A	Fixed	No	12%
Private Co. I	Funded	7/14/2021	8/1/2026	10,075,000	5.2%	10,087,594	13.0%	2.5%	Floating	Yes	18%
Private Co. J - Bridge Loan <sup>(6)</sup>	Funded	7/16/2021	8/31/2021	3,000,000	1.5%	3,000,000	13.0%	N/A	Fixed	No	N/A
<b>SubTotal</b>				<b>\$ 195,296,250</b>	<b>100.0%</b>	<b>\$ 175,253,991</b>	<b>12.8%</b>	<b>3.6%</b>			<b>21%</b>

- (1) All loans originated prior to July 31, 2020 were purchased from an affiliated entity at fair value which approximated accreted and/or amortized cost plus accrued interest on July 31, 2020.
- (2) Estimated YTM includes a variety of fees and features that affect the total yield, which may include, but is not limited to, OID, exit fees, prepayment fees, unused fees and contingent features. OID is recognized as a discount to the funded loan principal and is accreted to income over the term of the loan. Loans originated before July 31, 2020 were acquired by us, net of unaccreted OID, which we accrete to income over the remaining term of the loan. In some cases, additional OID is recognized from additional purchase discounts attributed to the fair value of equity positions that were separated from the loans prior to our acquisition of such loans. The estimated YTM calculations require management to make estimates and assumptions, including, but not limited to, the timing and amounts of loan draws on delayed draw loans, the timing collectability of exit fees, the probability and timing of prepayments and the probability of contingent features occurring. For example, certain credit agreements may contain provisions pursuant to which certain PIK interest rates and fees earned by us under such credit agreements will decrease upon the satisfaction of certain specified criteria which we believe may improve the risk profile of the applicable borrower. To be conservative, we have not assumed any prepayment penalties or early payoffs in our estimated YTM calculation. Estimated YTM is based on current management estimates and assumptions, which may change. Actual results could differ from those estimates and assumptions.
- (3) Estimated YTM for the loans with Public Company A, Private Company A, Private Company D, and Private Company E is enhanced by purchase discounts attributed to the fair value of equity warrants that were separated from the loans prior to our acquisition of such loans. The purchase discounts accrete to income over the respective remaining terms of the applicable loans.
- (4) Loans to Subsidiary of Public Company D and Public Company E do not reflect each borrower's option to request a maturity extension for an additional 364 days from the respective original loan maturity date, each of which we are not obligated to grant.
- (5) Loan to Subsidiary of Private Company H does not reflect the borrower's option to request up to two maturity extensions each for an additional six months from the then-existing loan maturity date. The first extension, which is available at the borrower's sole option, is subject to a payment of a 2.0% fee. The second extension is subject to the approval of all lenders.
- (6) Estimated YTM for bridge loan to Private Company J is not presented due to the loan's short-term nature, which results in a high estimated YTM that management does not believe is indicative of our expected YTM for the average loans of the types that constitute our portfolio.

\* Represents period beginning January 1, 2020 through August 1, 2021.



# AFC Gamma Q2 2021 Book Value\*



\*June 30, 2021 values per share based on 16,116,877 shares of common stock outstanding as of June 30, 2021. Year to Date ("YTD") for the six months ended June 30, 2021.



# Distributable Earnings & Dividends



(1) Distributable earnings per share based on 7,144,670 basic weighted average common shares outstanding at March 31, 2021.  
(2) Q1 2021 dividend of \$2.2 million / \$0.36 per share paid on 3/31/2021 to pre-IPO shareholders of record on March 31, 2021.  
(3) Distributable earnings per share based on 13,457,536 basic weighted average common share outstanding at June 30, 2021.  
(4) Q2 2021 dividend of \$5.1 million / \$0.38 per share paid on 6/30/2021 to shareholders of record on June 15, 2021.



# APPENDIX

Q2 2021 Financial Overview

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# APPENDIX A

## Second Quarter Balance Sheets

	As Of	
	June 30, 2021 (unaudited)	December 31, 2020
<b>Assets</b>		
Loans held for investment at fair value (cost of \$43,916,537 and \$46,994,711 at June 30, 2021 and December 31, 2020, respectively, net)	\$ 44,852,315	\$ 48,558,051
Loans held for investment at carrying value	105,404,185	31,837,031
Loan receivable at carrying value	3,011,140	3,348,263
Current expected credit loss reserve	(701,143)	(404,860)
Loans held for investment at carrying value and loan receivable at carrying value, net of current expected credit loss reserve	107,714,182	34,780,434
Cash and cash equivalents	124,604,872	9,623,820
Interest receivable	1,150,669	927,292
Prepaid expense and other assets	189,000	72,095
<b>Total assets</b>	<b>\$ 278,511,038</b>	<b>\$ 93,961,692</b>
<b>Liabilities</b>		
Interest reserve	\$ 5,547,863	\$ 1,325,750
Current expected credit loss reserve	476,140	60,537
Accrued management fees	2,078,871	222,127
Accrued direct administrative expenses	530,939	550,671
Accounts payable and other liabilities	1,420,503	154,895
<b>Total liabilities</b>	<b>10,054,316</b>	<b>2,313,980</b>
<b>Commitments and contingencies (Note 10)</b>		
<b>Stockholders' Equity</b>		
Preferred stock, par value \$0.01 per share, 10,000 shares authorized at June 30, 2021 and December 31, 2020 and 125 shares issued and outstanding at June 30, 2021 and December 31, 2020	1	1
Common stock, par value \$0.01 per share, 25,000,000 and 15,000,000 shares authorized at June 30, 2021 and December 31, 2020, respectively, and 16,116,877 and 6,179,392 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	161,169	61,794
Additional paid-in-capital	269,061,069	91,068,197
Accumulated earnings (deficit)	(765,517)	517,720
<b>Total stockholders' equity</b>	<b>268,456,722</b>	<b>91,647,712</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 278,511,038</b>	<b>\$ 93,961,692</b>

# APPENDIX B

## Second Quarter Income Statements

	<b>For the three months ended June 30, 2021</b>	<b>For the six months ended June 30, 2021</b>
	(unaudited)	(unaudited)
<b>Revenue</b>		
Interest Income	\$ 8,748,519	\$ 13,433,524
<b>Total revenue</b>	<u>8,748,519</u>	<u>13,433,524</u>
<b>Expenses</b>		
Management and incentive fees, net (less rebate of \$182,707 and \$420,450, respectively)	2,078,871	2,955,533
General and administrative expenses	706,865	1,169,383
Stock-based compensation	11,457	1,610,572
Professional fees	194,594	330,047
<b>Total expenses</b>	<u>2,991,787</u>	<u>6,065,535</u>
Provision for current expected credit losses	(645,786)	(711,886)
Change in unrealized gains / (losses) on loans at fair value, net	(483,159)	(627,561)
<b>Net income before income taxes</b>	4,627,787	6,028,542
Income tax expense	-	-
<b>Net income</b>	<u>\$ 4,627,787</u>	<u>\$ 6,028,542</u>
<b>Earnings per common share:</b>		
Basic earnings per common share (in dollars per share)	\$ 0.34	\$ 0.58
Diluted earnings per common share (in dollars per share)	\$ 0.34	\$ 0.57
<b>Weighted average number of common shares outstanding:</b>		
Basic weighted average shares of common stock outstanding (in shares)	13,457,536	10,318,542
Diluted weighted average shares of common stock outstanding (in shares)	13,775,246	10,636,252

# APPENDIX C

## Reconciliation of Distributable Earnings to GAAP Net Income

	For the three months ended June 30, 2021	For the six months ended June 30, 2021
<b>Net Income</b>	\$ 4,627,787	\$ 6,028,542
Adjustments to net income		
Non-Cash Equity compensation expense	11,457	1,610,572
Depreciation and amortization	-	-
Unrealized (gain), losses or other non-cash items	483,159	627,561
Provision for current expected credit losses	645,786	711,886
One-time events pursuant to changes in GAAP and certain non-cash charges	-	-
<b>Distributable Earnings</b>	<b>\$ 5,768,189</b>	<b>\$ 8,978,561</b>
Adjustments to Distributable Earnings		
Organizational expense	-	-
<b>Adjusted Distributable Earnings</b>	<b>\$ 5,768,189</b>	<b>\$ 8,978,561</b>
Basic weighted average shares of common stock outstanding (in shares)	13,457,536	10,318,542
<b>Adjusted Distributable Earnings per weighted Average Share</b>	<b>\$ 0.43</b>	<b>\$ 0.87</b>

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