



ARMOUR Residential REIT, Inc. (ARR)

Updated November 5th, 2025 by Samuel Smith

Key Metrics

Current Price:	\$16.7	5 Year CAGR Estimate:	12.0%	Market Cap:	\$1.8 B
Fair Value Price:	\$15.5	5 Year Growth Estimate:	-0.6%	Ex-Dividend Date:	11/17/25
% Fair Value:	108%	5 Year Valuation Multiple Estimate:	-1.5%	Dividend Payment Date:	11/28/25
Dividend Yield:	17.2%	5 Year Price Target	\$15.0	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 \$1.8 billion market capitalization.

On October 23, 2025, ARMOUR Residential REIT, Inc. reported GAAP net income available to common stockholders of \$156.3 million, or \$1.49 per share, on net interest income of \$38.5 million, while distributable earnings were \$75.3 million, or \$0.72 per share; total economic return was 7.75% and quarter-end book value rose to \$17.49 per share (with a subsequent estimate of \$17.50 as of October 21 reflecting the October dividend accrual). The company paid monthly common dividends of \$0.24 per share (totaling \$0.72 for the quarter) and declared an additional \$0.24 payable in November, reiterating its goal of an attractive, medium-term-sustainable payout. Capital actions were active: ARMOUR issued roughly 6 million shares via ATM programs for \$99.5 million, executed a \$300 million overnight bought deal in August (part of an 18.5 million-share offering yielding \$298.6 million net), and repurchased 700,000 shares in September.

Management cited a supportive macro backdrop as the Federal Reserve cut rates 25 basis points in September, Treasury yields fell, agency MBS spreads tightened about 20 basis points, and rate volatility touched lows not seen since 2022. Positioning remained balanced with net duration of 0.2 years, implied leverage of 8.1x, and approximately 87% of hedges in OIS and SOFR pay-fixed swaps; liquidity stood near 55% of total capital. The portfolio consisted entirely of agency MBS/CMBS and U.S. Treasuries, with more than 92% in specified pools to mitigate prepayment risk; CPR averaged 8.1% in Q3 and increased to 9.6% in October. Funding conditions were stable with average repo haircuts near 2.75% and modestly wider SOFR spreads, and management remained focused on opportunistic capital deployment, disciplined hedging, and maintaining dividend coverage.

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	\$3.09	\$3.00
DPS	\$3.89	\$3.02	\$2.28	\$2.28	\$2.04	\$0.93	\$1.20	\$1.20	\$4.80	\$2.88	\$2.88	\$2.88
Shares¹	7	7	8	10	12	13	19	39	49	76	112	100

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 decline in line with its historical pattern.

¹ In millions

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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	5.4	5.0
Avg. Yld.	17.9%	13.9%	8.8%	10.2%	12.0%	9.4%	11.5%	20.7%	35.6%	14.9%	17.2%	19.2%

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 the fair value at 5 times cash flow. The company’s current price to cash flow is considered roughly fairly valued due to the weakness in the share price. Given that shares trade at a slight discount to fair value based on expectations for this year’s cash flow per share, we expect a very slight valuation multiple expansion over the coming years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

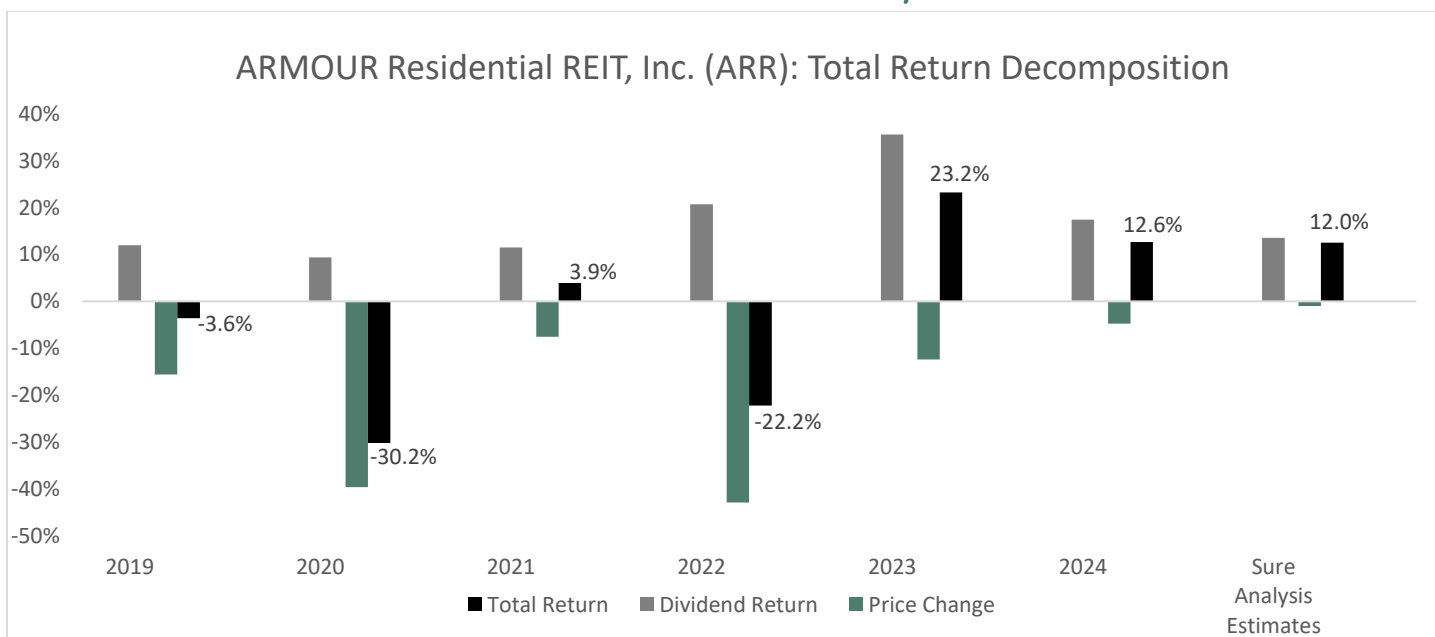
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	70%	-55%	82%	88%	80%	72%	125%	103%	103%	78%	93%	96%

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 12% annualized total returns for shareholders in the coming years, thanks to the attractive dividend yield of 17.2% offset by some expected valuation multiple contraction, along with expected declines in earnings per share. Overall, we rate the stock a Sell due to its track record of cutting its dividend.

Total Return Breakdown by Year



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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.

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