



New York Mortgage Trust, Inc. (NYMT)

Updated March 11th, 2024, by Josh Arnold

Key Metrics

Current Price:	\$7.21	5 Year CAGR Estimate:	4.1%	Market Cap:	\$658 M
Fair Value Price:	\$4.80	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	03/15/2024 ¹
% Fair Value:	150%	5 Year Valuation Multiple Estimate:	-7.8%	Dividend Payment Date:	04/26/2024
Dividend Yield:	11.1%	5 Year Price Target	\$4.80	Years Of Dividend Growth:	0
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 \$658 million. The trust underwent a 1-for-4 reverse stock split in 2023; our tables reflect this change.

NYMT posted fourth quarter and full-year earnings on February 21st, 2024, and results were quite strong, particularly relative to recent results. The trust posted earnings of 35 cents per-share for the quarter, with revenue cresting \$100 million. The management team noted the reduced volatility in interest rates as a favorable contribution to the quarter's results. Earnings were -\$1.04 in Q3, and -\$0.52 in last year's Q4.

Total net interest income came to \$16.8 million, which was unchanged from Q3, but off from \$22.3 million a year ago. The management team admitted they made mistakes in terms of reducing portfolio risk in 2023, and that this impaired earnings unduly. However, they also noted they're sticking with the strategy as they called the strategy "premature" rather than incorrect.

Book value ended the quarter at \$11.31 per share, up fractionally from the September quarter. Economic return on book value was -0.54% for Q4, up nicely from -7.61% in Q3. The total investment portfolio carrying value was \$51.5 billion, up from \$4.7 billion in Q3. The trust purchased \$416 million in agency residential mortgage-backed securities and \$238 million in residential loans during the quarter. In addition, it sold \$39 million of investment securities.

We start the year with an estimate of 80 cents in earnings-per-share, but note that NYMT's results are notoriously volatile; we expect this year to be no different on that front.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$1.52	\$0.62	\$0.50	\$0.61	\$0.58	\$0.65	-\$0.89	\$0.37	-\$0.90	(\$0.99)	\$0.80	\$0.80
DPS	\$1.08	\$1.02	\$0.96	\$0.80	\$0.80	\$0.80	\$0.23	\$0.40	\$0.40	\$1.20	\$0.80	\$0.80
Shares²	22	27	28	33	37	61	94	95	91	91	91	91

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 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

¹ Estimated date

² Share count in millions

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come. Rates are up recently, but volatility in rates has hampered results for mREITs. In addition, the trust's strategy of sacrificing short-term earnings to lower its cost of capital supports this environment being tougher.

The dividend was raised too quickly in 2023 and was cut once again. 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	5.0	11.4	11.4	10.4	10.5	9.5	---	11.6	---	---	9.0	6.0
Avg. Yld.	14.1%	14.5%	16.8%	12.7%	13.2%	13.0%	7.0%	9.3%	15.6%	14.1%	11.1%	16.7%

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 more than 11. Given the current environment, we assess fair value at 6 times earnings, which is below the current multiple of 9. That means we forecast a big headwind from the valuation in the coming years, with the yield slated to rise due to a lower valuation driving a lower share price.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	71%	165%	192%	131%	138%	123%	---	108%	---	---	100%	100%

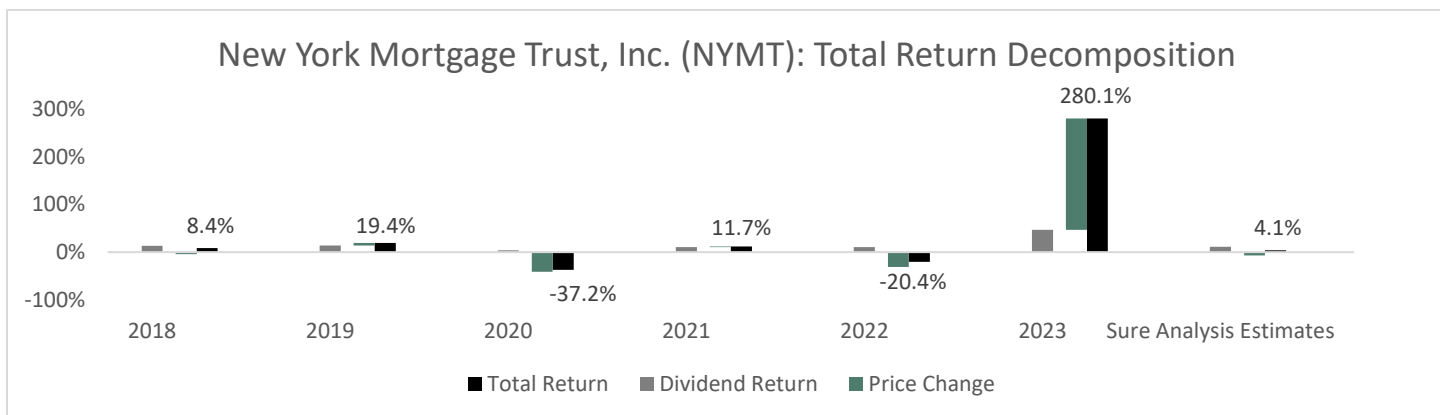
New York Mortgage Trust does not have competitive advantages as all mortgage REITs operate in largely the same way, and with the same sort of securities. It used to have some scale advantages, but with the sales that occurred early in 2020, that is no longer the case.

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, 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. New York Mortgage Trust continues to be a very volatile way to collect a dividend payment. With total return expectations of 4.1%, we are boosting the stock from sell to hold. The yield is above 11%, but the valuation is a 7.8% headwind, and we note the dividend is at serious risk of another cut.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	188	123	105	131	137	201	-232	287	10	309
SG&A Exp.	34	29	25	23	23	31	37	45	48	45
D&A Exp.	-3	1	8	0	-29	-56	15	51	153	52
Net Profit	136	78	68	92	103	174	-289	193	-299	-49
Net Margin	72.3%	63.2%	64.3%	70.1%	75.3%	86.4%	124%	67.2%	-30.0%	-15.9%
Free Cash Flow	38	36	54	29	24	35	111	139	92	30
Income Tax	6	5	3	3	(1)	(0)	1	2	1	0

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	10540	9056	8952	12056	14738	23483	4656	5641	6241	7401
Cash & Equivalents	76	62	84	95	104	119	293	290	245	187
Total Liabilities	9722	8176	8100	11080	13557	21278	2348	3210	4377	5773
Long-Term Debt	8471	7097	6922	9572	11325	17996	1804	2511	2640	2798
Shareholder's Equity	746	721	689	682	890	1701	1796	1803	1229	1044
LTD/E Ratio	10.36	8.06	8.16	9.85	9.60	8.16	0.78	1.07	1.49	1.77

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.3%	0.8%	0.8%	0.9%	0.8%	0.9%	-2.1%	3.8%	-5.0%	-0.7%
Return on Equity	23.6%	10.6%	9.6%	13.4%	13.1%	13.4%	-16.5%	10.7%	-13.9%	-2.8%
ROIC	1.5%	0.9%	0.9%	1.0%	0.9%	1.1%	-2.4%	4.3%	-6.3%	-1.1%
Shares Out.	88	108	110	130	147	243	377	381	94	91
Revenue/Share	2.14	1.14	0.96	1.01	0.93	0.83	-0.63	0.75	0.11	3.39
FCF/Share	0.43	0.34	0.49	0.22	0.16	0.14	0.30	0.36	0.97	0.33

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

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