



New York Mortgage Trust, Inc. (NYMT)

Updated November 9th, 2024, by Josh Arnold

Key Metrics

Current Price:	\$5.96	5 Year CAGR Estimate:	2.5%	Market Cap:	\$540 M
Fair Value Price:	\$3.30	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	12/30/2024 ¹
% Fair Value:	181%	5 Year Valuation Multiple Estimate:	-11.2%	Dividend Payment Date:	01/28/2025
Dividend Yield:	13.4%	5 Year Price Target	\$3.30	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 \$540 million. The trust underwent a 1-for-4 reverse stock split in 2023; our tables reflect this change.

New York Mortgage Trust posted third quarter earnings on October 30th, 2024, and results were ahead of expectations, but still quite weak. Adjusted earnings-per-share came to 39 cents, which was 36 cents ahead of sharply lowered estimates. Net interest income, which is akin to top line revenue, was \$20.24 million, ahead of \$16.79 million from the year-ago period.

The quarter saw the trust purchase \$372 million in Agency RMBS with an average coupon of 5.33%. In addition, the trust purchased \$624 million in residential loans with an average gross coupon of 9.72%.

Management noted higher earnings were the result of portfolio rotation that the team put in place over a year ago. The trust has been prioritizing investments that are fundamentally stable, and intends to use its excess liquidity to further enhance earnings using this strategy. Management notes it has no corporate debt maturing until 2026.

We've cut our estimate of earnings power to 55 cents per share from 80 cents, as NYMT has continued to see deterioration in its profits. Indeed, this year is still set to see a net loss of 65 cents per share.

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)	\$0.55	\$0.55
DPS	\$1.08	\$1.02	\$0.96	\$0.80	\$0.80	\$0.80	\$0.23	\$0.40	\$0.40	\$1.20	\$0.80	\$0.62
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 have been in recent years. However, we see rate volatility as a potential headwind for NYMT and its competitors in months to 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.

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 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	---	---	10.8	6.0
Avg. Yld.	14.1%	14.5%	16.8%	12.7%	13.2%	13.0%	7.0%	9.3%	15.6%	14.1%	13.4%	18.8%

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 6 times earnings, which is below the current multiple of 10.8 times earnings power. 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%	---	---	146%	113%

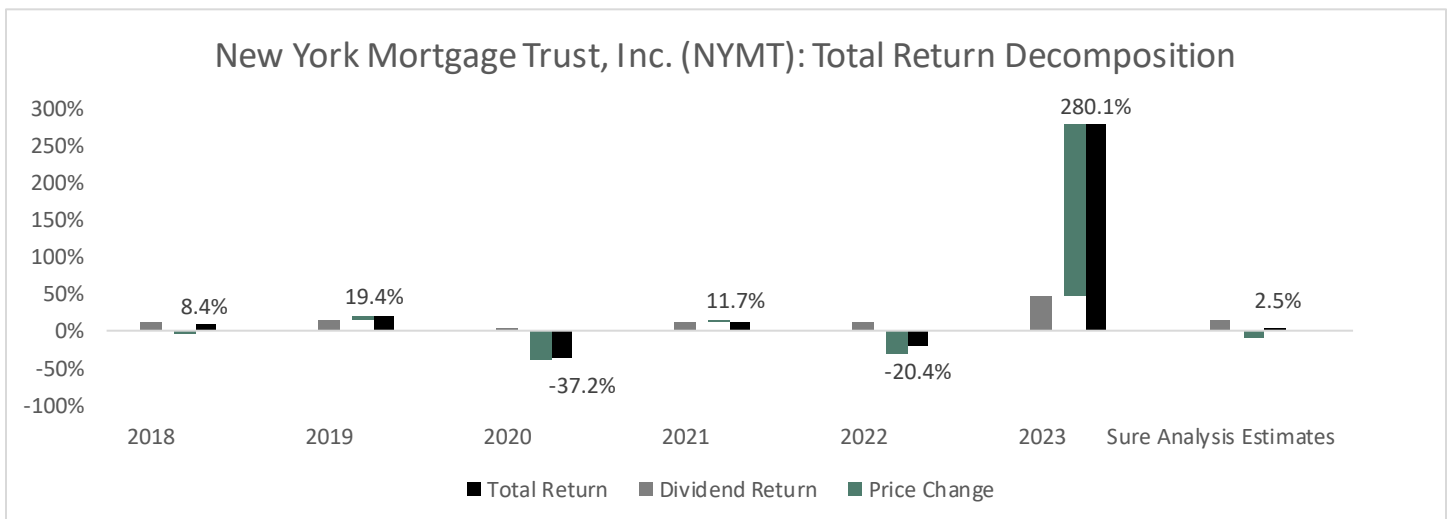
New York Mortgage Trust does not have competitive advantages as all mortgage REITs operate in largely the same way, and with the same sort of securities. It used to have some scale advantages, but with the sales that occurred early in 2020, that is no longer the case.

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, particularly given we see deeply negative earnings for this year. New York Mortgage Trust continues to be a very volatile way to collect a dividend payment. With total return expectations of 2.5%, we are moving the stock from hold to sell. The yield is 13.4%, but the valuation is a big potential headwind, and we note the dividend is at serious risk of another cut given negative expected earnings for this year. This is an extremely speculative stock and we think investors should look elsewhere.

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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