



Orchid Island Capital, Inc. (ORC)

Updated March 2nd, 2026 by Samuel Smith

Key Metrics

Current Price:	\$7.54	5 Year CAGR Estimate:	8.9%	Market Cap:	\$1.4 B
Fair Value Price:	\$6.79	5 Year Growth Estimate:	-4.5%	Ex-Dividend Date:	5/27/26
% Fair Value:	111%	5 Year Valuation Multiple Estimate:	-2.1%	Dividend Payment Date:	6/30/26
Dividend Yield:	19.1%	5 Year Price Target	\$5.4	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Sector:	Real Estate	Rating:	Sell

Overview & Current Events

Orchid Island Capital, Inc. is a Real Estate Investment Trust (REIT) operating in the mortgage industry, externally managed by Bimini Advisors LLC. Unlike traditional REITs that own physical real estate, Orchid Island is a purely financial entity that invests in residential mortgage-backed securities (RMBS), either pass-through or structured agency RMBSs, which are financial instruments that collect cash flow based on residential mortgage loans. Its portfolio is entirely composed of Agency RMBS backed by single-family residential mortgage loans, and it generates income through the spread between borrowing costs on short-term repurchase agreements and the yield earned on its mortgage-backed securities portfolio. As of December 31, 2025, the company's RMBS portfolio had a fair value of \$10.6 billion.

On January 30, 2026, Orchid Island Capital, Inc. reported fourth quarter 2025 results with net income of \$103.4 million, or \$0.62 per common share, compared to \$0.53 per share in Q3 2025. The company delivered solid earnings and book value growth, with full-year 2025 net income of \$159.3 million, or \$1.24 per share, and book value per share rising to \$7.54 from \$7.33 quarter over quarter, reflecting favorable mark-to-market gains in its agency MBS portfolio and improved market conditions. Quarterly performance was supported by \$38.5 million of net interest income, driven by \$132.2 million of interest income offset by \$93.7 million of interest expense, as well as \$53.7 million in unrealized gains and \$14 million of gains on derivatives, highlighting effective positioning and hedging in a volatile rate environment. Management significantly expanded the RMBS portfolio by about 27 percent during the quarter, with average MBS balances increasing to \$9.5 billion from \$7.7 billion, taking advantage of perceived market dislocation and wider spreads, which boosted returns but also raised exposure to future spread and duration risk. Total quarterly return of 7.8 percent, following 6.7 percent in Q3, underscored positive momentum and validated the strategy, while the continuation of the \$0.12 per share monthly dividend and the fact that 95 percent of 2025 dividends were covered by taxable income pointed to a reasonably well-supported payout. Liquidity and capital flexibility remained strong, with \$791.8 million in cash and unpledged securities equal to 58 percent of stockholders' equity, but adjusted leverage of 7.4 times at year-end, alongside continued common stock issuance that lifted shares outstanding from about 182 million at December 31, 2025 to roughly 190 million by early February 2026, introduces dilution risk and leaves the company more sensitive to any adverse moves in funding costs or MBS valuations.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
BPS	\$50.50	\$43.55	\$34.20	\$31.35	\$27.30	\$21.70	\$11.93	\$9.10	\$8.09	\$7.56	\$7.54	\$6.00
EPS	\$12.95	\$11.34	\$6.92	\$4.29	\$5.98	\$4.64	\$2.20	(\$0.96)	(\$0.17)	\$0.68	\$1.31	\$1.10
DPS	\$8.40	\$8.40	\$5.35	\$4.80	\$3.95	\$3.90	\$1.14	\$1.44	\$1.44	\$1.44	\$1.44	\$1.10
Shares¹	6.6	10.6	9.7	13.0	17.0	35.4	39.1	51.3	93.3	190	183.35	200.0

Orchid Island has experienced extreme earnings volatility over the past several years, with a net loss in 2013 and 2018, along with multiple years in which the trust barely generated a profit. As a result, we are using book value per share as an alternate metric to earnings-per-share. The growth outlook for mortgage REITs is challenged. Mortgage REITs make

¹ In millions

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money by borrowing at short-term rates and lending at longer-term rates, then pocketing the difference. This is referred to as the spread, which is how Orchid Capital generates its cash flow. When the spread between short-term rates and long-term rates compresses, profitability erodes at a rapid pace. This is why mortgage REITs can be dangerous if the yield curve flattens. Moving forward, we expect the book value per share to continue declining in the coming years, and the high payout will result in weakening earnings per share and dividends per share.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/B	1.0	1.0	1.2	0.9	0.9	1.0	0.9	0.9	1.0	1.1	1.0	0.9
Avg. Yld.	17.0%	19.3%	13.0%	17.0%	16.1%	18.0%	10.6%	17.6%	17.8%	17.4%	19.1%	20.4%

Since we are using book value instead of earnings-per-share, we will also use the price-to-book ratio for valuation instead of the price-to-earnings ratio. The stock presently has a price-to-book ratio of 1.0, which is roughly in line with our fair value estimate of 0.9 which accounts for uncertainties and risks facing the business. Some investors may be enticed by the extremely high dividend yield for the stock, which drives the investment thesis. However, we offer two cautionary notes. First, the dividend has already been cut multiple times since 2015. Second, and just as important, is that despite an exceptionally high starting yield, total returns can be dampened significantly by the erosion in the share price as time goes on.

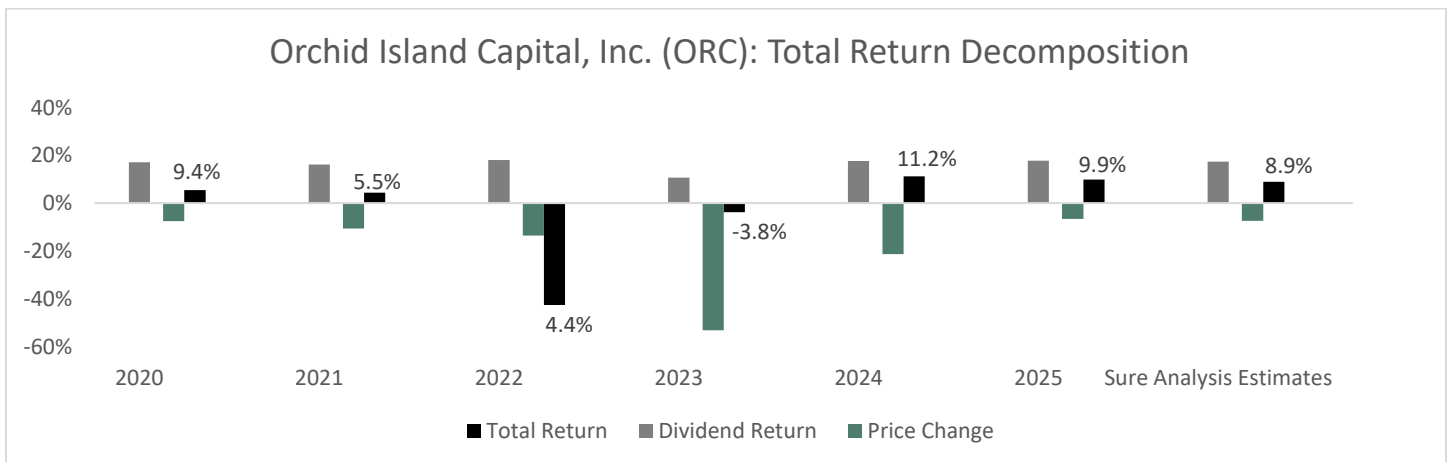
Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	65%	74%	77%	112%	66%	84%	52%	NA	NA	NA	110%	100%

Orchid Island is not a safe stock. The above payout ratios are extreme due to low or non-existent earnings. Mortgage REITs are exposed to a number of risks, including interest rate risk, as well as credit risk. These risks pertain to the direction of interest rates, as well as the ability of borrowers to repay the mortgage loans. Moreover, mortgage REITs do not possess many competitive advantages. Since mortgage REITs do not provide differentiated products and services, traditional competitive advantages such as brand power or manufacturing efficiencies do not apply. In addition, Orchid Island is not a recession-resistant trust. A recession generally leads to higher mortgage defaults.

Final Thoughts & Recommendation

Orchid Island Capital offers an extremely attractive dividend yield. That said, it is an extremely risky stock due to its track record of consistently destroying shareholder capital and slashing its dividend repeatedly. Given that the economy is facing growing risks and headwinds, we expect book value and dividend erosion in the coming years, and the payout ratio is very high as well. We therefore rate the stock as a Sell, despite its reasonable total return potential of 8.9%.



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	90	138	124	131	91	129	11	155	237	408
Gross Profit	85	131	116	125	85	120	(4)	144	227	394
Gross Margin	94.6%	94.9%	93.7%	95.0%	93.0%	92.5%	-32.9%	92.8%	95.7%	96.6%
Op. Profit	2	2	26	24	27	(58)	(197)	163	274	465
Op. Margin	2.2%	1.5%	20.9%	18.5%	29.9%	-44.7%	-1798%	105.0%	115.6%	114.0%
Net Profit	2	2	(44)	24	2	(65)	(258)	(39)	38	159
Net Margin	2.2%	1.5%	-35.7%	18.5%	2.3%	-50.1%	-	-25.3%	15.9%	39.0%
							2362.9%			
Free Cash Flow	47	85	94	48	55	96	289	8	67	120

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	3,139	4,023	3,396	3,882	4,058	7,069	3,866	4,265	5,722	11,676
Cash & Equivalents	94	247	126	279	300	450	237	349	436	860
Total Liabilities	2,806	3,561	3,060	3,487	3,643	6,301	3,427	3,795	5,053	10,304
Long-Term Debt	333	462	336	396	415	768	439	470	669	1,372
Shareholder's Equity	8.40	7.65	9.00	8.72	8.66	8.13	7.70	7.89	7.52	7.47

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	0.1%	0.1%	-1.2%	0.7%	0.1%	-1.2%	-4.7%	-1.0%	0.8%	1.8%
Return on Equity	0.7%	0.5%	-11.1%	6.6%	0.5%	-10.9%	-42.8%	-8.6%	6.6%	15.6%
ROIC	0.1%	0.1%	-1.2%	0.7%	0.1%	-1.2%	-4.8%	-1.0%	0.8%	1.8%
Shares Out.	6.6	10.6	9.7	13.0	17.0	35.4	39.1	51.3	93.3	190
Revenue/Share	18.72	16.83	11.91	11.67	6.77	5.33	0.29	3.47	3.62	3.18
FCF/Share	9.76	10.35	9.00	4.28	4.12	3.98	7.72	0.18	1.02	0.94

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

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