



ARMOUR Residential REIT, Inc. (ARR)

Updated April 23rd, 2026, by Kody Kester

Key Metrics

Current Price:	\$17.45	5 Year CAGR Estimate:	0.4%	Market Cap:	\$2.2B
Fair Value Price:	\$15.00	5 Year Growth Estimate:	-11.5%	Ex-Dividend Date:	05/15/26
% Fair Value:	116%	5 Year Valuation Multiple Estimate:	-3.0%	Dividend Payment Date:	05/28/26
Dividend Yield:	16.5%	5 Year Price Target	\$8.15	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Sector:	Real Estate	Rating:	Sell

Overview & Current Events

Armour Residential REIT (ARR) 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. ARR 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. As of April 20th, 2026, the company's portfolio was valued at \$21.5 billion (mostly MBS, with the remainder split between U.S. Treasury Securities and To Be Announced securities).

On April 22nd, 2026, ARR released its financial results for the first quarter ended March 31st, 2026. Its distributable EPS declined by 11.6% over the year-ago period during the quarter to \$0.76. Put into perspective, this was \$0.02 above the analyst consensus in the quarter. As has been the case in recent quarters, ARR's reduced distributable EPS base was caused by a couple of factors. For one, the company's share count soared by almost 60% from the sheer volume of new shares hitting the market through its At-The-Market program. Secondly, the constant prepayment rate rose from just above 6% in Q1 2025 to above 11% in Q1 2026. That demonstrates that prepayment pressures are becoming a growing headwind for ARR's yield stability. While the mortgage REIT is quickly growing its portfolio, the book value per share decreased by 6.3% year-over-year to \$17.42. Since shares are usually issued at or below the current book value (particularly after accounting for issuance costs and commissions), share issuances are n't growing the per-share book value.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$13.70	\$13.75	\$12.23	\$11.70	\$5.95	\$4.85	\$5.59	\$4.65	\$3.68	\$3.06	\$3.00	\$1.63
DPS	\$15.10	\$11.40	\$11.40	\$10.80	\$6.00	\$6.00	\$6.00	\$5.00	\$2.88	\$2.88	\$2.88	\$1.44
Shares¹	7.3	8.4	8.7	11.8	13.1	18.8	32.6	48.8	62.4	111.9	124.0	360.0

ARR's share count continues to climb, with it now at 124 million as of late April. Simply keeping distributable EPS flat will require the portfolio to grow as fast as the share count. But as the share count grows, ARR needs to find larger amounts of spread in an already crowded market. This precarious position is further compounded by the fact that the CPR rate is continuing to rise (above 12% in the first few weeks of April). As higher-yielding MBS are paid off at par when homeowners refinance or move, the company must reinvest that capital into newer MBS that often carry lower net spreads, which further erodes the yield on earning assets. That's why we think that distributable EPS will fall by around 11.5% annually through 2031, off an anticipated 2026 base of \$3.

¹ Share count is in millions.



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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	7.9	9.4	8.5	7.8	9.1	10.1	5.0	4.2	5.2	5.9	5.8	5.0
Avg. Yld.	13.9%	8.9%	10.9%	11.9%	11.1%	12.2%	21.3%	25.9%	14.9%	15.9%	16.5%	17.7%

Since 2016, ARR's P/E ratio has varied from as low as the mid-single digits to the low double-digits. The average P/E ratio over this time was around 7. Over the last few years, though, the average P/E ratio has been even lower at around 5. Looking ahead, we would argue that a fair value P/E ratio of 5 is a reasonable expectation for ARR. Relative to the current-year P/E ratio of 5.8, this suggests shares are moderately overvalued.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	110%	83%	93%	92%	101%	124%	107%	108%	78%	94%	96%	88%

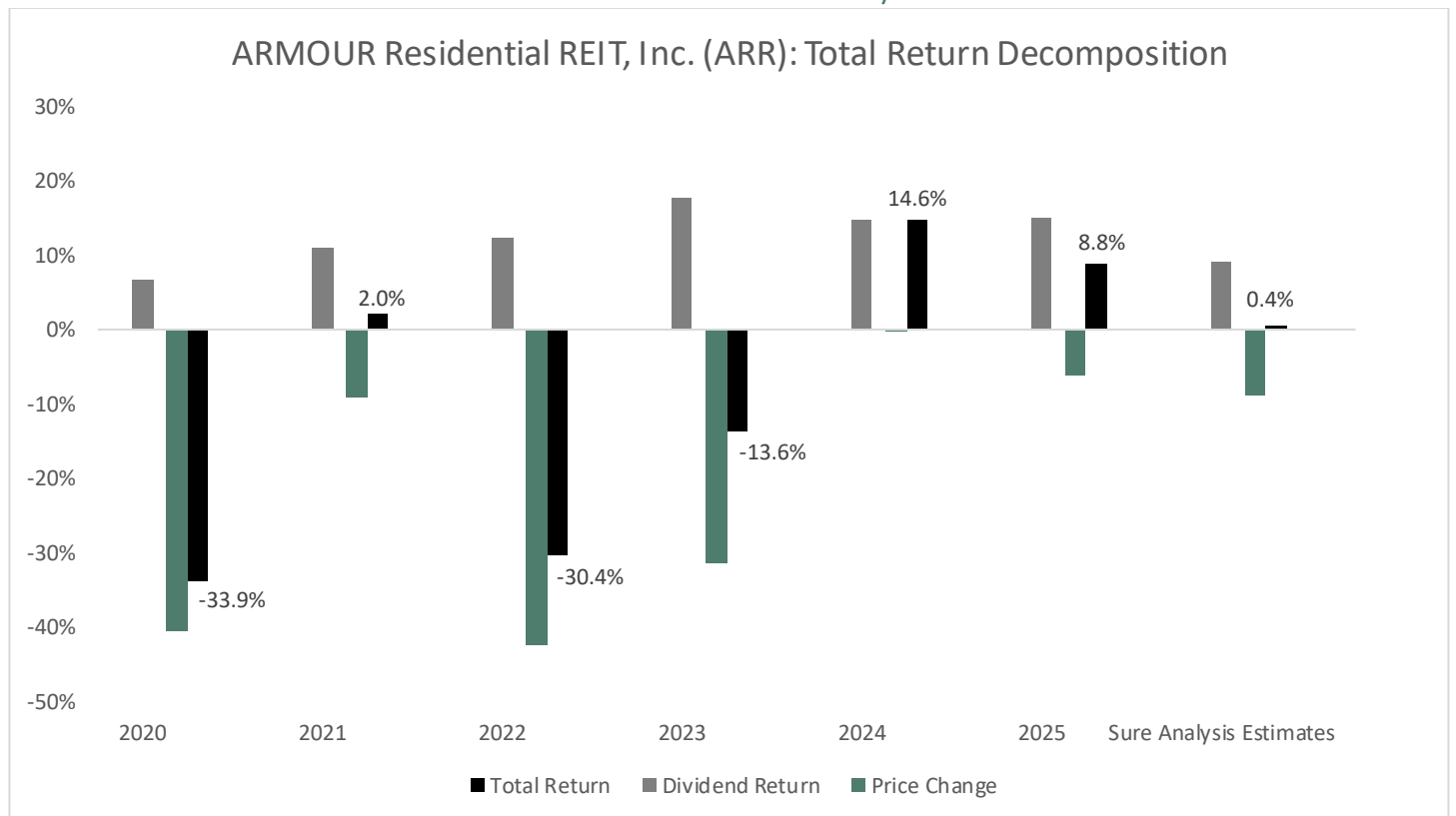
As a mortgage REIT, ARR has been no stranger to volatile operating results. The payout ratio has also historically been close to its distributable EPS, which leaves no margin for error or a downturn in the industry. This is precisely why it has been a chronic dividend cutter over the years. To this point, ARR has slashed its payout five times since 2016 alone.

Given the significant headwinds that the company continues to face, we think that this track record of dividend cuts is likely to persist. By 2031, we believe that the dividend per share will be about half of current levels.

Final Thoughts & Recommendation

ARR's 16.5% dividend yield, 11.5% annual distributable EPS shrinkage prospects, and 3.0% annual valuation multiple contraction could result in 0.4% annual total returns through 2031. This is why we're reaffirming our Sell rating.

Total Return Breakdown by Year



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.



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	(141)	272	36	213	(213)	5	(878)	450	240	1,305
Gross Profit	(167)	246	9	183	(234)	(18)	(904)	418	207	1,266
Gross Margin	118.5%	90.2%	24.3%	86.1%	109.7%	-359.9%	103.0%	93.0%	86.2%	97.0%
Op. Profit	(46)	181	48	(250)	(151)	22	(105)	458	510	965
Op. Margin	32.3%	66.5%	134.2%	-117.4%	70.9%	459.2%	12.0%	101.8%	212.5%	73.9%
Net Profit	(46)	181	(106)	(250)	(215)	15	(230)	(68)	(14)	323
Net Margin	32.3%	66.5%	-294.6%	-117.4%	100.9%	313.9%	26.2%	-15.1%	-6.0%	24.7%
Free Cash Flow	(203)	110	75	(41)	(258)	12	124	133	261	124

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	7,978	8,929	8,465	13,272	5,524	5,277	9,437	12,344	13,548	21,005
Cash & Equivalents	351	282	232	273	172	356	118	259	146	290
Total Liabilities	6,886	7,603	7,339	11,836	4,586	4,134	8,325	11,073	12,187	18,744
Total Equity	1,092	1,326	1,125	1,437	938	1,144	1,112	1,271	1,361	2,261
LT Debt-to-Equity	6.24	5.70	6.25	7.90	4.83	3.45	5.81	7.59	7.87	7.94

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	-0.4%	2.1%	-1.2%	-2.3%	-2.3%	0.3%	-3.1%	-0.6%	-0.1%	1.9%
Return on Equity	-3.9%	15.0%	-8.6%	-19.5%	-18.1%	1.5%	-20.4%	-5.7%	-1.1%	17.8%
ROIC	-0.4%	2.2%	-1.2%	-2.4%	-2.4%	0.3%	-3.6%	-0.7%	-0.1%	2.0%
Shares Out.	7.3	8.4	8.7	11.8	13.1	18.8	32.6	48.8	62.4	111.9
Revenue/Share	(19.23)	34.34	4.27	18.41	(16.90)	0.30	(37.21)	10.44	4.60	13.85
FCF/Share	(27.72)	13.88	8.93	(3.52)	(20.44)	0.73	5.26	3.08	5.01	1.32

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

Disclaimer

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