



AGNC Investment Corporation (AGNC)

Updated May 7th, 2025 by Samuel Smith

Key Metrics

Current Price:	\$8.7	5 Year CAGR Estimate:	12.9%	Market Cap:	\$8.9 B
Fair Value Price:	\$8.0	5 Year Growth Estimate:	1.8%	Ex-Dividend Date:	5/31/25 ¹
% Fair Value:	109%	5 Year Valuation Multiple Estimate:	-1.7%	Dividend Payment Date:	6/9/25 ²
Dividend Yield:	16.6%	5 Year Price Target	\$9	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Sector:	Real Estate	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.

On April 22, 2025, AGNC Investment Corp. reported its financial results for the first quarter of 2025. The company announced a comprehensive income of \$0.12 per common share, which included \$0.02 in net income and \$0.10 in other comprehensive income. The tangible net book value per common share decreased by 1.9% from the previous quarter, ending at \$8.25 as of March 31, 2025. AGNC achieved a 2.4% economic return on tangible common equity for the quarter, comprising \$0.36 in dividends declared and a \$0.16 decline in tangible book value.

The company's net spread and dollar roll income was \$0.44 per share, an increase from \$0.37 in the prior quarter, reflecting improved earnings from its investment portfolio. The average asset yield stood at 4.78%, while the net interest spread was 2.12%. AGNC maintained a leverage ratio of 7.5x tangible net book value and held \$6.0 billion in unencumbered cash and Agency MBS. During the quarter, the company issued 49.7 million shares, raising \$509 million in capital. The investment portfolio totaled \$78.9 billion, primarily consisting of \$70.5 billion in Agency mortgage-backed securities and \$7.5 billion in TBA securities.

AGNC's hedge portfolio covered 91% of its funding liabilities, demonstrating a proactive approach to interest rate risk management. The company's performance in the first quarter reflects its focus on maintaining a strong balance sheet and delivering consistent returns to shareholders in a challenging interest rate environment.

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
Shares³	349	331	358	441	546	538	522	575	695.0	900.4	1020.4	1200

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.

¹ Estimate

² Estimate

³ 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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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	5.4	5.0
Avg. Yld.	14.4%	12.7%	10.7%	12.3%	12.7%	9.7%	8.8%	14.9%	15.2%	14.8%	16.6%	16.5%

AGNC is currently trading at 5.4 times its projected 2025 earnings, and we see this as slightly overvalued based on its longer-term P/E averages. As a result, we expect valuation multiple contraction 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%

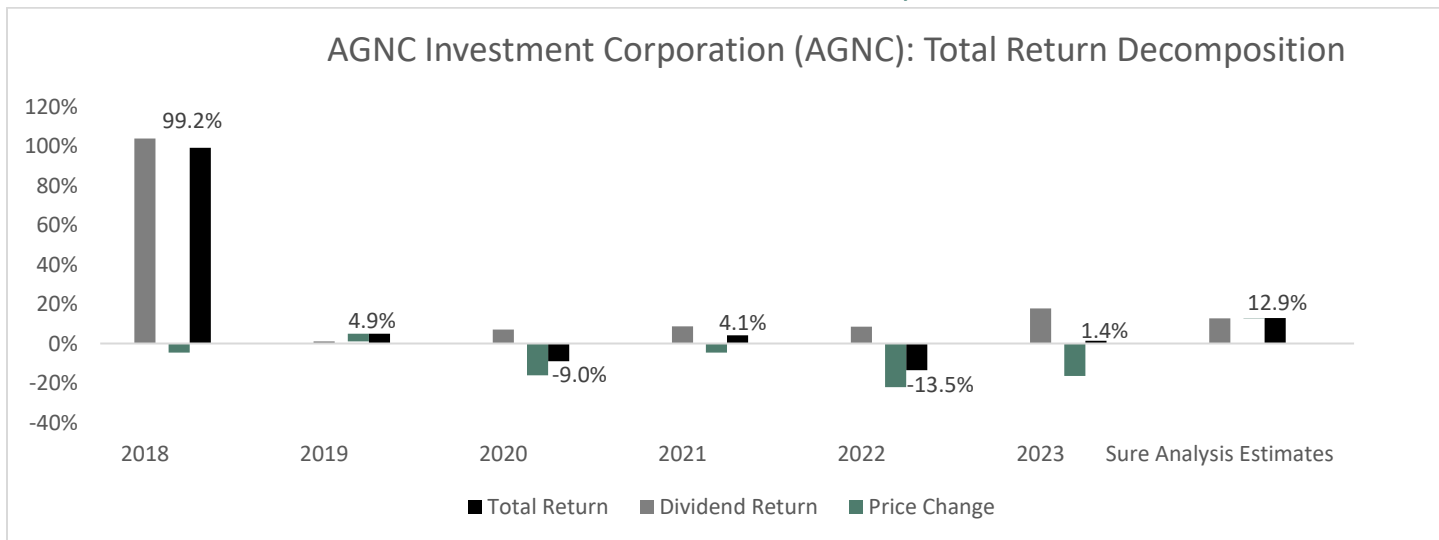
Given that it had its IPO in 2008 – in the midst of the financial crisis – it is hard to get an accurate picture of exactly how it can be expected to perform during this recession. However, the mortgage-backed security industry – given its leverage and interest rate sensitivity – is very prone to underperform 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 16.6%, 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 12.9% 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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