Orchid Island Capital, Inc. (ORC)

Updated July 25th, 2026, by Kody Kester

Key Metrics

Current Price:	$6.54	**5 Year CAGR Estimate:**	6.8%	**Market Cap:**	$1.3B
Fair Value Price:	$5.50	**5 Year Growth Estimate:**	-5.0%	**Ex-Dividend Date:**	07/31/26
% Fair Value:	119%	**5 Year Valuation Multiple Estimate:**	-3.4%	**Dividend Payment Date:**	08/28/26
Dividend Yield:	18.3%	**5 Year Price Target**	$4.25	**Years Of Dividend Growth:**	0
Dividend Risk Score:	F	**Sector:**	Real Estate	**Rating:**	Sell

Overview & Current Events

Orchid Island Capital, Inc. (ORC) 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, it 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. ORC's 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 Jun. 30, 2026, the company's RMBS portfolio had a fair value just above $11.5 billion.

On Jul. 23, 2026, ORC released its earnings report for the second quarter ended Jun. 30, 2026. The company recorded $0.44 in net income per share in the quarter (a swing from a loss per share of $0.29 in Q2 2025), which was $0.02 above the analyst consensus. This was fueled by a combination of a 79-basis point year-over-year improvement in the average interest rate spread to 1.94%, as well as a shift from unrealized derivative losses in Q2 2025 to $62.4 million in net gains on derivative and hedging instruments in Q2 2026. In April, ORC cut its monthly dividend per share by 16.7% to $0.10.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$0.40	$0.25	($4.25)	$2.15	$0.16	($2.67)	($6.90)	($0.89)	$0.57	$1.24	***$1.10***	***$0.85***
DPS	$8.40	$8.40	$5.35	$4.80	$3.95	$3.90	$3.32	$1.80	$1.44	$1.44	***$1.20***	***$0.83***
Shares[1]	6.6	10.6	9.8	12.6	15.2	35.4	36.8	51.6	82.6	182.0	***199.6***	***400.0***

Over the past decade, ORC has experienced extreme earnings volatility, with almost as many years of net losses as years in the positive. Moving forward, we think that EPS will contract by 5% annually through 2031, off an anticipated 2026 base of $1.10. This is mostly due to the aggressive issuance of dilutive common equity (we expect the share count to at least double over the next five years). In the last few years alone, ORC's share count has nearly quadrupled. At the very least, this makes any per-share growth of any kind mathematically improbable. More likely, when coupled with net interest margin compression (when the yield curve flattens) and interest rate sensitivity, this will lead to very inconsistent and likely shrinking earnings power.

[1] Share count is in millions.

Orchid Island Capital, Inc. (ORC)

Updated July 25th, 2026, by Kody Kester

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	135.5	182.0	-	13.4	4.4	-	-	-	13.9	10.8	***5.9***	***5.0***
Avg. Yld.	15.5%	18.1%	16.6%	16.5%	15.1%	17.3%	31.6%	21.4%	18.2%	19.5%	***18.3%***	***19.6%***

Given that ORC's earnings have been highly volatile over the years, it shouldn't be a surprise that its valuation multiple has as well. In the years where it generated positive earnings, the P/E ratio ranged from as low as 4 to as high as more than 180. Taking into account the extreme share dilution and poor earnings consistency, we think that a fair value P/E ratio of 5 represents perhaps even the ceiling for ORC in the years ahead. Relative to the current-year P/E ratio of 5.9, this implies shares are overvalued.

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 2016. 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 passes.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	2,100%	3,360%	-	223%	2,469%	-	-	-	253%	116%	***109%***	***98%***

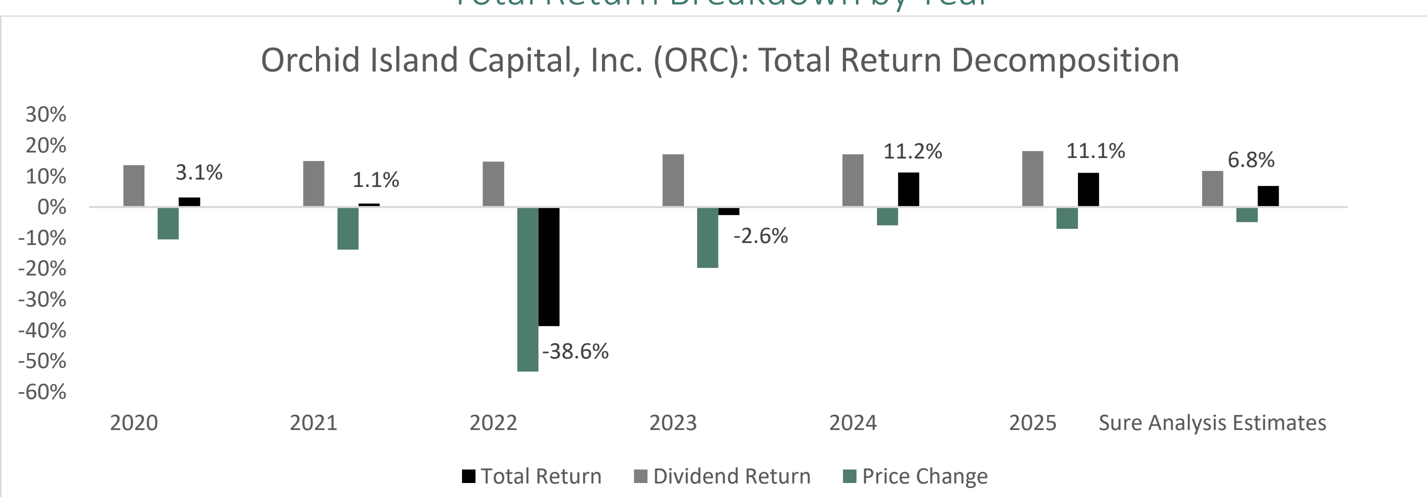
Mortgage REITs come with interest rate risks and credit risks. Additionally, mortgage REITs don't have any competitive advantages. Because they don't provide differentiated products/services, brand power and manufacturing efficiencies don't apply.

Of course, mortgage REITs are also highly leveraged. And even after the recent cut, the dividend payout ratio for 2026 could be above 100%. On top of suboptimal earnings quality, that's why we expect dividend cuts to continue in the years ahead.

Final Thoughts & Recommendation

ORC's 18.3% dividend yield, 5.0% annual EPS contraction potential, and 3.4% annual valuation multiple downside prospects could deliver 6.8% annual total returns through 2031. However, it's worth noting that the mortgage REIT chronically underperforms expectations. This is why we could realistically see total returns being nonexistent over the medium term (before even considering inflation). In closing, that's why we're maintaining 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.

Orchid Island Capital, Inc. (ORC)

Updated July 25th, 2026, by Kody Kester

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%	-2362.9%	-25.3%	15.9%	39.0%
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.