



New York Mortgage Trust, Inc. (NYMT)

Updated February 27th, 2022, by Josh Arnold

Key Metrics

Current Price:	\$3.51	5 Year CAGR Estimate:	11.5%	Market Cap:	\$1.3 B
Fair Value Price:	\$4.05	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	03/23/2022 ¹
% Fair Value:	87%	5 Year Valuation Multiple Estimate:	2.9%	Dividend Payment Date:	03/27/2022
Dividend Yield:	11.4%	5 Year Price Target	\$4.05	Years Of Dividend Growth:	1
Dividend Risk Score:	F	Retirement Suitability Score:	C	Last Dividend Increase:	33.3%

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 \$1.3 billion.

New York Mortgage Trust reported fourth quarter and full-year earnings on February 17th, 2022, and results were well short of expectations on both the top and bottom lines. The trust reported adjusted earnings-per-share of eight cents, which was three cents light against expectations. The trust's revenue equivalent – net interest income – was \$30.8 million, which was 19% ahead of the year-ago period, but more than \$11 million lower than expected. In addition, this was lower sequentially. Portfolio net interest margin was 3.63%, and book value actually declined quarter-over-quarter, ceding four cents and ending Q4 at \$4.70 per share. We note the stock is trading well below that level. Residential loans were \$3.57 billion at the end of Q4 at fair value, which is up sharply year-over-year, which ended at \$3.04 billion.

Importantly, the trust authorized a \$200 million buyback through March 31st. That would be good enough for ~55 million shares of common stock, so we've updated our year-end share count estimate accordingly. We'll have to wait and see what is ultimately purchased with the Q1 earnings release, but management issued very bullish commentary with the share repurchase authorization. We forecast 45 cents in earnings-per-share for this year.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$1.08	\$1.11	\$1.52	\$0.62	\$0.50	\$0.61	\$0.58	\$0.65	-\$0.89	\$0.37	\$0.45	\$0.45
DPS	\$1.06	\$1.08	\$1.08	\$1.02	\$0.96	\$0.80	\$0.80	\$0.80	\$0.23	\$0.40	\$0.40	\$0.40
Shares²	26	59	88	108	110	130	147	243	377	379	325	325

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 have not been kind to mortgage REITs.

We forecast no growth for New York Mortgage Trust in the coming years. Interest rates are somewhat higher than they were a year ago. However, we see rates that remain at or near their historical lows as a long-term headwind for New York Mortgage Trust and its competitors. Rates are up recently, but still extremely low by historical standards. We also note the trust's new strategy of buying residential loans is somewhat unproven. In addition, the trust's strategy of sacrificing short-term earnings to lower its cost of capital supports this environment being tougher.

¹ Estimated date

² Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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The trust is working to rebuild its payout after having briefly suspended it last year. We think the trust will struggle to grow EPS from here, meaning the dividend payment could remain stagnant for some time.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	6.3	6.1	5.0	11.4	11.4	10.4	10.5	9.5	---	11.6	7.8	9.0
Avg. Yld.	15.6%	16.0%	14.1%	14.5%	16.8%	12.7%	13.2%	13.0%	7.0%	9.3%	11.4%	9.9%

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 9 times earnings, which is above the current multiple of 7.8. That means we forecast a small tailwind from the valuation in the coming years, with the yield slated to decline as a result.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	98%	97%	71%	165%	192%	131%	138%	123%	---	108%	89%	89%

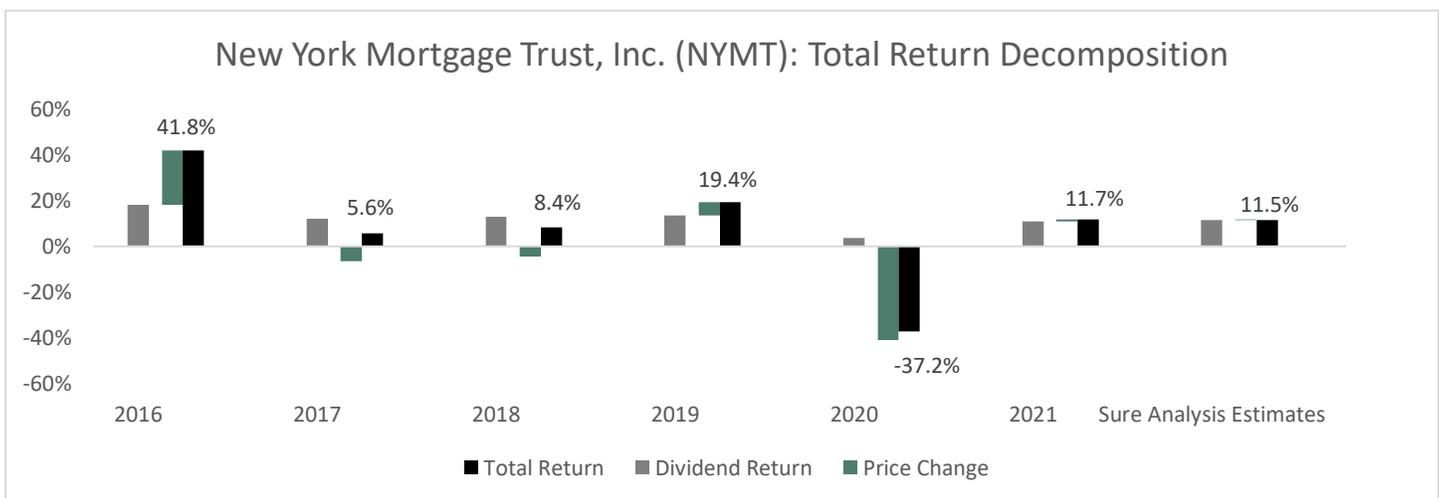
New York Mortgage Trust does not have competitive advantages as all mortgage REITs operate in largely the same way, and with the same sort of securities. It used to have some scale advantages, but with the sales that occurred early in 2020, that is no longer the case.

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. The trust has increased its recession exposure with its strategy of buying individual loans rather than MBS.

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. Volatility in earnings is likely to increase given the strategy shift, and the dividend remains stretched. New York Mortgage Trust continues to be a very volatile way to collect a dividend payment. With total return expectations in the low double digits, we continue to rate the stock a hold. We note the stock is in buy territory with total returns at 11.5%, but we remain at a hold rating given dividend uncertainty, as well as volatility in the share price.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	17	41	91	188	123	105	131	137	201	-232
SG&A Exp.	11	11	16	34	29	25	23	23	31	37
D&A Exp.	6	10	13	-3	1	8	0	-29	-56	15
Net Profit	5	28	69	136	78	68	92	103	174	-289
Net Margin	27.4%	68.5%	75.9%	72.3%	63.2%	64.3%	70.1%	75.3%	86.4%	124%
Free Cash Flow	13	29	53	38	36	54	29	24	35	111
Income Tax	0	1	1	6	5	3	3	(1)	(0)	1

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	683	7160	9899	10540	9056	8952	12056	14738	23483	4656
Cash & Equivalents	17	32	32	76	62	84	95	104	119	293
Total Liabilities	596	6838	9418	9722	8176	8100	11080	13557	21278	2348
Long-Term Debt	245	5663	8379	8471	7097	6922	9572	11325	17996	1804
Shareholder's Equity	85	322	408	746	721	689	682	890	1701	1796
D/E Ratio	2.87	17.59	17.43	10.36	8.06	8.16	9.85	9.60	8.16	0.78

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	0.9%	0.7%	0.8%	1.3%	0.8%	0.8%	0.9%	0.8%	0.9%	-2.1%
Return on Equity	6.2%	13.9%	18.9%	23.6%	10.6%	9.6%	13.4%	13.1%	13.4%	-16.5%
ROIC	1.4%	0.9%	0.9%	1.5%	0.9%	0.9%	1.0%	0.9%	1.1%	-2.4%
Shares Out.	10	26	59	88	108	110	130	147	243	377
Revenue/Share	1.66	1.58	1.54	2.14	1.14	0.96	1.01	0.93	0.83	-0.63
FCF/Share	1.28	1.12	0.90	0.43	0.34	0.49	0.22	0.16	0.14	0.30

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

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