New York Mortgage Trust, Inc. (NYMT)

Updated December 2nd, 2020 by Josh Arnold

Key Metrics

Current Price:	$3.54	**5 Year CAGR Estimate:**	7.6%	**Market Cap:**	$1.35 B
Fair Value Price:	$3.20	**5 Year Growth Estimate:**	0.0%	**Ex-Dividend Date:**	12/30/2020[1]
% Fair Value:	111%	**5 Year Valuation Multiple Estimate:**	-2.0%	**Dividend Payment Date:**	01/27/2021[2]
Dividend Yield:	8.5%	**5 Year Price Target**	$3.20	**Years Of Dividend Growth:**	0
Dividend Risk Score:	F	**Retirement Suitability Score:**	D	**Last Dividend Increase:**	N/A

Overview & Current Events

New York Mortgage Trust is a real estate investment trust, or REIT, that acquires, invests in, finances, and manages mortgage-related assets and other financial assets. The trust doesn't own physical real estate, but rather seeks to manage a portfolio of investments that are real estate related. New York Mortgage Trust derives revenue from net interest income and net realized capital gains from its investment portfolio. The trust primarily seeks to generate interest income from mortgage-related assets, but it also owns some distressed financial assets where it seeks to capture capital gains. The trust invests in residential mortgage loans, multi-family CMBS, preferred equity, and joint venture equity. It has been publicly traded since 2004 and has a current market capitalization of $1.35 billion.

New York Mortgage Trust posted third quarter earnings on November 5th, 2020 with results showing large deterioration from the same period a year ago. Book value ended the quarter at $4.58, which was up 5% from the second quarter. Total economic return for the quarter was 7%, which includes the 7.5 cent dividend that was paid during the quarter.

The trust strengthened its balance sheet by completing a residential loan securitization and a residential loan purchase agreement, which reduced its mark-to-market financing risk to $626 million, down from $964 million prior.

Total interest income was $43.4 million in Q3, down from $48 million in Q2, and down from $180 million in the same period last year. Net interest income was $25.5 million, down from $28.5 million in Q2 and $32 million a year ago.

Following Q3 results, we've updated our estimate of earnings-per-share for this year to a loss of -$1.00, and we've updated our estimate of earnings power to 40 cents per share.

Growth on a Per-Share Basis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
EPS	$0.60	$0.45	$1.08	$1.11	$1.52	$0.62	$0.50	$0.61	$0.58	$0.65	***-$1.00***	***$0.40***
DPS	$0.79	$0.90	$1.06	$1.08	$1.08	$1.02	$0.96	$0.80	$0.80	$0.80	***$0.30***	***$0.44***
Shares[3]	9	10	26	59	88	108	110	130	147	243	***351***	***500***

New York Mortgage Trust has struggled to grow consistently in the past, a trait owed to the very volatile nature of the markets it invests in. Prices and yields of mortgage-backed securities tend to move around a lot, and with rates around the world having plummeted to historical lows, the past few years in particular have not been kind to mortgage REITs.

We see no annualized growth for New York Mortgage Trust on our earnings power estimate of 40 cents per share. We use this estimate to normalize earnings given the extreme dislocation that is occurring for 2020. Fair value and valuation metrics are computed using this value, not the actual earnings estimate for this year. We see rates that remain at or near their historical lows as a long-term headwind for New York Mortgage Trust and its competitors.

As noted, the dividend is back after missing one payment. We currently expect the payout to move higher in the next five years, rebuilding a small fraction of the dividend income that has been lost by the current crisis.

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[1] Estimated date
[2] Estimated date
[3] Share count in millions

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Valuation Analysis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Now	2025
Avg. P/E	11.4	15.7	6.3	6.1	5.0	11.4	11.4	10.4	10.5	9.5	***8.9***	***8.0***
Avg. Yld.	11.6%	12.8%	15.6%	16.0%	14.1%	14.5%	16.8%	12.7%	13.2%	13.0%	***8.5%***	***13.8%***

The price investors have been willing to pay for this stock has moved around enormously in the past decade, ranging from 5 times earnings to nearly 16. Given the current environment, we assess fair value at 8 times earnings, which is below the current multiple of 8.9. That means we forecast a small headwind from the valuation in the coming years, with the yield slated to rise from a lower valuation and higher dividend.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
Payout	132%	200%	98%	97%	71%	165%	192%	131%	138%	123%	***75%***	***110%***

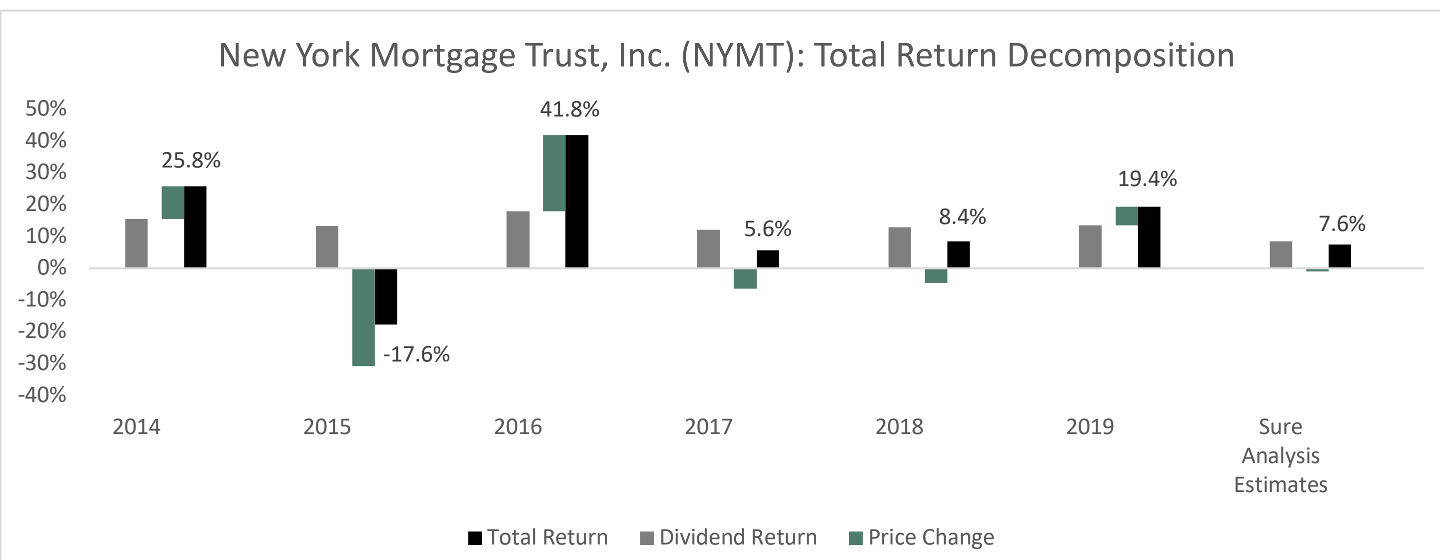
New York Mortgage Trust does not have competitive advantages as all mortgage REITs operate in largely the same way, and with the same sort of securities. It used to have some scale advantages, but with the sales that occurred early in 2020, that is no longer the case.

The balance sheet is in much better shape after the capital raises and asset sales that occurred in early 2020, but recession performance is generally poor for mortgage REITs as consumers and businesses default on their mortgages in higher numbers during economic downturns.

Final Thoughts & Recommendation

New York Mortgage Trust, and indeed the mortgage REIT industry as a whole, are at an extremely tough point in the cycle. Earnings will be negative across the sector this year barring some sort of unforeseen, massive recovery in prices, and we expect New York Mortgage Trust will not be immune from this weakness. The trust produced a strong GAAP profit in Q3 once again, indicating conditions are improving quickly. The stock has rallied massively since our last report, so projected total returns have moved lower to 7.6%. We reiterate our hold rating on the stock but note that this one carries with it much higher risk of volatility than most dividend stocks in our coverage universe.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	15	17	41	91	188	123	105	131	137	201
SG&A Exp.	8	11	11	16	34	29	25	23	24	32
D&A Exp.	3	6	10	13	3	1	8	0	29	56
Net Profit	7	5	28	69	136	78	68	92	103	174
Net Margin	44.3%	27.4%	68.5%	75.9%	72.3%	63.2%	64.3%	70.1%	75.3%	86.4%
Free Cash Flow	(0)	13	29	53	38	36	54	29	24	35
Income Tax	-	0	1	1	6	5	3	3	(1)	(0)

Balance Sheet Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Assets	374	683	7160	9899	10540	9056	8952	12056	14738	23483
Cash & Equivalents	19	17	32	32	76	62	84	95	104	119
Total Liabilities	306	596	6838	9418	9722	8176	8100	11080	13557	21278
Long-Term Debt	301	245	5663	8379	8471	7097	6922	9572	11325	17996
Shareholder's Equity	68	85	322	408	746	721	689	682	890	1701
D/E Ratio	4.39	2.87	17.59	17.43	10.36	8.06	8.16	9.85	9.60	8.16

Profitability & Per Share Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Return on Assets	1.6%	0.9%	0.7%	0.8%	1.3%	0.8%	0.8%	0.9%	0.8%	0.9%
Return on Equity	10.4%	6.2%	13.9%	18.9%	23.6%	10.6%	9.6%	13.4%	13.1%	13.4%
ROIC	1.6%	1.4%	0.9%	0.9%	1.5%	0.9%	0.9%	1.0%	0.9%	1.1%
Shares Out.	9	10	26	59	88	108	110	130	147	243
Revenue/Share	1.63	1.66	1.58	1.54	2.14	1.14	0.96	1.01	0.93	0.83
FCF/Share	-0.03	1.28	1.12	0.90	0.43	0.34	0.49	0.22	0.16	0.14

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.