



New York Mortgage Trust, Inc. (NYMT)

Updated August 11th, 2023, by Josh Arnold

Key Metrics

Current Price:	\$9.05	5 Year CAGR Estimate:	-0.7%	Market Cap:	\$823 M
Fair Value Price:	\$2.80	5 Year Growth Estimate:	12.0%	Ex-Dividend Date:	09/15/2023 ¹
% Fair Value:	323%	5 Year Valuation Multiple Estimate:	-20.9%	Dividend Payment Date:	10/26/2023
Dividend Yield:	13.3%	5 Year Price Target	\$4.93	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Retirement Suitability Score:	C	Rating:	Sell

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 just over \$800 million. The trust underwent a 1-for-4 reverse stock split in 2023; our tables reflect this change.

NYMT posted second quarter earnings on August 2nd, 2023, and results were quite weak. Adjusted earnings-per-share came to a loss of 38 cents, which missed estimates by 51 cents. Revenue was more than double the prior year quarter at \$40.7 million, which beat estimates by \$16.2 million.

The company's yield on average earning assets was 6.07%, which created a net interest spread of just 0.48%. This has caused a massive decline in the company's profitability, and we believe the road ahead for NYMT's interest spread is bleak given the continued inversion of the yield curve.

Interest income was \$57.5 million, while interest expense was \$42.4 million. Net interest income was \$15.1 million. Book value ended the period at \$12.44, while adjusted book value was \$14.32 per share. The company's economic return on adjusted book value for the quarter was -5.1%. The company purchased \$546 million in Agency RMBS and \$106 million in residential loans. It received \$34 million in proceeds from mezzanine lending redemptions. In addition, it sold four multi-family properties held by joint venture equity investments for \$38 million. NYMT also bought back 37,863 shares of preferred stock for an average of \$18.88 per share.

The dividend was cut by 25% to a new payout of 30 cents per share annually. We now see just 35 cents in earnings-per-share for this year after a weak Q2.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$1.11	\$1.52	\$0.62	\$0.50	\$0.61	\$0.58	\$0.65	-\$0.89	\$0.37	-\$0.90	\$0.35	\$0.62
DPS	\$1.08	\$1.08	\$1.02	\$0.96	\$0.80	\$0.80	\$0.80	\$0.23	\$0.40	\$0.40	\$1.20	\$0.53
Shares²	15	22	27	28	33	37	61	94	95	91	91	95

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 in a state of inversion, the past few years have not been kind to mortgage REITs.

We forecast 12% 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

¹ Estimated date

² Share count in millions

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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 over time, meaning the dividend payment could remain stagnant for some time, or even be at further risk of another cut.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	6.1	5.0	11.4	11.4	10.4	10.5	9.5	---	11.6	---	25.9	8.0
Avg. Yld.	16.0%	14.1%	14.5%	16.8%	12.7%	13.2%	13.0%	7.0%	9.3%	15.6%	13.3%	10.8%

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 more than 11. Given the current environment, we assess fair value at 8 times earnings, which is below the current multiple of 25.9. That means we forecast a massive headwind from the valuation in the coming years, with the yield slated to decline due to lower forecasted payments.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	97%	71%	165%	192%	131%	138%	123%	---	108%	---	343%	86%

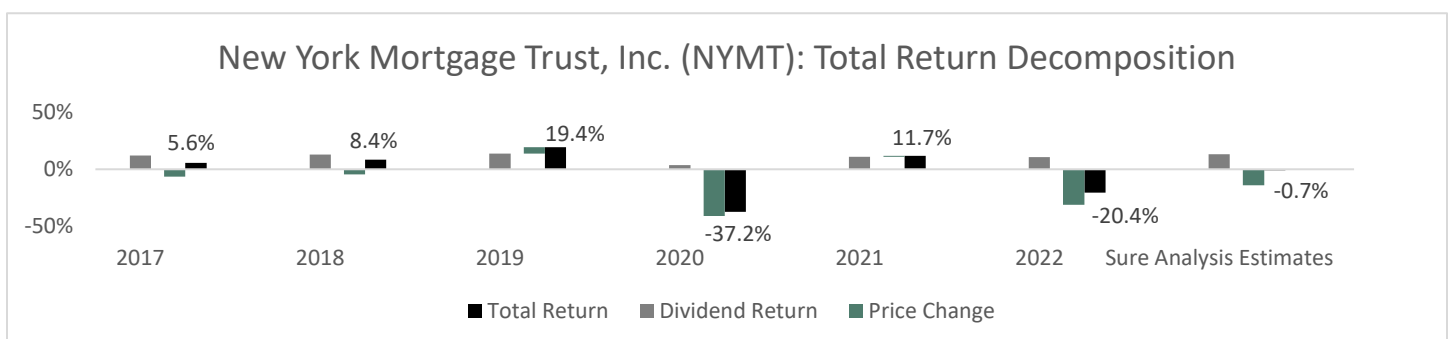
New York Mortgage Trust does not have competitive advantages as all mortgage REITs operate in largely the same way, and with the same sort of securities. It used to have some scale advantages, but with the sales that occurred early in 2020, that is no longer the case.

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 a tough point in the cycle. Volatility in earnings is likely to increase given the strategy shift, and the dividend remains very stretched even after the cut. New York Mortgage Trust continues to be a very volatile way to collect a dividend payment. With total return expectations of -0.7%, we are downgrading the stock from hold to sell. The yield is above 13%, but the valuation is a 20.9% headwind, and we note the dividend could be at further risk if market conditions deteriorate further.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	91	188	123	105	131	137	201	-232	287	10
SG&A Exp.	16	34	29	25	23	23	31	37	45	48
D&A Exp.	13	-3	1	8	0	-29	-56	15	51	153
Net Profit	69	136	78	68	92	103	174	-289	193	-299
Net Margin	75.9%	72.3%	63.2%	64.3%	70.1%	75.3%	86.4%	124%	67.2%	-30.0%
Free Cash Flow	53	38	36	54	29	24	35	111	139	92
Income Tax	1	6	5	3	3	(1)	(0)	1	2	1

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	9899	10540	9056	8952	12056	14738	23483	4656	5641	6241
Cash & Equivalents	32	76	62	84	95	104	119	293	290	245
Total Liabilities	9418	9722	8176	8100	11080	13557	21278	2348	3210	4377
Long-Term Debt	8379	8471	7097	6922	9572	11325	17996	1804	2511	2640
Shareholder's Equity	408	746	721	689	682	890	1701	1796	1803	1229
LTD/E Ratio	17.43	10.36	8.06	8.16	9.85	9.60	8.16	0.78	1.07	1.49

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	0.8%	1.3%	0.8%	0.8%	0.9%	0.8%	0.9%	-2.1%	3.8%	-5.0%
Return on Equity	18.9%	23.6%	10.6%	9.6%	13.4%	13.1%	13.4%	-16.5%	10.7%	-19.7%
ROIC	0.9%	1.5%	0.9%	0.9%	1.0%	0.9%	1.1%	-2.4%	4.3%	-6.3%
Shares Out.	59	88	108	110	130	147	243	377	381	377
Revenue/Share	1.54	2.14	1.14	0.96	1.01	0.93	0.83	-0.63	0.75	0.03
FCF/Share	0.90	0.43	0.34	0.49	0.22	0.16	0.14	0.30	0.36	0.24

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

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