PennantPark Floating Rate (PFLT)

Updated December 31st, 2025 by Samuel Smith

Key Metrics

Current Price:	$9.3	**5 Year CAGR Estimate:**	11.5%	**Market Cap:**	$916 M
Fair Value Price:	$10.3	**5 Year Growth Estimate:**	-0.2%	**Ex-Dividend Date:**	1/15/26[1]
% Fair Value:	90%	**5 Year Valuation Multiple Estimate:**	2.0%	**Dividend Payment Date:**	2/02/26[2]
Dividend Yield:	13.2%	**5 Year Price Target:**	$10	**Years Of Dividend Growth:**	2
Dividend Risk Score:	F	**Sector:**	Financials	**Rating:**	Hold

Overview & Current Events

PennantPark Floating Rate Capital Ltd. is a U.S.-based business development company (BDC) that invests primarily in floating-rate senior secured loans and other debt instruments issued by middle-market companies. The firm's investment strategy centers on generating current income and long-term capital appreciation by providing financing solutions to private equity-backed and other established businesses. Managed by PennantPark Investment Advisers, the company leverages its credit expertise across a diversified portfolio of first lien and second lien loans, seeking to produce stable net investment income while maintaining disciplined risk and credit controls within its lending portfolio. PFLT also offers monthly distributions to shareholders, reflecting its focus on yielding income for investors.

On November 24, 2025, PennantPark Floating Rate Capital Ltd. released its fourth fiscal quarter and full year 2025 financial results for the period ended September 30, 2025. For the quarter, PFLT reported core net investment income of approximately $0.28 per share and a total investment income near $69.0 million, with revenue in line with analyst expectations, demonstrating steady underlying performance in its core lending business. The firm's net asset value per share was reported around $10.83, modestly lower than the prior quarter, reflecting market and portfolio valuation dynamics. Portfolio assets grew to roughly $2.77 billion, supported by strong origination activity and a significant joint venture initiative that expanded lending capacity. Management highlighted continued disciplined credit underwriting, with a low non-accrual rate and balanced leverage metrics, underscoring the resilience of its middle-market loan portfolio through varied economic conditions. The company declared its regular monthly distribution of $0.1025 per share for November and December, consistent with its income-oriented mandate, and signaled confidence in its ability to sustain distributions from net investment income. While earnings per share closely matched forecasts, the modest decline in NAV and the mixed market response emphasized investor focus on both income stability and capital preservation amidst evolving credit markets. Strategic efforts, including the growth of the joint venture platform and selective portfolio expansion, were reinforced as key drivers for future income growth and asset diversification. Overall, PFLT's fourth quarter results reflected stable financial performance, prudent risk management and ongoing commitment to shareholder distributions within the business development company sector.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.25	$1.20	$0.87	$0.29	$0.47	$1.02	$1.18	$1.33	$1.18	$1.16	***$1.19***	***$1.15***
BVPS	$14.10	$13.90	$13.70	$13.00	$12.31	$12.62	$11.77	$11.13	$11.31	$10.83	***$10.83***	***$10.70***
DPS	$1.14	$1.14	$1.14	$1.14	$1.14	$1.14	$1.14	$1.19	$1.23	$1.23	***$1.23***	***$1.14***
Shares[3]	26.7	26.7	38.5	38.8	38.8	38.8	45.3	58.7	83.2	99.2	***99.2***	***100.0***

As a BDC, PennantPark Floating Rate pays out virtually all of its profits out via dividends. As a result, whenever the business suffers an impairment from meaningful loan losses, its book value will decline with little means of regaining

[1] Estimated
[2] Estimated
[3] 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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that value. We expect book value per share to remain relatively stagnant over time, and with it, earnings per share. The only thing that would meaningfully boost earnings per share is a large increase in interest rates. Given that the company invests primarily in floating interest rates, rising interest rates would potentially help PennantPark Floating Rate. However, we do not foresee interest rates rising meaningfully more than they have already over the next few years. Therefore, we expect book value per share and the dividend per share to slightly decline over the next half-decade.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/B	1.0	0.8	1.0	1.0	0.9	0.9	0.9	1.0	1.0	0.9	***0.9***	***0.95***
Avg. Yld.	8.3%	10.0%	8.3%	8.9%	10.9%	9.6%	11.3%	10.7%	11.3%	12.5%	***13.2%***	***11.2%***

For BDCs, we prefer to use Price-to-Book-Value for our primary valuation metric instead of Price-to-Earnings. We believe that a slight discount to book value is warranted, given the high leverage applied and the general riskiness of the business model. Given that the dividend has grown over time and book value has not dropped too much, we believe that 1.0x is a fair Price-to-Book-Value multiple, making shares appear slightly undervalued at present.

Safety, Quality, Competitive Advantage, & Recession Resiliency

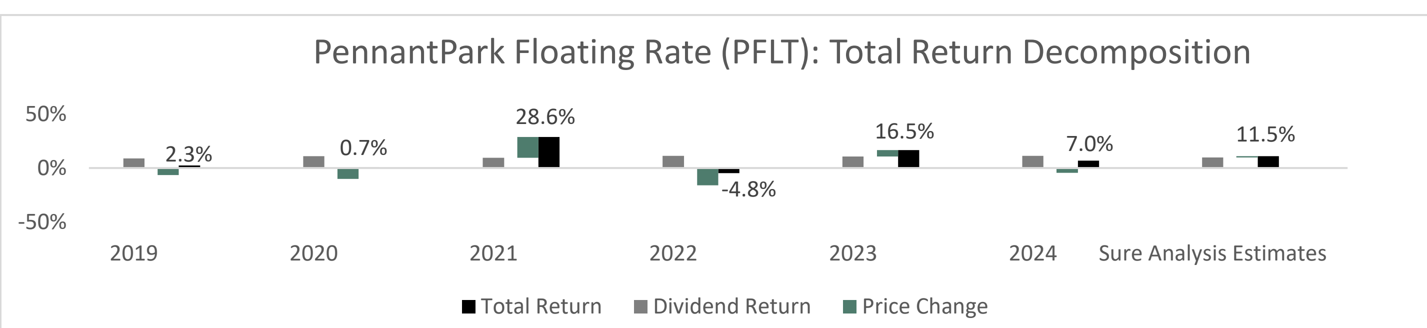
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	91%	95%	131%	393%	243%	112%	97%	89%	104%	103%	***103%***	***99%***

PennantPark Floating Rate does not have any meaningful competitive advantage and was not active during the Great Recession. However, given that the majority of its loans are in the BB – CCC range, we can infer that many of them would struggle to perform under distressed conditions. PennantPark Floating Rate also has a highly leveraged balance sheet and a payout ratio that often nears or exceeds 100% of earnings. While the company can probably sustain this model while the economy is running smoothly – as the growing and stable dividend over the past decade has shown – it may collapse if the economy experiences a significant and prolonged downturn that would cause its loans to underperform. Management seems to have steered the company through the COVID-19 crisis well, thanks in part to the stimulus and bailout packages that were provided to small businesses. However, given the low quality of the balance sheets undergirding the portfolio and their high leverage, in a real sustained downturn we expect things to get much worse. Given the high payout ratio, we would also expect a dividend cut to follow.

Final Thoughts & Recommendation

PennantPark Floating Rate has a strong track record of paying a stable dividend and offers investors 11.5% annualized total return potential and an attractive 13.2% dividend yield. It trades at a discount to its book value at the moment. For investors looking to hedge their portfolio against rising interest rates, its exposure to floating interest rates is a plus. That said, the high leverage and lower quality loans underpinning the portfolio mean it is not a low-risk investment opportunity. Shares earn a Hold 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	45	60	70	62	83	70	94	123	186	255
SG&A Exp.	-	-	-	-	-	-	-	-	-	-
Net Profit	33	36	33	11	18	57	3	39	92	66
Net Margin	74.5%	60.2%	47.9%	18.6%	22.2%	80.9%	3.7%	31.9%	49.3%	26.0%
Free Cash Flow	35	26	83	(9)	35	9	63	66	92	95

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	631	747	1,076	1,152	1,148	1,171	1,224	1,180	2,109	2,914
Cash & Equivalents	29	19	72	63	109	102	48	101	112	123
Total Liabilities	256	289	541	649	671	680	697	526	1,232	1,839
Accounts Payable										
Long-Term Debt	232	257	468	624	653	653	673	495	1,177	1,777
Shareholder's Equity	376	458	536	503	477	491	527	654	877	1,075
LTD/E Ratio	0.62	0.56	0.87	1.24	1.37	1.33	1.28	0.76	1.34	1.65

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	6.4%	5.3%	3.7%	1.0%	1.6%	4.9%	0.3%	3.3%	5.6%	2.6%
Return on Equity	8.9%	8.7%	6.7%	2.2%	3.8%	11.7%	0.7%	6.7%	12.0%	6.8%
ROIC	6.6%	5.5%	3.9%	1.1%	1.6%	5.0%	0.3%	3.3%	5.7%	2.7%
Shares Out.	26.7	26.7	38.5	38.8	38.8	38.8	45.3	58.7	83.2	99.2
Revenue/Share	1.68	1.99	1.82	1.59	2.14	1.80	2.30	2.42	2.83	2.76
FCF/Share	1.30	0.85	2.17	(0.22)	0.90	0.22	1.52	1.30	1.40	1.03

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