



PennantPark Floating Rate (PFLT)

Updated March 2nd, 2026 by Samuel Smith

Key Metrics

Current Price:	\$8.2	5 Year CAGR Estimate:	14.4%	Market Cap:	\$810 M
Fair Value Price:	\$10	5 Year Growth Estimate:	0.4%	Ex-Dividend Date:	3/17/26 ¹
% Fair Value:	82%	5 Year Valuation Multiple Estimate:	4.0%	Dividend Payment Date:	4/2/26 ²
Dividend Yield:	15.0%	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 February 10, 2026, PennantPark Floating Rate Capital Ltd. reported fiscal first-quarter 2026 results for the period ended December 31, 2025. Core net investment income of \$0.27 per share, equal to GAAP NII, indicated steady earnings and supported the BDC's monthly dividend strategy, although it also suggested limited upside versus the current payout. The company maintained robust deployment activity, investing \$301 million at a weighted average yield of 10 percent across both new and existing portfolio companies, which is a positive for income generation but can elevate risk if credit conditions weaken. The portfolio remained well diversified with 160 companies across 50 industries and a weighted average yield on debt investments of 9.9 percent, pointing to stable credit conditions and attractive opportunities, though the breadth of exposure also requires vigilant credit monitoring. The capital structure was conservatively positioned, with approximately 99 percent of the debt portfolio in floating-rate instruments and 89 percent in first-lien senior secured debt, limiting credit loss severity but reducing potential returns from higher-yield subordinated positions. Leverage of 1.57 times at quarter-end was on the higher side, but post-quarter asset sales of \$27 million to PSSL I and \$133 million to PSSL II brought leverage down to 1.5 times, comfortably within the 1.4 to 1.6 times target range and supporting sustainable dividend coverage while still leaving the company modestly exposed to any future downturn in credit quality.

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	\$1.13	\$1.15
BVPS	\$14.10	\$13.90	\$13.70	\$13.00	\$12.31	\$12.62	\$11.77	\$11.13	\$11.31	\$10.83	\$10.49	\$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
Shares³	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 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

¹ Estimated

² Estimated

³ In millions

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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	0.8	1.0
Avg. Yld.	8.1%	10.3%	8.3%	8.8%	10.3%	10.0%	10.8%	10.7%	10.9%	12.6%	15.0%	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 undervalued at present.

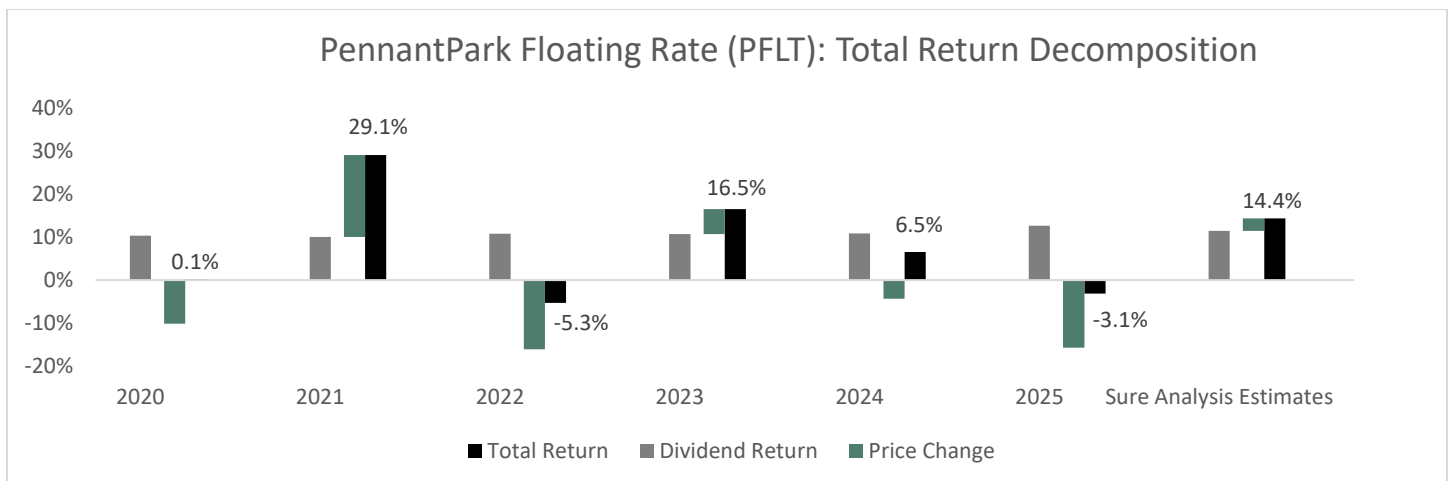
Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	91%	95%	131%	393%	243%	112%	97%	89%	104%	106%	109%	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 a 14.4% annualized total return potential and an attractive 15% 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.



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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.

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