ARMOUR Residential REIT, Inc. (ARR)

Updated July 23rd, 2026, by Kody Kester

Key Metrics

Current Price:	$15.93	**5 Year CAGR Estimate:**	2.1%	**Market Cap:**	$2.3B
Fair Value Price:	$14.65	**5 Year Growth Estimate:**	-11.5%	**Ex-Dividend Date:**	08/17/26
% Fair Value:	109%	**5 Year Valuation Multiple Estimate:**	-1.7%	**Dividend Payment Date:**	08/28/26
Dividend Yield:	18.1%	**5 Year Price Target**	$7.95	**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 Jul. 20, 2026, the company's portfolio was valued at $22.1 billion (mostly MBS, with the remainder split between U.S. Treasury Securities and To Be Announced securities).

On Jul. 22, 2026, ARR shared its earnings report for the second quarter ended Jun. 30, 2026. Its distributable EPS decreased by 6.5% year-over-year in the quarter to $0.72. For more context, that matched the analyst consensus during the quarter. ARR's smaller distributable EPS base was fueled by two factors. First, the company's share count has rocketed 54.5% higher over the year-ago period due to the massive volume of new shares hitting the market via its At-The-Market program. Second, the constant prepayment rate jumped from 7.7% in Q2 2025 to 11.4% in Q2 2026. Prepayment pressures are increasingly becoming a major headwind for ARR's yield stability. This spikes premium amortization expense, which directly reduces gross interest income and squeezes net interest yield. Additionally, a larger percentage of ARR's portfolio is returned as cash principal earlier than modeled when the constant prepayment rate rises. The company must also reinvest these principal repayments into new assets, which makes it more difficult to replace the lost asset yields without taking on higher risk or leverage. ARR's book value per share edged 0.6% higher sequentially to $17.53 for the quarter.

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	***$2.93***	***$1.59***
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***
Shares[1]	7.3	8.4	8.7	11.8	13.1	18.8	32.6	48.8	62.4	111.9	***141.6***	***360.0***

ARR's share count continues to climb, with it now at 141.6 million as of late July. 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 remains high (but did improve to 8.8% in the July report). 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 $2.93.

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[1] Share count is in millions.

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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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	***5.4***	***5.0***
Avg. Yld.	13.9%	8.9%	10.9%	11.9%	11.1%	12.2%	21.3%	25.9%	14.9%	15.9%	***18.1%***	***18.1%***

Since 2016, ARR's P/E ratio has ranged from as little as the mid-single digits to as much as 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 5.4, this suggests shares are slightly 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%	***98%***	***91%***

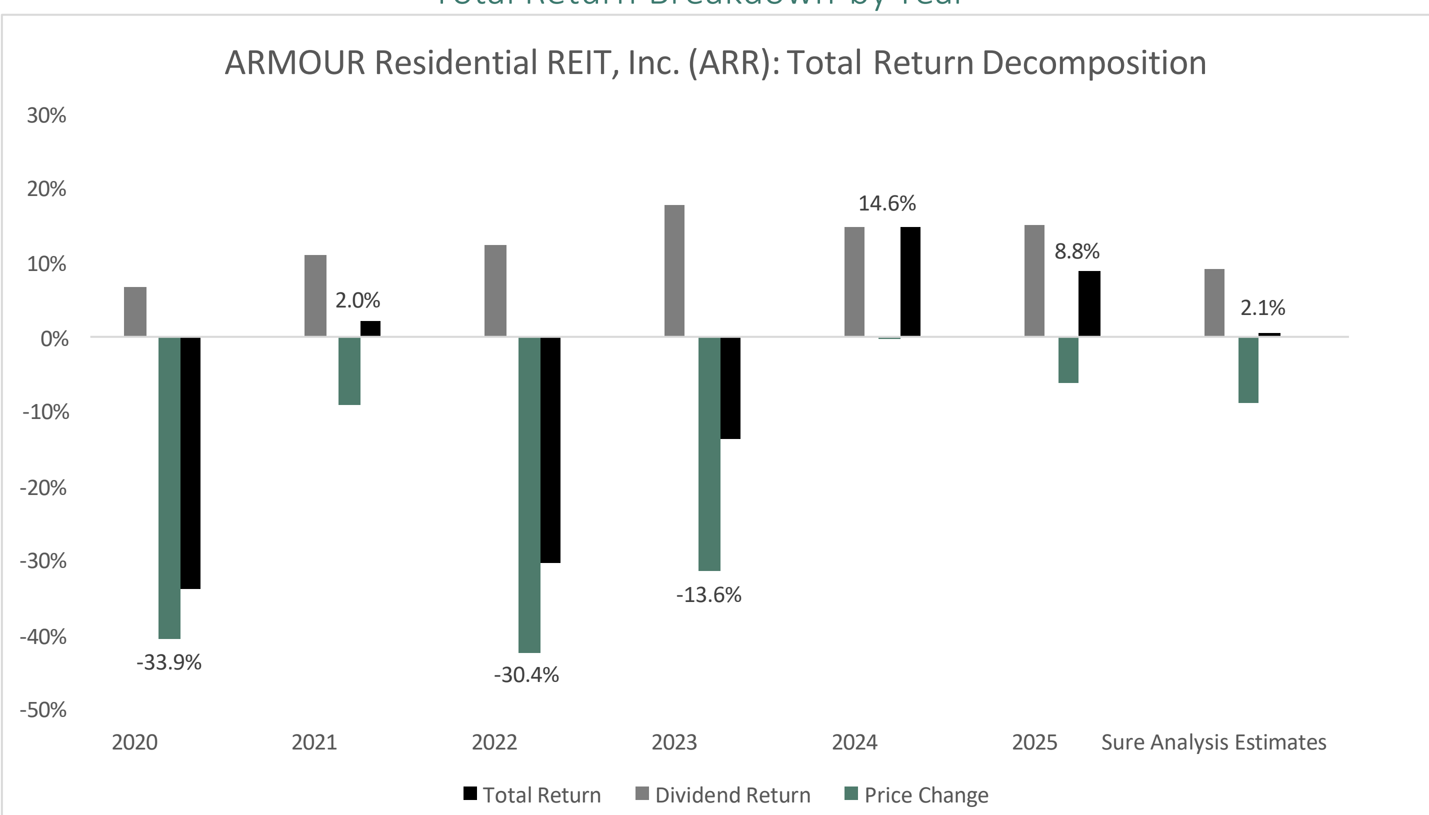
As a mortgage REIT, ARR has been no stranger to volatile operating results. The payout ratio has also historically been close to its distributable EPS, which leaves no margin for error or a downturn in the industry. This is precisely why it has been a chronic dividend cutter over the years. To this point, 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 18.1% dividend yield, 11.5% annual distributable EPS shrinkage prospects, and 1.7% annual valuation multiple contraction could result in 2.1% annual total returns through 2031. Consequently, we're reiterating our Sell rating.

Total Return Breakdown by Year



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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.