



New York Mortgage Trust, Inc. (NYMT)

Updated November 20th, 2022, by Josh Arnold

Key Metrics

Current Price:	\$2.75	5 Year CAGR Estimate:	6.8%	Market Cap:	\$1.0 B
Fair Value Price:	\$2.10	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	12/23/2022 ¹
% Fair Value:	131%	5 Year Valuation Multiple Estimate:	-5.3%	Dividend Payment Date:	01/26/2023
Dividend Yield:	14.5%	5 Year Price Target	\$2.10	Years Of Dividend Growth:	1
Dividend Risk Score:	F	Retirement Suitability Score:	C	Rating:	Hold

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 billion.

New York Mortgage Trust reported third quarter earnings on November 2nd, 2022, and results were worse than expected for both revenue and earnings. The trust reported earnings-per-share of -\$0.33, which was 23 cents worse than expected. Total net interest income was \$14.22 million, which was down by \$54 million year-over-year, and missed expectations by \$12.8 million.

The trust noted that the volatility in interest rates in the latter stages of the quarter drove "sharply lowered" asset prices across the trust's fixed income markets. The trust, in response, halted asset purchases as a result in the third quarter, which it believes helped enhance the safety of the balance sheet.

Given the weak third quarter earnings result, we now expect a loss of 62 cents per-share for this year, but maintain our expectation that the trust can rebound to a small amount of earnings in the years to come.

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	-\$0.62	\$0.30
DPS	\$1.06	\$1.08	\$1.08	\$1.02	\$0.96	\$0.80	\$0.80	\$0.80	\$0.23	\$0.40	\$0.40	\$0.31
Shares²	26	59	88	108	110	130	147	243	377	379	380	380

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 sharply higher than they were a year ago. However, we see rate volatility as a potential headwind for NYMT and its competitors in months to come. Rates are up recently, but still low by historical standards. We also note the trust's 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.

The trust is working to rebuild its payout after having briefly suspended it in 2020. We think the trust will struggle to grow EPS from normalized earnings power of 30 cents per share, meaning the dividend payment could remain stagnant for some time, or even be at risk.

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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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	9.2	7.0
Avg. Yld.	15.6%	16.0%	14.1%	14.5%	16.8%	12.7%	13.2%	13.0%	7.0%	9.3%	14.5%	14.7%

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 7 times earnings, which is below the current multiple of 9.2. That means we forecast a headwind from the valuation in the coming years, with the yield slated to rise slightly 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%	133%	103%

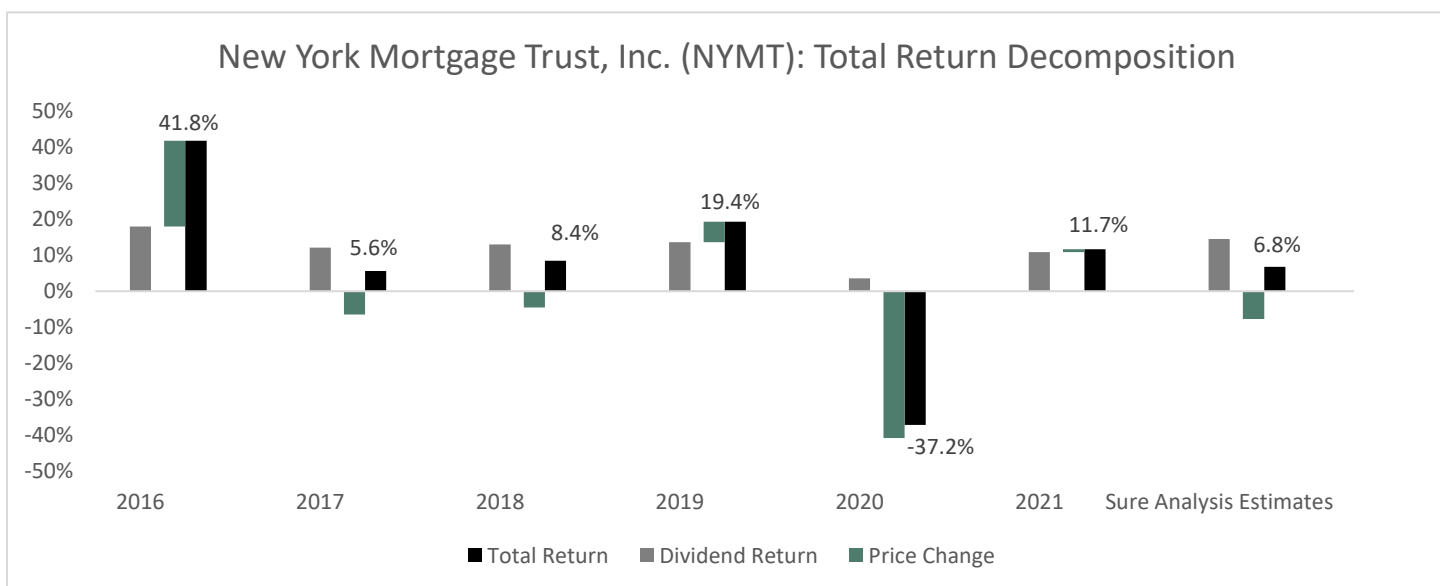
New York Mortgage Trust does not have competitive advantages as all mortgage REITs operate in largely the same way, and with the same sort of securities. It used to have some scale advantages, but with the sales that occurred early in 2020, that is no longer the case.

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 of 6.8%, we continue to rate the stock a hold. The yield is above 14%, but the valuation is a 5.3% headwind, and we note the dividend could be at risk if market conditions deteriorate further.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	41	91	188	123	105	131	137	201	-232	287
SG&A Exp.	11	16	34	29	25	23	23	31	37	45
D&A Exp.	10	13	-3	1	8	0	-29	-56	15	51
Net Profit	28	69	136	78	68	92	103	174	-289	193
Net Margin	68.5%	75.9%	72.3%	63.2%	64.3%	70.1%	75.3%	86.4%	124%	67.2%
Free Cash Flow	29	53	38	36	54	29	24	35	111	139
Income Tax	1	1	6	5	3	3	(1)	(0)	1	2

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	7160	9899	10540	9056	8952	12056	14738	23483	4656	5641
Cash & Equivalents	32	32	76	62	84	95	104	119	293	290
Total Liabilities	6838	9418	9722	8176	8100	11080	13557	21278	2348	3210
Long-Term Debt	5663	8379	8471	7097	6922	9572	11325	17996	1804	2511
Shareholder's Equity	322	408	746	721	689	682	890	1701	1796	1803
LTD/E Ratio	17.59	17.43	10.36	8.06	8.16	9.85	9.60	8.16	0.78	1.07

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	0.7%	0.8%	1.3%	0.8%	0.8%	0.9%	0.8%	0.9%	-2.1%	3.8%
Return on Equity	13.9%	18.9%	23.6%	10.6%	9.6%	13.4%	13.1%	13.4%	-16.5%	10.7%
ROIC	0.9%	0.9%	1.5%	0.9%	0.9%	1.0%	0.9%	1.1%	-2.4%	4.3%
Shares Out.	26	59	88	108	110	130	147	243	377	381
Revenue/Share	1.58	1.54	2.14	1.14	0.96	1.01	0.93	0.83	-0.63	0.75
FCF/Share	1.12	0.90	0.43	0.34	0.49	0.22	0.16	0.14	0.30	0.36

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

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