

Federal Agricultural Mortgage Corporation (AGM)

University of Wisconsin–Milwaukee | Lubar College of Business | Investment Management Certificate Program

Analyst: [AJ Lohr](#) Recommendation: [BUY](#) Value Fit: **8 / 9** Philosophy Fit: **5 / 5** As of: 10/07/2026

WISCONSIN VALUE FUND LENS — Maximize return by buying improving companies at reasonable valuations.

Performance level — ROE (2026E vs. 2025A)	17.7% vs. 16.0% → Rising, mid-to-high-teens returns
Change in performance — core EPS growth	+24.5%, 2026E vs. 2025A → Improving
Business momentum — outstanding volume	+22% YoY to \$37.2B at 2Q26 → Above the 8%–11% long-term growth target
Valuation gap — target vs. price	+15.5% → Price below our value

BUSINESS DESCRIPTION

Federal Agricultural Mortgage Corporation (Farmer Mac) is a stockholder-owned government-sponsored enterprise (GSE) whose public mission is to increase the availability of credit in rural America. It buys loans in the secondary market, provides credit protection and offers wholesale financing to agricultural and rural lenders. It operates two lines of business: Agricultural Finance (Farm & Ranch, Corporate AgFinance) and Infrastructure Finance (Power & Utilities, Broadband Infrastructure, Renewable Energy). The company is headquartered in Washington, D.C.

INVESTMENT THESIS

Farmer Mac is compounding earnings by shifting new volume toward higher-spread Infrastructure Finance loans while Farm & Ranch demand stays strong. 2Q26 core EPS rose 25% to \$5.40 on record net effective spread (NES) revenue of \$117.4 million, and outstanding business volume grew 22% to \$37.2 billion. Management puts normalized quarterly core EPS at \$5.15, and long-term guidance calls for 8%–11% volume and 10%–12% revenue CAGRs through 2030 with an efficiency ratio under 30%. Low-cost GSE funding and match-funded assets keep earnings steady. At 9.5x our 2027E core EPS, the shares trade below their 11x–13x five-year forward P/E range.

MARKET SNAPSHOT

Current Price	\$214.79	Market Cap (\$B)	\$2.3	Price / Book	1.9x
52-Week Range	\$136 – \$248	Inst. Ownership	86.0%	Insider Own.	2.0%
Shares Out. (mm)	10.849	Short Int. (% float)	4.1%	Dividend Yield	3.0%
5-Yr EPS CAGR (Sidoti)	13.0%	Payout (2026E)	30.9%	Risk Rating (Sidoti)	Moderate
Price Target	\$248.00	Upside to Target	15.5%	Bear – Bull Range	\$166 – \$313

VALUATION SUMMARY — forward P/E on 2027E core EPS, justified P/B cross-check & scenarios

Method	Value / Share	Upside	Assumption
P/E – 11x 2027E core EPS (base)	\$247.92	15.4%	11.0x × 2027E EPS
Justified P/B cross-check	\$280.98	30.8%	2.29x × 2026E BVPS (ROE 17.1%, ke 9.8%, g 4.0%)
Bear scenario (credit stress + spread compression)	\$166.28	(22.6%)	9.0x × \$18.48 (2.0x provision, -8 bp NES)
Bull scenario (benign credit + wider spread)	\$312.89	45.7%	13.0x × \$24.07 (0.8x provision, +4 bp NES)
Probability-weighted (25 / 50 / 25)	\$243.75	13.5%	Weights on Assumptions tab
Analyst price target	\$248.00	15.5%	Blue = analyst override

PHILOSOPHY FIT — Five pillars · Score: 5 / 5

	Fit?
1. Fundamental improvement & valuation discipline	ROE 16.0% → 17.7%; 9.5x 2027E P/E vs. 11x–13x range Yes
2. Investing through company cycles	Countercyclical ag credit demand; match-funded ALM steadies NES Yes
3. Initial position sizing & risk limits	Moderate risk (Sidoti); review on credit migration or capital erosion Yes
4. Capital allocation discipline	Dividend \$6.40 (31% payout, 2026E); Tier 1 capital 13.2% Yes
5. Identifiable catalysts & conservative underwriting	Three drivers, each with a monitor; base case at low end of P/E range Yes

VALUE CRITERIA — 10-Point Checklist · Score: 8 / 9

	Pass?
1. Catalyst / Investment Drivers	Yes
Driver 1 — Infrastructure Finance mix shift	Renewable Energy volume rose 55% to \$3.0 billion and Broadband Infrastructure rose 58% to \$1.9 billion in 2Q26. These higher-spread loans drove about \$7.2 million of the NES increase, and data center exposure is about \$1 billion. Watch: Infrastructure Finance share of new volume and NES margin.
Driver 2 — Farm & Ranch momentum	Farm & Ranch added \$1.7 billion in 2Q26 to reach \$22 billion outstanding, as borrowers tap farmland equity for working capital and lenders manage their balance sheets. Wholesale finance added \$1.1 billion as wider credit spreads improved its relative value. Watch: quarterly net volume adds.
Driver 3 — Cheaper, more flexible capital	A new Farm & Ranch credit risk transfer program is planned for 2026, following a \$100 million Series I preferred issue. Core capital was \$1.9 billion with a 13.2% Tier 1 ratio at 2Q26. Watch: CRT launch and the capital buffer.
What does management say?	Long-term guidance targets an 8%–11% volume CAGR and a 10%–12% revenue CAGR through 2030, with an efficiency ratio under 30%. Management put normalized 2Q26 core EPS at \$5.15, excluding a \$7.4 million interest recovery and a \$4 million compensation true-up.

2. Low P/E Ratio	Yes			
	2024A	2025A	2026E	2027E
Core EPS, diluted (model)	\$15.64	\$16.66	\$20.74	\$22.54
P/E at current price	13.7x	12.9x	10.4x	9.5x
Sidoti 5-yr forward P/E range (low end)	11.0x	2027E P/E vs. range low end		(13%)

3. Low Price / Cash Flow	N/A
Not meaningful for a balance-sheet lender: operating cash flow is dominated by loan, securities and funding flows (Sidoti shows FCF per share as NM). Earnings-based multiples are used instead, and N/A is not counted toward the score.	

Federal Agricultural Mortgage Corporation (AGM) — Value Criteria, continued

4. Low Price / Book Value						No
	2024A	2025A	2026E	2027E		
Book value / share	\$98.21	\$110.26	\$122.89	\$139.89		
Price / book	2.2x	1.9x	1.7x	1.5x		
ROE	n/a	16.0%	17.7%	17.1%		
Comment	1.9x P/B (2Q26E book) is not low in absolute terms, but it is backed by a mid-to-high-teens ROE and book value per share growing from \$110 (2025A) to \$140 (2027E). Justified P/B is 2.3x (ROE 17.1% vs. 9.8% cost of equity), above the 1.7x current multiple on 2026E book.					
5. Financial Soundness						Yes
	2024A	2025A	2026E	2027E		
Core capital (\$mm)	1,501	1,706	1,862	2,045		
Core capital / total assets	4.8%	4.8%	4.8%	4.9%		
Total debt / total capital	95%	95%	95%	95%		
Comment	Core capital was \$1.9 billion and the Tier 1 ratio 13.2% at 2Q26; core capital exceeded the statutory minimum by \$584 million at year-end 2024. The 95% debt-to-capital ratio reflects the GSE funding model: AGM issues low-cost discount and medium-term notes and match-funds its assets under its ALM strategy.					
6. Positive Earnings Dynamics						Yes
	2024A	2025A	2026E	2027E		
NES revenue growth	n/a	12.8%	16.6%	8.9%		
Core EPS growth	n/a	6.5%	24.5%	8.7%		
Efficiency ratio (opex / revenue)	28.2%	28.3%	27.9%	27.8%		
Core earnings margin	47.4%	44.6%	47.3%	47.3%		
7. Business Strategy & Segment Mix						Yes
Strategy	Grow higher-spread Infrastructure Finance (renewables, broadband and data centers) while defending Farm & Ranch share, diversify capital through credit risk transfer, and keep the efficiency ratio under 30%.					
Segment mix	Agricultural Finance is 65% of \$37.2 billion outstanding volume (Farm & Ranch about \$22 billion); Infrastructure Finance is 35%, including Renewable Energy (\$3.0 billion) and Broadband (\$1.9 billion), at 2Q26.					
8. Capable Management & Insider Ownership						Yes
Insider ownership	2.0%	Inst. ownership		86.0%	Short interest (% float)	4.1%
Insider activity / governance	Insider ownership is only about 2%, so alignment rests on compensation design. AGM is federally chartered and overseen by the Farm Credit Administration; management has delivered steady volume growth and annual dividend increases.					
9. Valuation — Earnings Power vs. Price						Yes
ROE (2026E)	17.7%	P/E (2027E)		9.5x	Earnings yield (2027E)	10.5%
Price target / upside	\$248.00	15.5%	Value range (low–high)		\$166 – \$313	
10. Uses of Capital — allocation discipline						Yes
Dividend per share rises from \$5.60 (2024A) to \$6.80 (2027E), about a 30% payout. Buybacks are modest (\$12.9 million in 2025, \$7.1 million in 1Q26); retained earnings and the \$100 million Series I preferred fund volume growth.						
VALUE FIT SCORE — criteria met						8 / 9

FINANCIAL SUMMARY (\$mm except per share)

	2024A	2025A	2026E	2027E	CAGR 2024A–2027E	
Outstanding business volume (\$bn)	29.5	33.4	38.6	42.2	12.7%	
Net effective spread	339.6	383.0	446.4	486.1	12.7%	
Total revenue	362.0	410.3	477.8	518.7	12.7%	
Total operating expenses	105.4	119.8	136.7	148.4	12.1%	
Core earnings	171.6	182.9	225.9	245.3	12.6%	
Core EPS, diluted	\$15.64	\$16.66	\$20.74	\$22.54	13.0%	
Dividend / share	\$5.60	\$6.00	\$6.40	\$6.80	6.7%	
Efficiency ratio	28.2%	28.3%	27.9%	27.8%		
ROE	n/a	16.0%	17.7%	17.1%		
Book value / share	\$98.21	\$110.26	\$122.89	\$139.89	12.5%	

KEY RISKS

1. Credit migration. Farm borrowers face volatile commodity prices, elevated input costs and geopolitical uncertainty; provisions rise with volume and could jump if farm income or land values weaken. Watch: delinquencies, substandard assets and provision trends.
 2. Idiosyncratic credit events. Larger project-finance exposures (renewables, broadband, data centers) and permanent plantings can cause lumpy losses, as the recent non-accrual plantings exposure showed. Watch: non-accrual loans and segment charge-offs.
 3. Interest rate volatility. Rate and spread swings can compress net effective spread or speed prepayments of higher-yielding loans. Watch: quarterly NES margin.
 4. Trade and tariff policy. Export disruptions and tariffs hit farm income and loan demand. Watch: farm income forecasts and trade actions.
- Rating: HOLD. AGM is already a full position, and 15.5% upside to our \$248 target (13.5% probability-weighted, with 22.6% bear-case downside) does not justify adding at current size. Add on a pullback to about \$200 (25%+ upside); trim near the target.
- Exit discipline: review if core EPS declines year over year for two straight quarters, if the Tier 1 ratio trends toward regulatory minimums, or if credit costs grow faster than volume.

Sources: Sidoti & Company, LLC, Company Sponsored Research on Federal Agricultural Mortgage Corporation (AGM), 31-Jul-2026 (uploaded file AGM-US Sidoti Research 31 Jul '26.pdf); model outputs linked to the Main, IS and BS tabs of this workbook. Information for educational purposes only. Not a recommendation to buy or sell any security.