



ARMOUR Residential REIT, Inc. (ARR)

Updated May 7th, 2025 by Samuel Smith

Key Metrics

Current Price:	\$16.5	5 Year CAGR Estimate:	3.8%	Market Cap:	\$1.4 B
Fair Value Price:	\$17.8	5 Year Growth Estimate:	-10.8%	Ex-Dividend Date:	7/15/25 ¹
% Fair Value:	93%	5 Year Valuation Multiple Estimate:	1.5%	Dividend Payment Date:	7/29/25 ²
Dividend Yield:	17.5%	5 Year Price Target	\$10.0	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Sector:	Real Estate	Rating:	Sell

Overview & Current Events

ARMOUR Residential (ARR) is a mortgage REIT that was formed in 2008. The trust invests primarily in residential mortgage-backed securities that are guaranteed or issued by a United States government entity including Fannie Mae, Freddie Mac and Ginnie Mae. ARMOUR has a \$1.4 billion market capitalization.

On April 23, 2025, ARMOUR Residential REIT reported its financial results for the first quarter of 2025. The company announced a GAAP net income available to common stockholders of \$24.3 million, or \$0.32 per common share. Distributable earnings, a non-GAAP measure, were \$64.6 million, equating to \$0.86 per common share. Net interest income for the quarter stood at \$36.3 million.

The average interest income on interest-earning assets was 5.00%, while the interest cost on average interest-bearing liabilities was 4.51%, resulting in an economic net interest spread of 1.88%. The company's book value per common share decreased to \$18.59 from \$19.07 at the end of 2024, and the total economic return for the quarter was 1.26%. ARMOUR raised approximately \$371.4 million by issuing nearly 20 million shares of common stock through an at-the-market offering program and raised an additional \$0.3 million by issuing 17,364 shares of Series C Preferred Stock.

The company paid common stock dividends of \$0.24 per share per month, totaling \$0.72 per share for the quarter. As of March 31, 2025, ARMOUR's liquidity, including cash and unencumbered agency and U.S. government securities, was \$848.0 million. The agency mortgage-backed securities portfolio totaled \$14.4 billion, and the debt-to-equity ratio was 7.33:1. Management emphasized the company's ability to generate stable distributable earnings and maintain a strong liquidity position, allowing for continued investment in agency MBS and consistent dividend payments to shareholders.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$5.57	-\$5.54	\$2.78	\$2.59	\$2.54	\$1.29	\$0.96	\$1.16	\$4.65	\$3.68	\$3.55	\$2.00
DPS	\$3.89	\$3.02	\$2.28	\$2.28	\$2.04	\$0.93	\$1.20	\$1.20	\$4.80	\$2.88	\$2.88	\$1.50
Shares³	7	7	8	10	12	13	19	39	49	76	76	60

ARMOUR's cash flow has been volatile since its inception in 2008, but this is to be expected with all mREITs. Of late, declining spreads have hurt earnings while the economic disruption caused by the coronavirus outbreak disrupted the business model, leading to a sharp decline in cash flow per share, as well as a steep dividend cut. Fortunately, ARMOUR is now seeing a measure of recovery, and should continue to see that recovery manifest itself in the coming quarters and years. Moving forward, we expect the company to see earnings plummet in line with its historical pattern and we therefore expect additional dividend cuts in the future.

¹ Estimate

² Estimate

³ 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.



ARMOUR Residential REIT, Inc. (ARR)

Updated May 7th, 2025 by Samuel Smith

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	Now	2029
Avg. P/E	3.9	---	9.3	8.6	6.7	7.7	10.9	5.0	2.9	4.6	4.6	5.0
Avg. Yld.	17.9%	13.9%	8.8%	10.2%	12.0%	9.4%	11.5%	20.7%	35.6%	14.9%	17.5%	15.0%

As one would expect, ARMOUR's valuation has moved around a lot in recent years. Given the current uncertainty facing the sector and elevated interest rates, we have set fair value at 5 times cash flow. The company's current price to cash flow is considered undervalued due to the weakness in the share price. Given that shares trade at a discount based on expectations for this year's cash flow per share, we expect slight valuation multiple expansion over the coming years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

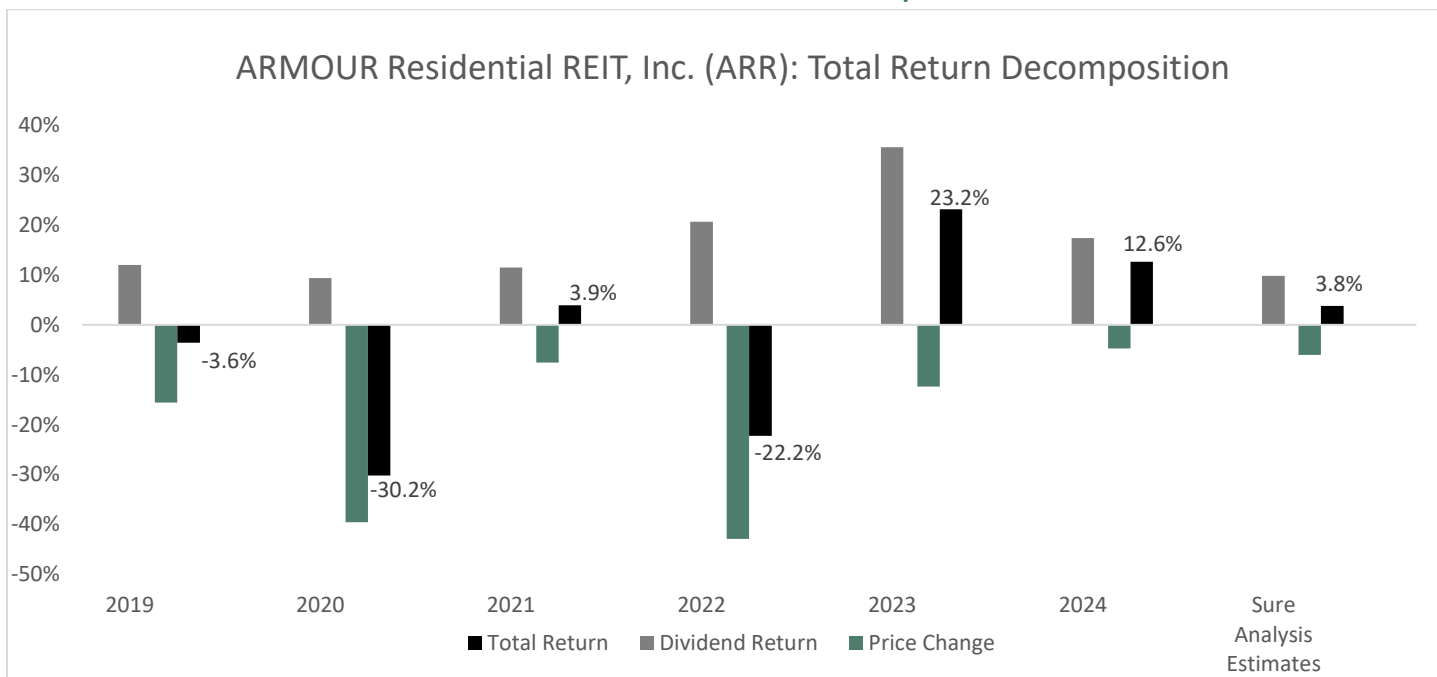
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	70%	-55%	82%	88%	80%	72%	125%	103%	103%	78%	81%	75%

ARMOUR's quality metrics have been volatile given the performance of the trust as rates have moved around over the years. Gross margins have moved down since short-term rates began to rise meaningfully a couple of years ago, although it appears most of that damage has been done. Balance sheet leverage had been moving down slightly, but it saw an uptick again this past quarter. However, we do not forecast significant movement in either direction from this point. Interest coverage has declined with spreads but also appears to have stabilized, so we are somewhat optimistic moving forward, while keeping in mind the significant potential for volatility. ARMOUR faced headwinds from the coronavirus outbreak and an overall economic downturn. As a result, a steep dividend cut was necessary to preserve the balance sheet and allow the REIT to reposition itself for survival and future growth.

Final Thoughts & Recommendation

We see 3.8% annualized total returns for shareholders in the coming years thanks to the attractive dividend yield of 17.5% offset by some expected valuation multiple contraction, along with significant expected declines in earnings per share. Overall, we rate the stock a Sell.

Total Return Breakdown by Year



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.



ARMOUR Residential REIT, Inc. (ARR)

Updated May 7th, 2025 by Samuel Smith

Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	(22)	(100)	125	(57)	(217)	(22)	19	(226)	(63)	(0)
SG&A Exp.	3	3	3	4	5	6	7	5	5	5
Net Profit	(31)	(46)	181	(106)	(250)	(215)	15	(230)	(68)	(14)
Net Margin	144.8%	45.7%	145.2%	186.5%	115.4%	968.7%	80.1%	101.8%	108.6%	3011%
Free Cash Flow	238	(203)	110	75	(41)	(258)	12	124	133	261

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	13,055	7,978	8,929	8,465	13,272	5,524	5,277	9,437	12,344	13,548
Cash & Equivalents	290	272	265	222	181	168	338	87	222	68
Acc. Receivable	35	18	22	23	35	13	11	29	47	53
Total Liabilities	11,830	6,886	7,603	7,339	11,836	4,586	4,134	8,325	11,073	12,187
Accounts Payable	26	14	9	14	36	4	4	29	38	41
Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Total Equity	1,225	1,092	1,326	1,125	1,437	938	1,144	1,112	1,271	1,361

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	-0.2%	-0.4%	2.1%	-1.2%	-2.3%	-2.3%	0.3%	-3.1%	-0.6%	-0.1%
Return on Equity	-2.1%	-3.9%	15.0%	-8.6%	-19.5%	-18.1%	1.5%	-20.4%	-5.7%	-1.1%
ROIC	-2.1%	-3.9%	15.0%	-8.6%	-19.5%	-18.1%	1.5%	-20.4%	-5.7%	-1.1%
Shares Out.	7	7	8	10	12	13	19	39	49	76
Revenue/Share	(2.52)	(13.58)	15.73	(6.75)	(18.73)	(1.76)	1.19	(9.57)	(1.45)	(0.01)
FCF/Share	27.85	(27.72)	13.88	8.93	(3.52)	(20.44)	0.73	5.26	3.08	5.01

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

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.