



# Ellington Financial Inc. (EFC)

Updated March 16<sup>th</sup>, 2026, by Nikolaos Sismanis

## Key Metrics

<b>Current Price:</b>	\$11.80	<b>5 Year Annual Expected Total Return:</b>	12.7%	<b>Market Cap:</b>	\$1.48 B
<b>Fair Value Price:</b>	\$13.60	<b>5 Year Growth Estimate:</b>	1.0%	<b>Ex-Dividend Date:</b>	03/31/2026
<b>% Fair Value:</b>	87%	<b>5 Year Valuation Multiple Estimate:</b>	2.9%	<b>Dividend Payment Date:</b>	04/30/2026
<b>Dividend Yield:</b>	13.2%	<b>5 Year Price Target</b>	\$14.29	<b>Years Of Dividend Growth:</b>	0
<b>Dividend Risk Score:</b>	F	<b>Sector:</b>	Financials	<b>Rating:</b>	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 \$1.48 billion and is headquartered in Old Greenwich, Connecticut.

On February 25<sup>th</sup>, 2026, Ellington Financial reported its Q4 results for the period ending December 31<sup>st</sup>, 2025. As with previous quarters, the company reported income rather than revenue. Interest income totaled \$140.26 million, up from \$122.85 million in Q3, while the credit portfolio expanded to \$4.11 billion and Longbridge posted strong origination and servicing results, including positive contributions from securitizations completed during the quarter.

Adjusted EPS (or "Adjusted Distributable EPS") came in at \$0.47. The quarter included \$0.61 per share from the investment portfolio and \$0.13 per share from Longbridge, with results shaped by higher net interest income in the credit portfolio, gains on non-QM retained tranches and forward-MSR-related investments, and continued earnings from unconsolidated entities, partly offset by losses across several credit holdings and a negative \$(0.27) per-share contribution from Corporate/Other.

Book value per share ended Q4 at \$13.16, compared with \$13.40 in Q3, including the effects of \$0.39 per common share in dividends for the quarter. Management emphasized another quarter in which adjusted distributable earnings exceeded dividends. We have set our FY2026 adjusted EPS estimate at \$1.60.

## Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
<b>EPS</b>	(\$0.48)	\$1.04	\$1.52	\$1.76	\$0.39	\$2.56	(\$1.43)	\$0.89	\$1.36	\$1.19	<b>\$1.60</b>	<b>\$1.68</b>
<b>DPS</b>	\$1.90	\$1.72	\$1.64	\$1.40	\$1.26	\$1.64	\$1.80	\$1.80	\$1.60	\$1.56	<b>\$1.56</b>	<b>\$1.34</b>
<b>Shares<sup>1</sup></b>	32.8	32.1	30.3	32.8	44.1	49.2	59.9	68.3	86.9	99.4	<b>99.4</b>	<b>120.0</b>

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 Agency RMBS exposure is still allocated to 30-year fixed mortgages. Also, 89% of deployed capital is allocated to the credit strategy, and within that credit portfolio, residential mortgages remain the largest component alongside meaningful exposure to commercial mortgages, consumer loans, CLOs, non-Agency RMBS, forward MSR-related investments, and loan origination entities. The point is that Ellington continues to avoid concentrating its risk in too few areas, which should help moderate economic return volatility.

At Ellington's current portfolio construction, a 50bp decline in interest rates would result in an estimated \$4.5 million decline in common equity, or -0.29% of common equity, while a 50bp increase in rates would result in an estimated \$1.2 million decline, or -0.08% of common equity. Ellington has designed its portfolio in such a way that these inevitable

<sup>1</sup> Share count is in millions.

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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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	---	9.7	9.4	9.9	7.9	9.8	8.5	4.6	5.9	11.0	<b>7.4</b>	<b>8.5</b>
Avg. Yld.	8.7%	7.3%	9.2%	8.2%	7.8%	9.1%	12.6%	15.5%	12.8%	11.9%	<b>13.2%</b>	<b>9.4%</b>

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 undervalued today.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

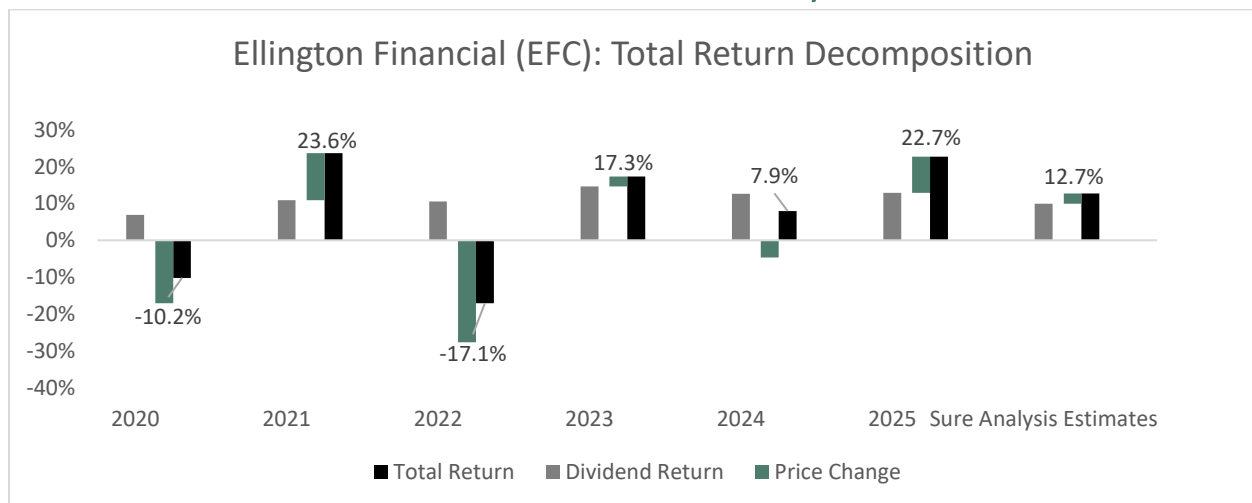
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	---	165%	108%	80%	323%	64%	---	202%	118%	131%	<b>98%</b>	<b>80%</b>

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 1.9:1 in Q4, 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 \$13.72). Our EPS and DPS growth and valuation expansion projections point to annualized returns of 12.7% 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.

### Disclaimer

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