



Arbor Realty Trust Inc. (ABR)

Updated March 1st, 2025 by Samuel Smith

Key Metrics

Current Price:	\$12.3	5 Year CAGR Estimate:	11.8%	Market Cap:	\$2.5 B
Fair Value Price:	\$11.7	5 Year Growth Estimate:	1.3%	Ex-Dividend Date:	3/7/25
% Fair Value:	105%	5 Year Valuation Multiple Estimate:	-0.9%	Dividend Payment Date:	3/21/25
Dividend Yield:	14.0%	5 Year Price Target	\$13	Years Of Dividend Growth:	11
Dividend Risk Score:	F	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

Arbor Realty Trust (ABR) is a nationwide mortgage real estate investment trust (REIT) that acts as a direct lender and operates in two reporting segments: Agency Business and Structured Business. The trust provides loan origination and servicing for multifamily, seniors housing, healthcare, and other diverse commercial real estate assets. Arbor Realty's specific focus is government-sponsored enterprise products, although its platform also includes commercial mortgage-backed securities (CMBS), bridge and mezzanine loans, and preferred equity issuances.

On February 21, 2025, Arbor Realty Trust reported its financial performance for the fourth quarter of 2024. The company achieved distributable earnings of \$0.48 per share, surpassing the quarterly dividend of \$0.43 per share. This marked the 13th consecutive quarter in which distributable earnings exceeded dividends, highlighting Arbor's consistent profitability. The debt platform originated \$1.1 billion in new loans during the quarter, bringing the total originations for the year to \$4.2 billion.

The loan portfolio grew to \$14.3 billion, with a weighted average yield of 8.5%. Credit quality remained strong, with non-performing loans constituting only 0.6% of the portfolio. The agency business segment generated \$12 million in income for the quarter, contributing to a full-year total of \$45 million. The servicing portfolio expanded to \$27 billion, providing a stable and recurring revenue stream. Arbor maintained a robust balance sheet, ending the year with \$600 million in liquidity and a debt-to-equity ratio of 2.5x. The company successfully issued \$100 million in unsecured notes during the quarter, further enhancing its financial flexibility.

Management expressed optimism about future growth prospects, citing a strong pipeline of loan originations and favorable market conditions. The Board of Directors approved a quarterly dividend of \$0.43 per share, reflecting confidence in Arbor's ongoing earnings capacity. Overall, the fourth quarter of 2024 demonstrated Arbor Realty Trust's solid financial performance and strategic positioning for continued success.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.46	\$0.80	\$0.78	\$1.11	\$1.11	\$1.75	\$2.01	\$2.23	\$2.25	\$1.74	\$1.28	\$1.50
BVPS	\$9.34	\$11.42	\$11.27	\$9.56	\$10.20	\$10.91	\$15.98	\$19.40	\$14.25	\$16.65	\$11.74	\$12.55
DPS	\$0.58	\$0.62	\$0.76	\$1.13	\$1.14	\$1.23	\$1.38	\$1.54	\$1.68	\$1.72	\$1.72	\$1.45
Shares¹	51.0	51.4	61.7	85.4	111.2	123.9	152.1	179.8	188.5	189.5	189.5	200.0

Arbor Realty has had to issue a lot of additional common shares to fuel revenue growth over the past decade, thereby diluting bottom line returns for shareholders. Moving forward, we expect the trust's investments to be offset by a weakening real estate and macroeconomic picture as well as dilution to some degree by significant share issuances. As a result, we are expecting book value per share to grow slowly over the next half decade.

¹ 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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/B	0.8	0.7	0.7	0.8	1.1	1.2	1.4	1.7	1.1	1.1	1.0	1.0
Avg. Yld.	8.0%	7.4%	9.2%	14.2%	10.4%	9.7%	6.0%	4.6%	10.8%	9.4%	14.0%	11.6%

Given Arbor Realty’s volatile AFFO history, we believe that measuring the security’s valuation using the price-to-book ratio is a much more reasonable approach than the traditional price-to-AFFO for REITs. As the table above indicates, Arbor Realty’s price-to-book ratio has ranged between 0.7x and 1.7x over the last decade, though in recent years it has consistently been over 1x. At the same time, the trust’s dividend yield since 2013 (the first year that it traded with a material yield) has averaged ~8%, while the trust’s current dividend yield is 14%. The trust’s price-to-book value indicates that it is fairly valued right now.

Safety, Quality, Competitive Advantage, & Recession Resiliency

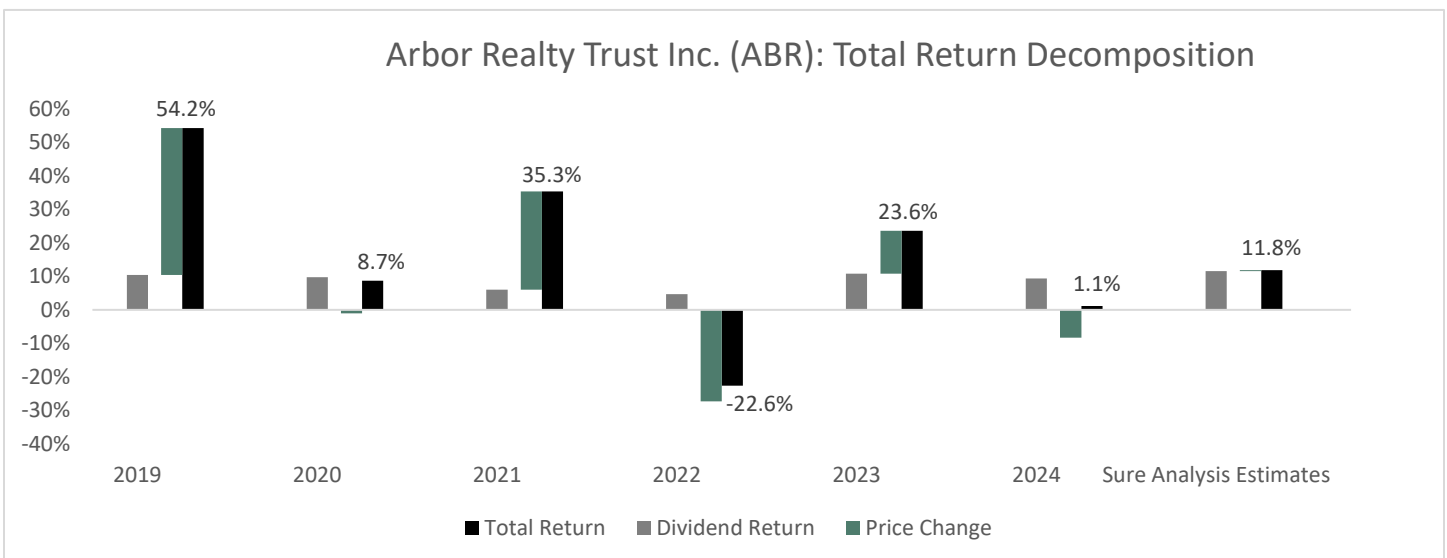
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout ²	126%	78%	97%	102%	103%	70%	69%	69%	76%	99%	134%	97%

Arbor’s high dividend yield indicates that the market has some concerns about the safety of its current dividend payment. In general, the non-recurring nature of the loans within the mortgage REIT business model make Arbor Realty somewhat less of a sleep-well-at-night stock than some of its peers in the equity REIT universe. We have serious questions about its dividend safety through all economic environments, particularly in light of its high current payout ratio.

Final Thoughts & Recommendation

Arbor Realty’s dividend yield will immediately make it attractive to income-oriented investors. However, the business model underpinning the yield is heavily leveraged and therefore the dividend is susceptible to the possibility of significant cuts. The company has thus far sustained its dividend, which offers an attractive yield of 14%. Given the company’s storied history and its attractive 11.8% expected annualized total return over the next half decade, we rate shares a Buy.

Total Return Breakdown by Year



² Note: This payout ratio using AFFO in the denominator.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	96	161	257	331	349	434	591	619	721	626
SG&A Exp.	38	69	130	148	162	182	217	216	211	237
D&A Exp.	5	27	55	56	56	57	66	69	73	78
Net Profit	53	50	73	116	129	171	339	326	371	265
Net Margin	55.6%	31.2%	28.6%	35.0%	36.8%	39.4%	57.4%	52.6%	51.5%	42.3%
Free Cash Flow	36	(199)	459	(38)	(227)	55	217	1,100	236	462
Income Tax	-	1	13	10	15	40	46	17	27	13

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,827	2,971	3,626	4,612	6,239	7,661	15,074	17,039	15,739	13,491
Cash & Equivalents	189	139	104	160	300	340	405	534	929	504
Goodwill & Int. Ass.	-	325	374	390	397	485	523	498	483	457
Total Liabilities	1,262	2,224	2,761	3,547	4,883	6,178	12,524	13,967	12,484	10,339
Long-Term Debt	1,208	2,099	2,631	2,736	3,464	4,681	8,395	10,138	9,439	7,161
Shareholder's Equity	476	498	606	806	1,095	1,255	1,862	2,303	2,484	2,390
LTD/E Ratio	2.14	3.58	3.78	3.06	2.92	3.48	3.47	3.45	3.03	2.37

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.9%	2.1%	2.2%	2.8%	2.4%	2.5%	3.0%	2.0%	2.3%	1.8%
Return on Equity	9.7%	7.7%	9.1%	12.0%	10.6%	12.0%	16.8%	11.6%	11.7%	8.3%
ROIC	3.0%	2.2%	2.3%	3.2%	3.0%	3.1%	4.0%	2.7%	2.9%	2.3%
Shares Out.	51.0	51.4	61.7	85.4	111.2	123.9	152.1	179.8	188.5	189.5
Revenue/Share	1.88	3.12	3.20	3.54	3.01	3.24	3.79	3.11	3.29	3.05
FCF/Share	0.71	(3.84)	5.71	(0.40)	(1.95)	0.41	1.39	5.52	1.08	2.25

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

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