



PennantPark Investment Corporation (PNNT)

Updated January 14th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$6.13	5 Year Annual Expected Total Return:	14.4%	Market Cap:	\$401 M
Fair Value Price:	\$6.24	5 Year Growth Estimate:	2.0%	Ex-Dividend Date:	01/16/2026
% Fair Value:	98%	5 Year Valuation Multiple Estimate:	0.4%	Dividend Payment Date:	02/02/2026
Dividend Yield:	15.7%	5 Year Price Target	\$6.89	Years Of Dividend Growth:	5
Dividend Risk Score:	F	Sector:	Financials	Rating:	Hold

Overview & Current Events

PennantPark Investment Corporation (NYSE: PNNT) is a business development company focused on providing private credit to U.S. core middle-market companies, typically with \$10–\$50 million of EBITDA, through primarily first-lien, senior secured loans. As of September 30th, 2025, PNNT had a \$1.3 billion investment portfolio across 166 companies, with a weighted average credit spread of 5.66%, median loan-to-value of 39%, median net leverage of 4.5x, and 2.0x interest coverage, reflecting a conservatively structured book. The portfolio is heavily skewed to senior secured credit, with roughly about half in first-lien debt and the remainder across subordinated debt, equity co-investments, and joint venture exposures, and only 0.1% of the portfolio at fair value on non-accrual. PNNT pays dividends on a monthly basis.

On November 24th, 2025, PennantPark Investment reported its fiscal Q4 results for the fiscal year ended September 30th, 2025. For the quarter, total investment income declined year over year to \$28.0 million, reflecting a smaller portfolio and a lower weighted average yield on debt investments. Net investment income was \$9.8 million, or \$0.15 per share, compared with \$14.4 million, or \$0.22 per share, in the prior year period, representing a 32% year-over-year decline in per-share earnings.

PennantPark reported a net decrease in net assets from operations of \$1.0 million, or \$(0.01) per share, compared with a net increase of \$18.4 million, or \$0.28 per share, in the prior year period, due to realized losses on investments. Net asset value declined 6% year over year to \$7.11 per share from \$7.56, reflecting distributions and net realized losses, partially offset by unrealized appreciation. For FY2026, we forecast NII/share of \$0.96 under “normal conditions”.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
NII	\$0.99	\$0.79	\$0.75	\$0.66	\$0.58	\$0.54	\$0.66	\$1.00	\$0.92	\$0.71	\$1.96	\$1.06
DPS	\$1.12	\$0.82	\$0.72	\$0.72	\$0.60	\$0.48	\$0.56	\$0.76	\$0.88	\$0.96	\$0.96	\$1.06
Shares	71.6	71.1	70.7	67.7	67.0	67.0	66.3	65.2	65.2	65.3	65.3	65.0

PennantPark Investment has historically posted relatively strong results. While NII/share dipped during the pandemic, it has since recovered to pre-pandemic levels. More specifically, from 2016 through 2018, PennantPark’s NII per share declined from \$0.99 to \$0.75 mainly because the company reduced and repositioned its portfolio into lower-yielding assets, which lowered investment income despite falling expenses. The decline was driven by a smaller portfolio at cost and lower yields, only partially offset by reduced debt costs and management fees.

From 2019 through 2021, NII per share fell further from \$0.66 to \$0.54, driven primarily by the collapse in base interest rates during COVID. Because more than 90% of the portfolio was floating-rate, the sharp drop in LIBOR directly reduced investment income, and the benefit from lower funding costs did not fully offset the revenue decline. Management explicitly attributes this period’s pressure on NII to the rate environment.

From 2022 through 2025, NII rebounded significantly, peaking at \$1.00 in 2023 before falling back to \$0.71 in 2025. The rebound was driven by higher base rates flowing through the floating-rate portfolio, while the subsequent decline was caused by a smaller portfolio, lower average yields, and lower dividend income, which reduced investment income in 2025 versus 2024, only partially offset by lower expenses.

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Moving forward, we believe NII/share and the dividend can grow at 2% per annum, driven by continued rotation of equity into income-producing assets, growth of the accretive joint venture, and reinvestment into higher-spread core middle market loans, offset by a more normalized rate environment and balance sheet funding needs.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/NII	7.7	9.9	8.9	9.7	7.8	12.4	9.7	6.0	7.6	9.9	6.4	6.5
Avg. Yld.	14.7%	10.5%	10.7%	11.3%	13.3%	7.2%	8.8%	12.7%	12.6%	13.7%	15.7%	15.4%

Historically, PNNT has traded in a mid-to-high single-digit P/NII range, typically around ~8–10x. The multiple compressed during periods of stress (7.8x in 2020 and 6.0x in 2023) and expanded during periods of greater earnings confidence (peaking at 12.4x in 2021). Today, the stock is trading at one of the lowest multiples in its history, with investors pricing in the possibility of a dividend cut after last year’s compressed NII.

Safety, Quality, Competitive Advantage, & Recession Resiliency

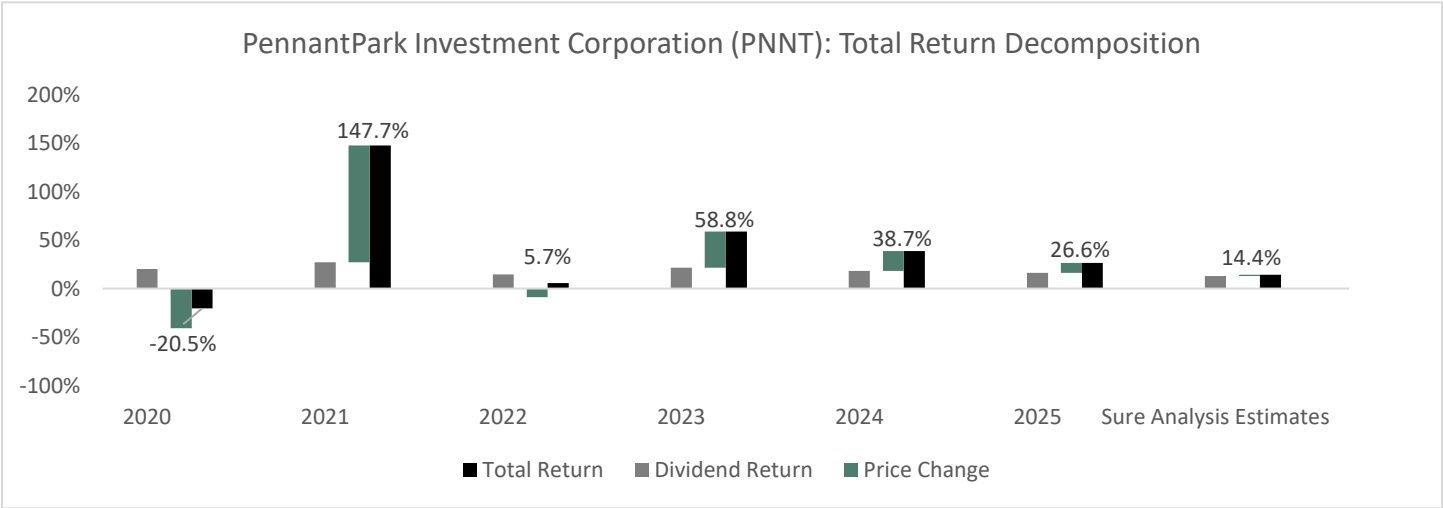
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	113%	104%	96%	109%	103%	89%	85%	76%	96%	135%	100%	100%

PennantPark runs a fairly conservative lending book and generally lends to smaller, profitable companies with good collateral and reasonable leverage, which helps on the credit side and makes the portfolio more resilient than many higher-risk lenders. That said, the dividend is not especially safe. It is currently only barely covered by NII, and the company has cut the dividend before, so there is clear precedent that the payout will be reduced if conditions get worse. The business also does not have a true moat, as private credit is very competitive, and returns depend a lot on interest rates, access to capital, and credit conditions. In a recession, the loans themselves may hold up better than average, but earnings and the dividend can still come under pressure, making this more of a high-income, cyclical investment than a truly defensive one.

Final Thoughts & Recommendation

Overall, PNNT offers a very attractive high yield and has increased the dividend in recent years, but the payout is only thinly covered and has been cut before, making the income compelling yet clearly exposed to credit, economic, and interest-rate risk. We forecast annualized returns of 14.4% through 2031, to be powered primarily by the starting dividend yield. 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	62	94	154	4	79	112	143	(11)	110	70
Gross Profit	24	60	127	(20)	56	92	119	(43)	79	42
Gross Margin	38.4%	64.5%	82.1%	-551%	70.6%	82.4%	83.5%	391%	71.8%	60.3%
SG&A Exp.	-	-	-	-	-	-	-	-	-	-
D&A Exp.	-	-	-	-	-	-	-	-	-	-
Operating Profit	21	63	48	55	20	190	13	10	97	77
Operating Margin	34.3%	67.8%	31.0%	1540.3%	24.7%	170.0%	9.0%	-91.7%	87.7%	110.0%
Net Profit	19	62	48	16	(16)	167	(25)	(34)	49	33
Net Margin	30.4%	66.0%	31.0%	444%	-20.1%	149%	-17.3%	305%	44.3%	46.8%
Free Cash Flow	49	34	41	26	27	15	5	179	47	66
Income Tax	2	2	-	1	1	1	1	4	3	3

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	1,239	1,202	1,160	1,286	1,114	1,295	1,321	1,157	1,389	1,350
Cash & Equivalents	76	38	20	60	26	20	55	39	50	52
Accounts Receivable	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-
Goodwill & Int. Ass.	-	-	-	-	-	-	-	-	-	-
Total Liabilities	596	555	531	704	589	635	735	655	895	886
Accounts Payable	-	-	-	-	-	-	-	-	-	-
Long-Term Debt	560	526	504	684	568	607	705	517	772	739
Shareholder's Equity	643	647	629	582	526	660	586	502	494	464
LTD/E Ratio	0.87	0.81	0.80	1.18	1.08	0.92	1.20	1.03	1.56	1.59

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	1.4%	5.1%	4.0%	1.3%	-1.3%	13.8%	-1.9%	-2.7%	3.8%	2.4%
Return on Equity	2.8%	9.6%	7.5%	2.6%	-2.9%	28.1%	-4.0%	-6.2%	9.8%	6.8%
ROIC	1.5%	5.2%	4.1%	1.3%	-1.4%	14.1%	-1.9%	-2.9%	4.3%	2.7%
Shares Out.	71.6	71.1	70.7	67.7	67.0	67.0	66.3	65.2	65.2	65.3
Revenue/Share	0.86	1.32	2.18	0.05	1.18	1.66	2.19	(0.17)	1.69	1.07
FCF/Share	0.68	0.47	0.58	0.38	0.40	0.22	0.07	2.75	0.72	1.01

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

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