



Dynex Capital Inc. (DX)

Updated July 31st, 2025 by Samuel Smith

Key Metrics

Current Price:	\$12.4	5 Year CAGR Estimate:	10.6%	Market Cap:	\$1.63 B
Fair Value Price:	\$8.2	5 Year Growth Estimate:	7.8%	Ex-Dividend Date:	10/23/25 ¹
% Fair Value:	150%	5 Year Valuation Multiple Estimate:	-7.8%	Dividend Payment Date:	11/1/25 ²
Dividend Yield:	16.5%	5 Year Price Target	\$12	Years of Dividend Growth:	2
Dividend Risk Score:	F	Sector:	Real Estate	Rating:	Hold

Overview & Current Events

Dynex Capital, Inc. was founded in 1987 and is headquartered in Glen Allen, Virginia. As an mREIT, Dynex Capital invests in mortgage-backed securities (MBS) on a leveraged basis in the United States. It invests in agency and non-agency MBS consisting of residential MBS, commercial MBS (CMBS), and CMBS interest-only securities. Agency MBS have a guaranty of principal payment by an agency of the U.S. government or a U.S. government-sponsored entity, such as Fannie Mae and Freddie Mac. Non-Agency MBS have no such guaranty of payment. The trust is structured to have internal management, which is good because it can reduce conflicts of interest and often leads to lower management expenses.

On July 21, 2025, Dynex Capital, Inc. reported its financial results for the second quarter of 2025. Dynex Capital, Inc. reported a total economic loss of \$(0.10) per common share for Q2 2025, representing a 0.8% decline in beginning book value, with book value per common share at \$11.95 as of June 30, 2025, down from \$12.56 in the prior quarter. The company recorded a comprehensive loss of \$(0.11) per common share and a net loss of \$(0.14) per common share, despite declaring dividends of \$0.51 per common share.

Dynex raised \$282 million in equity capital through at-the-market common stock issuances and invested in \$1.9 billion in Agency RMBS, \$364 million in Agency CMBS, and increased TBA investments by \$953 million, maintaining liquidity at \$891 million. Leverage, including TBA securities at cost, was 8.3 times shareholders' equity. Compared to the previous quarter, net interest income rose to \$23.1 million from \$17.1 million, with economic net interest income at \$35.5 million, reflecting a 0.96% spread. Management, led by Co-CEO Smriti Laxman Popenoe, highlighted the company's strategy of deploying capital into mortgage-backed securities markets, emphasizing liquidity and risk management. The company's investment portfolio grew, with total assets reaching \$11.3 billion, up from \$9.0 billion in Q1, driven by increased MBS holdings.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.42	\$2.07	\$1.38	-\$0.24	\$2.16	\$1.92	\$1.97	\$1.04	(\$0.25)	(\$0.35)	\$1.03	\$1.50
DPS	\$2.88	\$2.52	\$2.16	\$2.16	\$2.01	\$1.66	\$1.56	\$1.56	\$1.56	\$1.60	\$2.04	\$1.50
Shares³	18	16	17	19	24	23	37	54	59	91	130	125

With interest rates rising rapidly and the mortgage market currently suffering from plummeting demand, Dynex may have a challenging time growing. On top of that, a recession is considered increasingly likely, which in turn could lead to a jump in defaults on Dynex's investments, posing a further headwind to growth. As a result, when combined with Dynex's sky-high payout ratio, we are expecting earnings power to stagnate and even decline in the coming years, leading to a likely dividend cut.

¹ Estimated

² Estimated

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	7.3	12.0	40.0	9.5	15.0	NA	7.8	9.4	9.0	8.4	12.0	8.0
Avg. Yld.	94.6%	10.1%	3.9%	11.1%	6.2%	13.0%	10.2%	16.0%	12.6%	13.5%	16.5%	12.5%

Due to lumpiness in earnings, it is difficult to establish an accurate price to earnings ratio from the past decade. Excluding the outliers in 2015 and 2018, we see that in most years Dynex' price to earnings ratio has been between 7.0 and 10.0. Given that the company has a history of dividend cuts and growth prospects are poor, we do not believe that the multiple should be much higher than this. As a result, we believe that a multiple of around 8 times earnings is appropriate. If achieved over the next half decade, multiple contraction would provide a headwind to annual total returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	686%	122%	157%	-900%	NA	86%	79%	150%	-624%	NA	198%	100%

Dynex brings to the table some competitive advantages, which could enable it to generate strong returns for investors throughout business cycles. These include the trust's experienced management team with expertise in managing securitized real estate assets through multiple economic cycles, as well as its emphasis on maintaining a diversified pool of highly liquid mortgage investments with minimal credit risk.

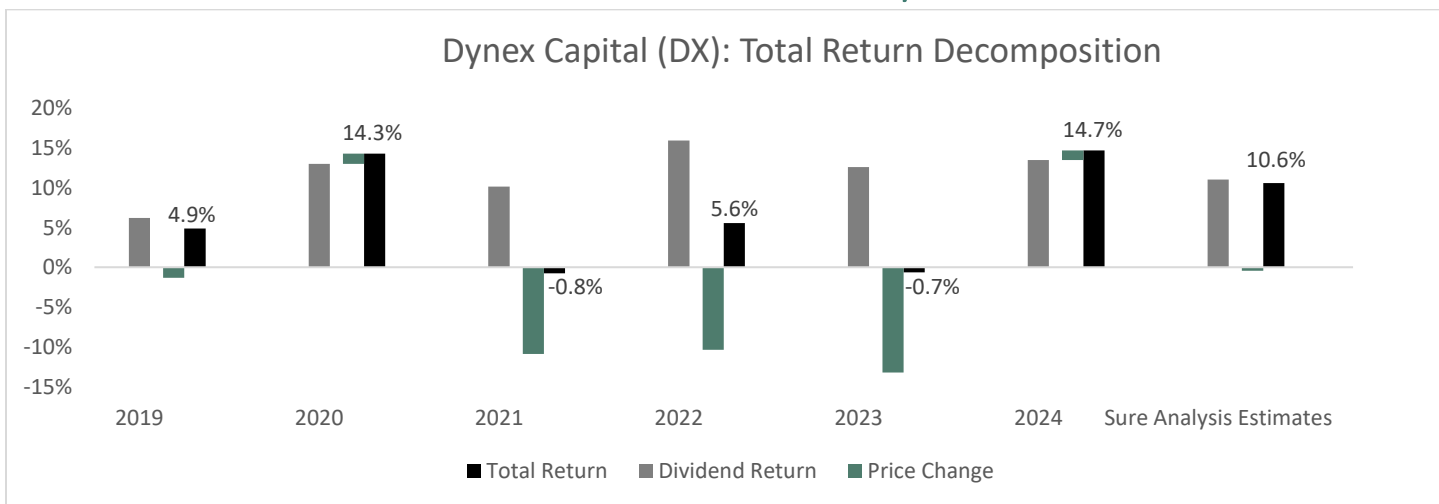
One of the biggest challenges is the shrinking spread between 3-month LIBOR and short-term repo rates, as repo rates remain elevated due to the Fed's pause on the Fed Funds rate. Another risk is that prepayment speeds could rise due to seasonal factors. Additionally, the fall in mortgage rates could increase refinancing activity, further cutting into profits.

The trust's normalized diluted earnings per share were actually quite stable through the last recession, though shares still sold off very heavily, losing about 40% of their market value. All in all, there's little margin of safety here due largely to the payout ratio being so high, combined with highly volatile earnings-per-share.

Final Thoughts & Recommendation

Looking ahead to the next half decade, we expect total annualized returns of 10.6%. Given the current headwinds facing the sector, we feel that these total returns are less attractive on a risk-adjusted return basis. Therefore, we rate Dynex as a Hold despite its attractive dividend yield.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	34	57	50	24	(137)	200	128	177	27	150
SG&A Exp.	18	15	16	15	16	21	24	32	31	35
D&A Exp.	5	2	1	1	2	2	2	2	2	
Net Profit	17	43	34	7	(153)	178	102	143	(6)	114
Net Margin	49.3%	75.8%	68.0%	29.6%	112%	88.9%	80.1%	80.9%	-22.9%	75.7%
Free Cash Flow	217	211	204	181	175	174	147	126	62	

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	3,670	3,398	3,306	3,886	5,371	3,095	3,640	3,605	6,370	8,185
Cash & Equivalents	34	74	41	35	63	296	366	332	120	377
Acc. Receivable	23	20	20	21	26	14	14	15	29	33
Total Liabilities	3,178	2,931	2,749	3,359	4,788	2,461	2,868	2,704	5,499	7,000
Accounts Payable	2	3	4	10	16	1	1	16	53	45
Long-Term Debt	528	6	6	3	3	-	-	-	-	-
Total Equity	382	357	416	384	420	459	663	793	763	1,077
LTD/E Ratio	1.07	0.01	0.01	0.01	0.00	-	-	-	-	-

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.4%	1.2%	1.0%	0.2%	-3.3%	4.2%	3.0%	4.0%	-0.1%	1.6%
Return on Equity	3.0%	9.0%	6.6%	1.3%	-27.5%	29.2%	14.6%	17.1%	-0.7%	11.1%
ROIC	2.0%	5.8%	6.5%	1.3%	-27.4%	29.1%	14.6%	17.1%	-0.7%	11.1%
Shares Out.	18	16	17	19	24	23	37	54	59	85
Revenue/Share	1.90	3.47	2.97	1.23	(5.79)	8.64	3.90	4.14	0.49	2.11
FCF/Share	12.32	12.86	12.17	9.39	7.42	7.53	4.49	2.96	1.13	

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

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