Ellington Financial Inc. (EFC)

Updated August 21st, 2026, by Nikolaos Sismanis

Key Metrics

Current Price:	$13.64	**5 Year Annual Expected Total Return:**	9.5%	**Market Cap:**	$1.78 B
Fair Value Price:	$13.64	**5 Year Growth Estimate:**	1.0%	**Ex-Dividend Date:**	08/31/2026
% Fair Value:	100%	**5 Year Valuation Multiple Estimate:**	0.0%	**Dividend Payment Date:**	09/30/2026
Dividend Yield:	11.4%	**5 Year Price Target**	$14.34	**Years Of Dividend Growth:**	0
Dividend Risk Score:	F	**Sector:**	Financials	**Rating:**	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 $1.78 billion and is headquartered in Old Greenwich, Connecticut.

On August 6th, 2026, Ellington Financial reported its Q2 results for the period ending June 30th, 2026. As with previous quarters, the company reported income rather than revenue. Interest income totaled $170.84 million, up from $149.50 million in Q1, while the adjusted long investment portfolio expanded 1% to $4.50 billion. Longbridge originated $589.7 million of loans, up 38% year-over-year, and completed two proprietary reverse mortgage loan securitizations during the quarter.

Adjusted EPS (or "Adjusted Distributable EPS") came in at $0.60. The quarter included $0.60 per share from the investment portfolio and $0.23 per share from Longbridge, supported by significantly higher net interest income, strong credit performance, gains from hedges, and continued earnings from unconsolidated entities. Longbridge also benefited from robust origination volumes and margins, servicing income, and gains related to its two securitizations, partly offset by a negative $(0.23) per-share contribution from Corporate/Other.

Book value per share ended Q2 at $13.61, compared with $13.56 in Q1, including the effects of $0.39 per common share in dividends for the quarter. Management emphasized another quarter in which adjusted distributable earnings comfortably 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
EPS	($0.48)	$1.04	$1.52	$1.76	$0.39	$2.56	($1.43)	$0.89	$1.36	$1.19	***$1.60***	***$1.68***
DPS	$1.90	$1.72	$1.64	$1.40	$1.26	$1.64	$1.80	$1.80	$1.60	$1.56	***$1.56***	***$1.34***
Shares[1]	32.8	32.1	30.3	32.8	44.1	49.2	59.9	68.3	86.9	99.4	***127.3***	***150.0***

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 2016. However, the company has done its best to diversify its portfolio and reduce its performance variance. For example, approximately 98% of its fixed-rate Agency pass-through portfolio is allocated to 30-year mortgages. Also, 89% of deployed capital is allocated to the investment portfolio, with the remaining 11% allocated to Longbridge. Within the investment portfolio, residential mortgages account for 69% of fair value, followed by commercial mortgages at 24%, consumer loans at 2%, and other investments at 5%. The point is that Ellington continues to avoid concentrating its risk in too few areas, which should help moderate economic return volatility.

[1] Share count is in millions.

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At Ellington's current portfolio construction, a 50-basis-point decline in interest rates would result in an estimated $1.54 million decline in portfolio value, or -0.08% of total equity, while a 50-basis-point increase would result in an estimated $5.39 million decline, or -0.27% of total equity. Ellington has designed its portfolio so that these inevitable movements in rates over time should not have a major impact on its overall value. Still, the current setup appears to carry somewhat more downside if rates rise. 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	***8.5***	***8.5***
Avg. Yld.	8.7%	7.3%	9.2%	8.2%	7.8%	9.1%	12.6%	15.5%	12.8%	11.9%	***11.4%***	***9.3%***

Ellington cut its dividend in 2020. While management did resume the monthly rate at its previous amount 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 more or less fairly valued today.

Safety, Quality, Competitive Advantage, & Recession Resiliency

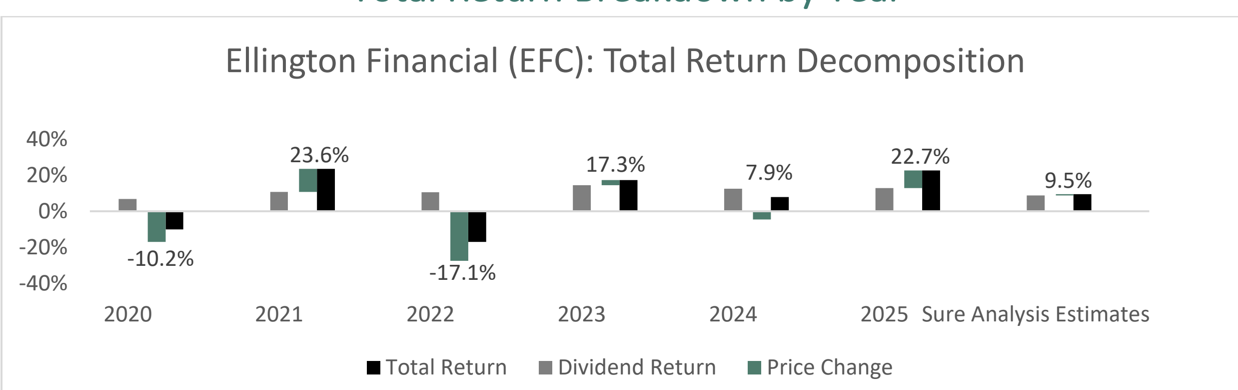
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	---	165%	108%	80%	323%	64%	---	202%	118%	131%	***98%***	***80%***

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 that the recourse debt-to-equity ratio remained stable at 1.9:1 in Q2, unchanged from last 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. Our EPS and DPS estimates and dividend yield imply annualized returns of 9.5% 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



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	2	54	76	85	35	122	43	257	282	544
SG&A Exp.	12	10	15	15	17	21	29	68	66	449
Net Profit	(16)	34	47	58	25	133	(70)	84	146	82.5%
Net Margin	-822%	62.7%	61.1%	68.0%	71.1%	109.4%	-162%	32.8%	51.7%	151
Free Cash Flow	70	(463)	(494)	79	120	51	43	(242)	(431)	27.8%
Income Tax				2	11	3	(18)	0	1	4

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	2,413	2,993	3,971	4,338	3,414	5,177	14,086	15,316	16,317	19,350
Cash & Equivalents	123	47	45	72	112	93	217	229	192	338
Total Liabilities	1,768	2,372	3,376	3,470	2,492	3,854	12,865	13,780	14,726	17,480
Accounts Payable	92	209	496	80	14	54	84	72	57	-
Long-Term Debt	1,058	1,477	1,996	3,275	2,388	3,636	12,405	13,334	14,204	14,310
Shareholder's Equity	638	600	564	718	774	1,064	969	1,162	1,239	1,502
LTD/E Ratio	1.66	2.46	3.54	3.95	2.70	2.82	10.37	8.79	9.04	9.25

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	-0.6%	1.3%	1.3%	1.4%	0.6%	3.1%	-0.7%	0.6%	0.9%	0.9%
Return on Equity	-2.3%	5.4%	7.7%	7.9%	2.8%	11.9%	-5.5%	6.1%	9.3%	8.7%
ROIC	-0.9%	1.8%	2.0%	1.7%	0.7%	3.2%	-0.8%	0.6%	1.0%	0.9%
Shares Out.	32.8	32.1	30.3	32.8	44.1	49.2	59.9	68.3	86.9	100.5
Revenue/Share	0.06	1.69	2.52	2.66	0.81	2.51	0.72	3.76	3.25	5.41
FCF/Share	2.13	(14.4)	(16.31)	2.47	2.75	1.06	0.71	(3.54)	(4.96)	5.06

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