



# Dynex Capital Inc. (DX)

Updated March 2<sup>nd</sup>, 2026 by Samuel Smith

## Key Metrics

<b>Current Price:</b>	\$13.8	<b>5 Year CAGR Estimate:</b>	8.3%	<b>Market Cap:</b>	\$2.8 B
<b>Fair Value Price:</b>	\$9.4	<b>5 Year Growth Estimate:</b>	5.1%	<b>Ex-Dividend Date:</b>	3/23/26 <sup>1</sup>
<b>% Fair Value:</b>	147%	<b>5 Year Valuation Multiple Estimate:</b>	-7.5%	<b>Dividend Payment Date:</b>	4/9/26 <sup>2</sup>
<b>Dividend Yield:</b>	14.8%	<b>5 Year Price Target</b>	\$12	<b>Years of Dividend Growth:</b>	2
<b>Dividend Risk Score:</b>	F	<b>Sector:</b>	Real Estate	<b>Rating:</b>	Hold

## Overview & Current Events

Dynex Capital, Inc. is a mortgage real estate investment trust (mREIT) with a \$2.8 billion market capitalization, founded in 1987 and headquartered in Glen Allen, Virginia. The company specializes in investing in agency and non-agency mortgage-backed securities (MBS) on a leveraged basis, including residential MBS, commercial MBS (CMBS), and interest-only securities. Dynex focuses on agency MBS backed by Fannie Mae, Freddie Mac, and Ginnie Mae, which carry explicit government guaranties of principal repayment, providing safety while generating income through leverage. With 199.6 million shares outstanding and a monthly dividend structure, Dynex serves income-focused investors seeking mortgage market exposure. The company's internally managed structure reduces conflicts of interest and operational expenses. As of December 31, 2025, Dynex had a portfolio of \$19.4 billion in MBS positions and maintained disciplined leverage of 7.3x shareholders' equity.

On January 26, 2026, Dynex Capital released its fourth-quarter and full-year 2025 results, delivering an exceptional 21.6 percent total economic return for the full year 2025. The fourth quarter alone generated a 10.2 percent economic return on beginning book value, with book value per share rising \$0.75 to \$13.45 and \$2.00 per share in dividends declared for the year, reflecting a combination of strong earnings and meaningful capital return. GAAP comprehensive income of \$1.22 per share and net income of \$1.17 per share were supported by solid net interest income, favorable valuation marks, and a tightening agency MBS market, underscoring effective portfolio positioning. Dynex significantly expanded its mortgage backed securities portfolio to \$19.4 billion from \$9.8 billion at the start of 2025, successfully raising and deploying over \$1 billion of capital into accretive Agency RMBS and CMBS purchases and nearly \$2 billion in TBA and MBS purchases across 2024 and 2025, positioning the company to benefit from attractive technicals in agency MBS. Leverage, including to be announced securities at cost, remained controlled at 7.3 times shareholders' equity at year end, balancing return generation with risk management. The company maintained a high dividend yield supported by compelling relative value in agency MBS and a constructive market backdrop, though the rapid portfolio growth and elevated leverage levels inherently increase sensitivity to spread widening and interest rate volatility. Overall, 2025 marked a strong year of capital formation, portfolio growth, and value creation for shareholders, with management's disciplined approach to capital deployment and risk control suggesting confidence in sustaining attractive risk adjusted returns while preserving balance sheet flexibility.

## Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
<b>EPS</b>	\$2.07	\$1.38	-\$0.24	\$2.16	\$1.92	\$1.97	\$1.04	(\$0.25)	(\$0.35)	\$0.78	<b>\$1.17</b>	<b>\$1.50</b>
<b>DPS</b>	\$2.52	\$2.16	\$2.16	\$2.01	\$1.66	\$1.56	\$1.56	\$1.56	\$1.60	\$2.00	<b>\$2.04</b>	<b>\$1.50</b>
<b>Shares<sup>3</sup></b>	16	17	19	24	23	37	54	59	91	199.6	<b>199.6</b>	<b>125</b>

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

<sup>1</sup> Estimate

<sup>2</sup> Estimate

<sup>3</sup> Share count in millions

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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 increase at a modest pace in the coming years, leading to a likely dividend cut.

## Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	12.0	40.0	9.5	15.0	NA	7.8	9.4	9.0	8.4	14.3	<b>11.8</b>	<b>8.0</b>
Avg. Yld.	10.1%	3.9%	-94.7%	10.3%	5.8%	13.0%	16.0%	-69.3%	12.6%	13.5%	<b>14.8%</b>	<b>12.5%</b>

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's 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	122%	157%	NA	93%	NA	79%	150%	NA	NA	NA	<b>174%</b>	<b>100%</b>

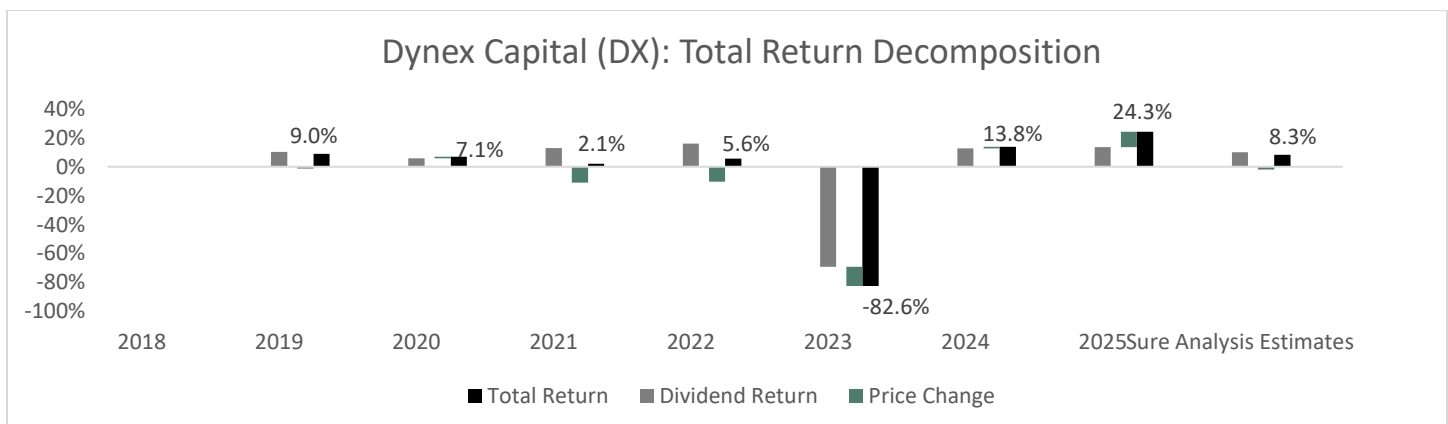
Dynex brings to the table some competitive advantages, which could enable it to generate strong returns for investors throughout business cycles. These include the trust's experienced management team with expertise in managing securitized real estate assets through multiple economic cycles, as well as 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 8.3%. 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.



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## Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Revenue</b>	82	86	83	164	232	67	(2)	133	318	534
<b>Net Profit</b>	43	34	7	(153)	178	102	143	(6)	114	319
<b>Net Margin</b>	52.5%	39.4%	8.4%	-92.9%	76.4%	153%	-6035%	-4.6%	35.8%	59.8%
<b>Free Cash Flow</b>	221	204	181	175	174	147	126	62	14	121

## Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Total Assets</b>	3,398	3,306	3,886	5,371	3,088	3,640	3,605	6,370	8,185	17,342
<b>Cash &amp; Equivalents</b>	99	87	35	134	296	366	332	120	377	531
<b>Total Liabilities</b>	2,931	2,749	3,359	4,788	2,454	2,868	2,704	5,499	7,000	14,880
<b>Long-Term Debt</b>	6	6	3	3	0	-	-	-	-	-
<b>Total Equity</b>	357	416	384	420	459	663	793	763	1,077	2,354
<b>LTD/E Ratio</b>	6.22	4.62	6.21	8.16	3.85	3.70	2.93	6.18	5.54	5.65

## Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Return on Assets</b>	1.2%	1.0%	0.2%	-3.3%	4.2%	3.0%	4.0%	-0.1%	1.6%	2.5%
<b>Return on Equity</b>	9.0%	6.6%	1.3%	-27.5%	29.2%	14.6%	17.1%	-0.7%	11.1%	17.5%
<b>ROIC</b>	1.2%	1.0%	0.2%	-3.3%	4.2%	3.1%	4.0%	-0.1%	1.6%	2.6%
<b>Shares Out.</b>	16	17	19	24	23	37	54	59	91	199.6
<b>Revenue/Share</b>	5.01	5.12	4.33	6.96	10.05	2.04	(0.06)	2.42	4.46	4.27
<b>FCF/Share</b>	13.52	12.17	9.39	7.42	7.53	4.49	2.96	1.13	0.20	0.97

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

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### Disclaimer

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