



AGNC Investment Corporation (AGNC)

Updated March 29th, 2025 by Samuel Smith

Key Metrics

Current Price:	\$9.5	5 Year CAGR Estimate:	10.9%	Market Cap:	\$8.6 B
Fair Value Price:	\$8.0	5 Year Growth Estimate:	1.8%	Ex-Dividend Date:	3/31/25
% Fair Value:	119%	5 Year Valuation Multiple Estimate:	-3.4%	Dividend Payment Date:	4/9/25
Dividend Yield:	15.2%	5 Year Price Target	\$9	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Sector:	Financials	Rating:	Sell

Overview & Current Events

American Capital Agency Corp was founded in 2008, and is a mortgage real estate investment trust that invests primarily in agency mortgage-backed securities (or MBS) on a leveraged basis. The firm's asset portfolio is comprised of residential mortgage pass-through securities, collateralized mortgage obligations (or CMO), and non-agency MBS. Many of these are guaranteed by government-sponsored enterprises. The majority of American Capital's investments are fixed-rate agency MBS. Most of these are MBS with a 30-year maturity period. The counterparties to most of American Capital's assets are located in North America. Counterparties in Europe also represent a significant percentage of the trust's total portfolio. American Capital derives nearly all its revenue in the form of interest income.

In the fourth quarter of 2024, AGNC Investment Corp. reported a comprehensive loss per common share of \$0.99, a reversal from the comprehensive income of \$0.93 per share recorded in the previous quarter. Despite this, the company achieved a positive economic return of 13.2% for the full year, driven by its consistent monthly dividend totaling \$1.44 per common share. The company's net spread and dollar roll income, excluding catch-up premium amortization, was \$0.65 per common share for the quarter, down from \$0.67 per share in the prior quarter. AGNC's tangible net book value per common share stood at \$9.08 as of December 31, 2024, reflecting a decrease from \$9.84 at the end of the third quarter. During the quarter, AGNC maintained a portfolio of approximately \$59.5 billion in investment securities and net TBA positions, with a weighted average coupon of 3.98%. The company continued to hedge its interest rate exposure, ending the quarter with a net duration gap of 0.8 years. AGNC's management highlighted the challenges posed by market volatility and interest rate fluctuations during the quarter but expressed confidence in the company's ability to navigate these conditions. They emphasized AGNC's commitment to generating favorable long-term returns for stockholders through substantial monthly dividend income and prudent risk management strategies.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.54	\$1.79	\$2.04	\$0.21	\$2.26	\$2.70	\$3.02	\$3.11	\$2.61	\$1.88	\$1.60	\$1.75
DPS	\$2.48	\$2.30	\$2.16	\$2.16	\$2.16	\$1.44	\$1.44	\$1.44	\$1.44	\$1.44	\$1.44	\$1.44
Shares¹	349	331	358	441	546	538	522	575	695.0	900.4	900.4	800

Due to AGNC's heavily leveraged business model and its high sensitivity to interest rates, its results have been very choppy over the years. In addition, interest rates have risen considerably. Over the long term we think the hefty dividend payout and the volatile nature of the business model will restrict earnings per share growth to a low number. We also believe that dividend growth will be non-existent for the foreseeable future.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	31.8	10.1	9.9	83.6	7.5	5.5	5.4	3.1	3.6	4.4	5.9	5.0
Avg. Yld.	14.4%	12.7%	10.7%	12.3%	12.7%	9.7%	8.8%	14.9%	15.2%	14.8%	15.2%	16.5%

¹ Share count in millions

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AGNC is currently trading at 5.9 times its projected 2025 earnings, and we see this as undervalued based on its longer-term P/E averages. As a result, we expect valuation multiple expansion over the next half-decade. The dividend yield is uncertain moving forward as the company has a history of cutting its dividend during times of uncertainty. However, our current estimate implies a yield that is above historical averages.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	459%	128%	106%	1029%	96%	53%	48%	46%	55%	77%	90%	82%

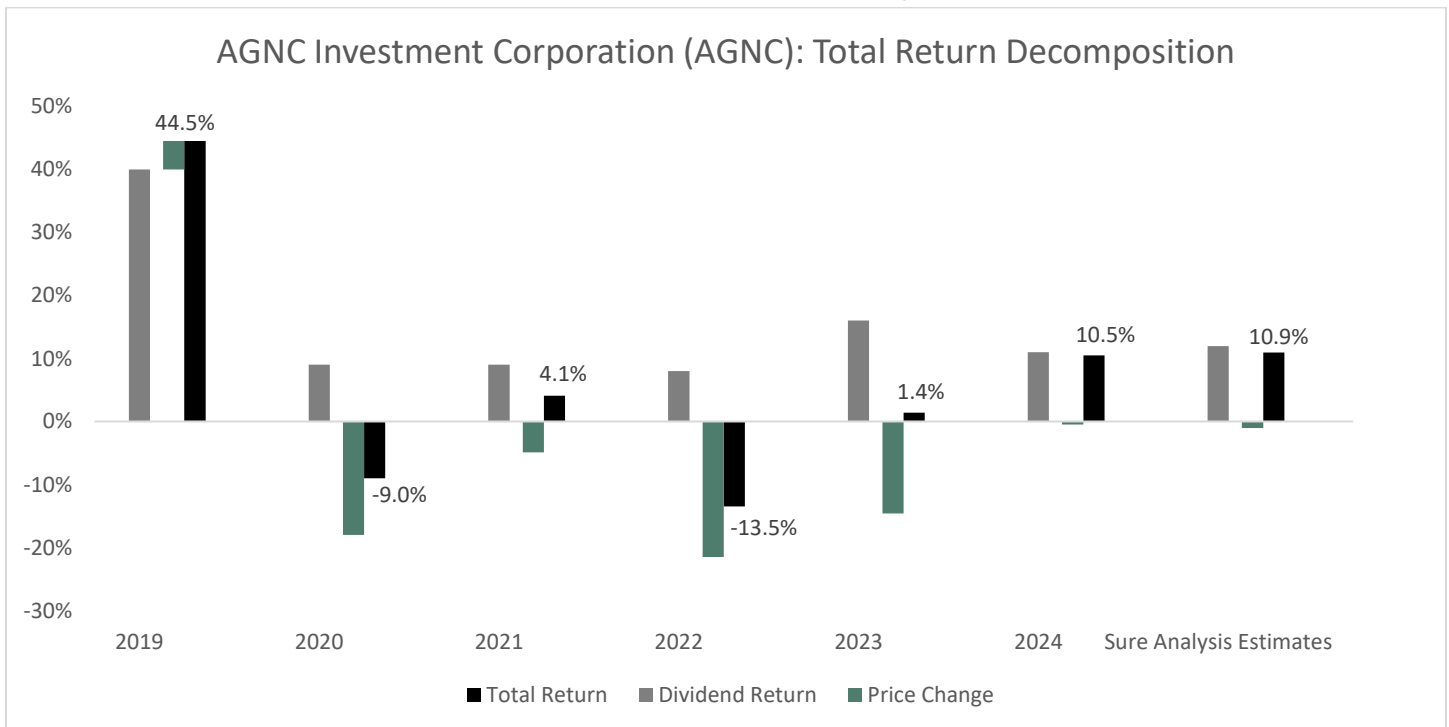
Given that it had its IPO in 2008 – in the midst of the financial crisis – it is hard to get an accurate picture of exactly how it can be expected to perform during this recession. However, the mortgage-backed security industry – given its leverage and interest rate sensitivity – is very prone to underperform when the housing market experiences a downturn and mortgage foreclosures rise. As a result, it should not be viewed as a safe, defensive stock. That being said, its record thus far has been fairly strong, with industry-leading total economic return (NAV-based) and total stock return (share price-based).

This outperformance has been driven by its highly efficient operating cost structure and the competitive advantage that it enjoys through economies of scale as one of the largest residential mortgage REITs. The trust also strives to guard against downside and enhance shareholder total returns by utilizing a comprehensive risk management framework that is predicated on careful asset selection, disciplined hedging, and diversified funding.

Final Thoughts & Recommendation

AGNC offers investors an attractive current dividend yield of 15.2%, though it is expected to see weak earnings per share growth and a compressing valuation multiple. On top of that, it has little to no potential for growing its dividend moving forward and has no dividend growth streak at present either. As a result, while we expect attractive 10.9% annualized total returns over the next half-decade, we still rate it a Sell.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	238	676	844	229	771	(173)	837	(1,116)	251	973
SG&A Exp.	-	19	42	45	47	56	54	41	62	74
D&A Exp.	-	2	3	25						
Net Profit	215	623	771	129	688	(266)	749	(1,190)	155	863
Net Margin	90.3%	92.2%	91.4%	56.3%	89.2%	153.8%	89.5%	106.6%	61.8%	88.7%
Free Cash Flow	1,428	1,352	1,260	1,113	1,180	1,747	1,540	1,013	(118)	86

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	57,021	56,880	70,376	109,241	113,082	81,817	68,149	51,748	71,596	88,015
Cash & Equiv.	1,110	1,208	1,046	921	831	1,017	998	1,018	518	505
Goodwill & Int.	-	554	551	526	526	526	526	526	526	526
Total Liabilities	49,050	49,524	61,622	99,335	102,041	70,738	57,858	43,878	63,339	78,253
Long-Term Debt	4,348	3,497	357	275	228	177	126	95	80	64
Total Equity	7,635	7,020	8,270	9,422	10,109	9,590	8,802	6,236	6,623	8,128
LTD/E Ratio	0.55	0.48	0.04	0.03	0.02	0.02	0.01	0.01	0.01	0.01

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.3%	1.1%	1.2%	0.1%	0.6%	-0.3%	1.0%	-2.0%	0.3%	1.1%
Return on Equity	2.5%	8.1%	9.6%	1.4%	6.6%	-2.4%	7.0%	-13.1%	1.9%	9.6%
ROIC	1.9%	5.4%	7.7%	1.3%	6.4%	-2.4%	6.9%	-12.9%	1.9%	9.5%
Shares Out.	349	331	358	441	546	538	522	575	695.0	900.4
Revenue/Share	0.68	2.04	2.35	0.52	1.42	(0.31)	1.58	(2.08)	0.41	1.24
FCF/Share	4.10	4.07	3.51	2.52	2.18	3.17	2.91	1.89	(0.19)	0.11

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

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