ARMOUR Residential REIT, Inc. (ARR)

Updated December 31st, 2025 by Samuel Smith

Key Metrics

Current Price:	$17.6	**5 Year CAGR Estimate:**	10.8%	**Market Cap:**	$2.0 B
Fair Value Price:	$15.7	**5 Year Growth Estimate:**	-0.9%	**Ex-Dividend Date:**	1/15/26
% Fair Value:	112%	**5 Year Valuation Multiple Estimate:**	-2.3%	**Dividend Payment Date:**	1/29/26
Dividend Yield:	16.4%	**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 REIT is a real estate investment trust that invests primarily in agency residential mortgage backed securities issued or guaranteed by U.S. government sponsored enterprises such as Fannie Mae, Freddie Mac, and Ginnie Mae. The company's strategy focuses on generating income through the spread between the yield on its mortgage assets and the cost of financing those assets, which is largely obtained through repurchase agreements. Armour Residential actively manages its portfolio duration and interest rate exposure using hedging instruments such as interest rate swaps and swaptions. The company distributes a significant portion of its earnings to shareholders through regular dividends and is sensitive to changes in interest rates, yield curves, and mortgage prepayment speeds.

On October 22, 2025, ARMOUR Residential REIT released its third quarter 2025 results. ARMOUR reported distributable earnings available to common stockholders of $0.72 per share, slightly below the consensus expectation and missing estimates by about $0.07, though the company recorded strong revenue of approximately $92.1 million that beat expectations by roughly 5 percent. The REIT posted net income of about $159.3 million and net interest income of roughly $38.5 million, reflecting a rebound in earnings compared to earlier periods as interest income rose on a larger investment portfolio. Book value per share increased about 3.5 percent to $17.49 at quarter end, and the company reported a total economic return near 7.75 percent for the quarter, signaling healthy underlying asset performance in an environment of volatile mortgage rates and funding costs. Management highlighted that its hedging strategy kept duration low and leveraged fixed-income exposure was managed prudently, contributing to a defensively positioned portfolio. During the quarter ARMOUR raised significant capital through a public offering and also executed share repurchases, aiming to balance growth with capital returns, and continued to declare monthly dividends covered by earnings. The near-term outlook emphasized potential benefit from further interest rate cuts and sustained demand for agency mortgage-backed securities, while noting that market volatility and regulatory uncertainty remain important considerations. Overall, the quarter showed improved profitability and balance sheet metrics, although the slight earnings per share shortfall versus expectations underlined continued sensitivity to funding costs and spreads in the mortgage finance market.

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	***$3.14***	***$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***
Shares[1]	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.

[1] 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.

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.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2029
Avg. P/E	3.9	---	9.3	8.6	6.7	7.7	10.9	5.0	2.9	4.6	***5.6***	***5.0***
Avg. Yld.	17.9%	13.9%	8.8%	10.2%	12.0%	9.4%	11.5%	20.7%	35.6%	14.9%	***16.4%***	***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 premium to fair value based on expectations for this year's cash flow per share, we expect a slight valuation multiple headwind over the coming years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

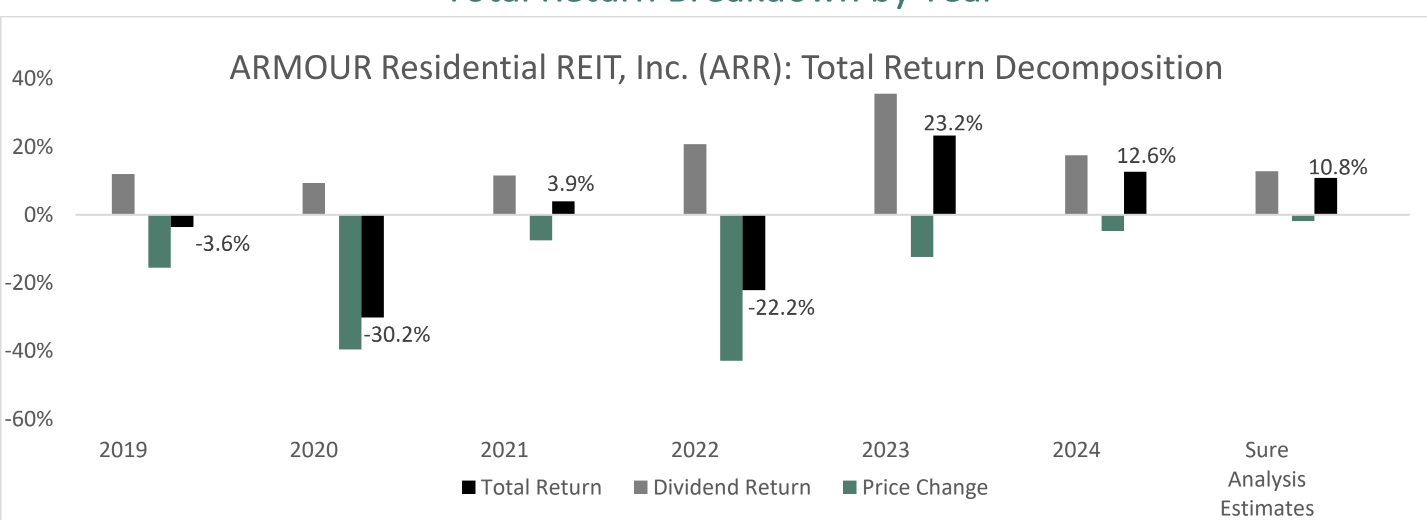
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	70%	-55%	82%	88%	80%	72%	125%	103%	103%	78%	***92%***	***96%***

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 10.8% annualized total returns for shareholders in the coming years, thanks to the attractive dividend yield of 16.4% 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.