



Ellington Financial Inc. (EFC)

Updated August 18th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$13.68	5 Year CAGR Estimate:	9.7%	Market Cap:	\$1.39 B
Fair Value Price:	\$13.86	5 Year Growth Estimate:	1.0%	Ex-Dividend Date:	08/29/2025
% Fair Value:	99%	5 Year Valuation Multiple Estimate:	0.3%	Dividend Payment Date:	09/30/2025
Dividend Yield:	11.4%	5 Year Price Target	\$14.56	Years Of Dividend Growth:	N/A
Dividend Risk Score:	F	Sector:	Financials	Rating:	Sell

Overview & Current Events

Ellington Financial Inc. acquires and manages mortgage, consumer, corporate, and other related financial assets in the United States. The company acquires and manages residential mortgage-backed securities (RMBS) backed by prime jumbo, Alt-A, manufactured housing, and subprime residential mortgage loans. Additionally, it manages RMBS, for which the U.S. government guarantees the principal and interest payments. It also provides collateralized loan obligations, mortgage-related and non-mortgage-related derivatives, equity investments in mortgage originators and other strategic investments. The company has a market cap of \$1.39 billion and is headquartered in Old Greenwich, Connecticut.

On August 7th, 2025, Ellington Financial reported its Q2 results for the period ending June 30th, 2025. As with previous quarters, the company reported only income, not revenues. Gross interest income totaled \$115.47 million, essentially flat sequentially, while net interest margins improved in the credit strategy and Longbridge delivered strong origination and servicing contributions

Adjusted EPS (or "Adjusted Distributable EPS") came in at \$0.47, an eight-cent boost year-over-year. The improvement reflected robust securitization activity, positive carry on swap hedges, and a strong \$0.13 contribution from Longbridge, though the Agency strategy posted a modest \$(0.01) per share loss amid wider spreads and hedge-driven losses

Book value per share rose to \$13.49 at the end of Q2 from \$13.44 in Q1, after accounting for the \$0.39 in dividends paid during the quarter. The monthly dividend remains at \$0.13, with management reiterating confidence in both the payout and the company's ability to sustain strong earnings going forward We have set our FY2025 adjusted EPS estimate at \$1.63.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.13	(\$0.48)	\$1.04	\$1.52	\$1.76	\$1.63	\$1.83	\$1.68	\$2.52	\$2.12	\$1.63	\$1.71
DPS	\$2.30	\$1.90	\$1.72	\$1.64	\$1.40	\$1.26	\$1.64	\$1.80	\$1.80	\$1.60	\$1.56	\$1.34
Shares¹	33.4	32.8	32.1	30.3	32.8	44.1	49.2	59.9	68.3	86.9	97	120

Ellington's EPS generation has been quite inconsistent over the past decade, as rates have mostly been decreasing. As a result, DPS has also mostly declined since 2015. However, the company has done its best to diversify its portfolio and reduce its performance variance. For example, 91% of its RMBS exposure is allocated to 30-year fixed mortgages. Additionally, while around 72% of its credit portfolio is invested in residential mortgages, that percentage is split among many different securities types (non-QM, reverse mortgages, real-estate-owned loans etc.). The point is that Ellington has taken great care as of late not to concentrate its risk in too few areas, which should improve economic return volatility.

At Ellington's current portfolio construction, a 50bp decline in interest rates would result in just \$4.8 million in equity losses (i.e., -0.28 % of equity), while a 50bp increase in rates would result in losses of \$3.1 million (-0.18% of equity).

¹ Share count is in millions.

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Ellington has designed its portfolio in such a way that these inevitable movements in rates over time won't have a major impact on its overall portfolio. Still, the current setup appears to more or less drive some downside. We project adjusted EPS to grow by 1.0% per year over the medium-term, hoping that Ellington's trajectory improves from here. We have also set the medium-term dividend growth rate at a negative 3% to factor in the possibility of another cut during this period.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	8.4	-	9.7	9.4	9.9	7.9	9.8	8.5	4.6	5.9	8.4	8.5
Avg. Yld.	10.0%	8.7%	7.3%	9.2%	8.2%	7.8%	9.1%	12.6%	15.5%	12.8%	11.4%	9.2%

Ellington cut its dividend in 2020. While management did resume the monthly rate to its previous monthly rate of \$0.15 in the coming years, the dividend was cut again entering 2024. The rather consistent discount in Ellington's valuation likely reflects ongoing concerns regarding the possibility of another dividend cut. Nevertheless, we believe shares are somewhat fairly valued today.

Safety, Quality, Competitive Advantage, & Recession Resiliency

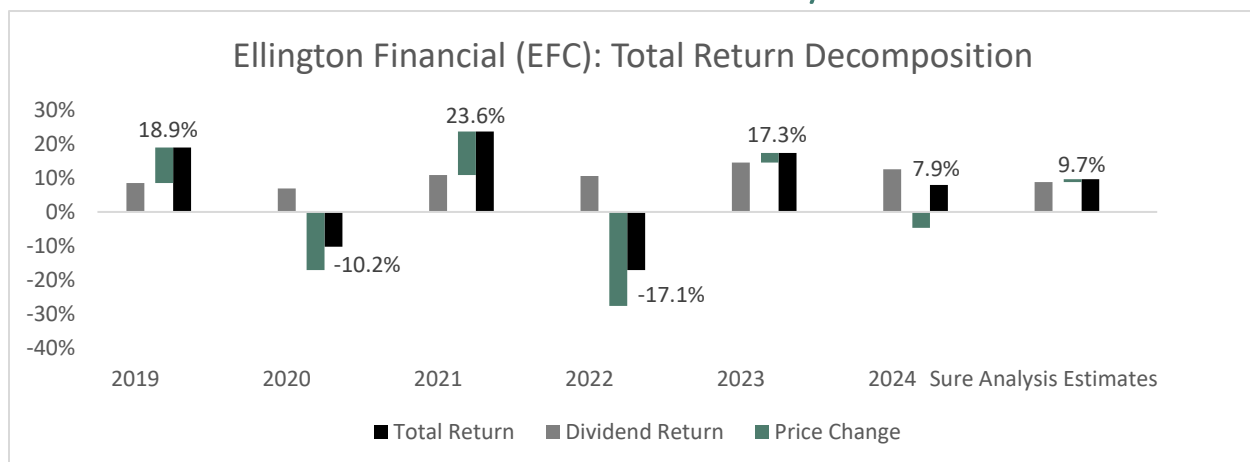
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	204%	-396%	165%	108%	80%	77%	90%	107%	71%	75%	96%	78%

We don't consider Ellington's dividend safe at this point, with a rollercoaster of cuts and hikes in recent years hampering the stock's investment case. Still, the most recent cut should allow Ellington to build some equity value on the balance sheet and potentially improve the overall margin of safety for investors. The days of mortgage REITs employing 8x or 9x leverage have come and gone, but risks attached to over-leveraged balance sheets have not evaporated. In this case, it's worth mentioning the recourse debt to equity ratio decreased to 1.7:1 in Q2, stable compared to the previous quarter.

Final Thoughts & Recommendation

Since its IPO, Ellington has paid cumulative dividends of over \$34/share, which equals over 1.5x its IPO share price of about \$22.50 in 2010. Hence, it has delivered a fruitful income stream to its shareholders over the past decade that has adequately compensated for the losses in share capital (current price of \$13.68). Our future EPS and DPS projections point to annualized returns of 9.7% in the medium-term. Investors should be aware of the fact that mortgage REITs have riskier credit profiles than traditional REITs. We rate the stock as a sell despite our strong total return forecast due to the lack of a dividend growth track record and the possibility of dividend cuts in the coming years.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	53	2	54	76	85	35	122	43	257	282
SG&A Exp.	10	12	10	15	15	17	21	29	68	66
Net Profit	38	(16)	34	47	58	25	133	(70)	84	146
Net Margin	72.1%	-822%	62.7%	61.1%	68.0%	71.1%	109.4%	-162%	32.8%	51.7%
Free Cash Flow	654	70	(463)	(494)	79	120	51	43	(242)	(431)
Income Tax					2	11	3	(18)	0	1

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	2,992	2,413	2,993	3,971	4,338	3,414	5,177	14,086	15,316	16,317
Cash & Equivalents	184	123	47	45	72	112	93	217	229	192
Total Liabilities	2,253	1,768	2,372	3,376	3,470	2,492	3,854	12,865	13,780	14,726
Accounts Payable	171	92	209	496	80	14	54	84	72	57
Long-Term Debt	1,174	1,058	1,477	1,996	3,275	2,388	3,636	12,405	13,334	14,204
Shareholder's Equity	732	638	600	564	718	774	1,064	969	1,162	1,239
LTD/E Ratio	1.60	1.66	2.46	3.54	3.95	2.70	2.82	10.37	8.79	9.04

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.1%	-0.6%	1.3%	1.3%	1.4%	0.6%	3.1%	-0.7%	0.6%	0.9%
Return on Equity	5.0%	-2.3%	5.4%	7.7%	7.9%	2.8%	11.9%	-5.5%	6.1%	9.3%
ROIC	1.7%	-0.9%	1.8%	2.0%	1.7%	0.7%	3.2%	-0.8%	0.6%	1.0%
Shares Out.	33.4	32.8	32.1	30.3	32.8	44.1	49.2	59.9	68.3	86.9
Revenue/Share	1.58	0.06	1.69	2.52	2.66	0.81	2.51	0.72	3.76	3.25
FCF/Share	19.58	2.13	(14.4)	(16.31)	2.47	2.75	1.06	0.71	(3.54)	(4.96)

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

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