



Horizon Technology Finance Corp. (HRZN)

Updated May 12nd, 2026, by Nikolaos Sismanis

Key Metrics

Current Price:	\$4.20	5 Year Annual Expected Total Return:	15.7 %	Market Cap:	\$296 M
Fair Value Price:	\$5.11	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	05/18/2026
% Fair Value:	82%	5 Year Valuation Multiple Estimate:	4.0%	Dividend Payment Date:	06/16/2026
Dividend Yield:	17.1%	5 Year Price Target	\$5.11	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Sector:	Financials	Rating:	Sell

Overview & Current Events

Horizon Technology Finance Corp. is a BDC (Business Development Company) that provides secured loans to venture-backed small and medium-sized companies, primarily in life science, technology, healthcare information and services, and sustainability, which represented 50.4%, 31.0%, 13.1%, and 5.5% of its debt portfolio at fair value, respectively, at March 31st, 2026. The company aims to generate attractive risk-adjusted returns through directly originated senior secured loans, while also retaining upside through warrants and other equity-linked positions, with its annualized debt investment yield at 15.2% in the most recent quarter. Horizon Technology net investment income of around \$44 million last year and is based in Farmington, Connecticut.

On May 5th, 2026, Horizon announced its Q1 2026 results for the period ending March 31st, 2026. For the quarter, total investment income declined 1.8% year-over-year to \$24.1 million, primarily due to lower interest income on debt investments from a smaller debt investment portfolio. The company's dollar-weighted annualized yield on average debt investments in Q1 2026 and Q1 2025 was 15.2% and 15.0%, respectively.

Net investment income per share (NII) fell year-over-year to \$0.19 from \$0.27. Net asset value (NAV) per share stood at \$6.98, down from \$7.57 in the prior year, but flat sequentially from year-end 2025. Horizon's undistributed spillover income was \$0.52 per share at quarter-end, still providing some income support for future distributions. Management maintained the regular monthly dividend at \$0.06 per share for July, August, and September 2026, and also declared special monthly distributions of \$0.03 per share for the same months, bringing total Q3 distributions to \$0.27 per share.

Subsequent to quarter-end, Horizon completed its merger with Monroe Capital Corporation, receiving about \$141.1 million in cash and issuing 20.4 million shares to MRCC stockholders, while also launching the RoHo Capital Opportunity Fund JV with Roth. Our assumptions for FY2026's IIS/share stand at \$0.73.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
IIS¹	\$1.48	\$1.07	\$1.20	\$1.52	\$1.18	\$1.41	\$1.46	\$1.98	\$1.32	\$1.05	\$0.73	\$0.73
DPS	\$1.38	\$1.20	\$1.20	\$1.20	\$1.25	\$1.25	\$1.28	\$1.37	\$1.37	\$1.32	\$0.72	\$0.72
Shares²	11.5	11.5	11.5	13.5	17.5	20.0	24.7	31.0	36.1	42.3	47.3	55.0

Horizon's investment results have been quite stable over the years, despite many of its peers in the sector suffering due to the oversupply of cheap financing. Lower market rates caused BDCs to keep refinancing their loan assets at gradually lower rates up until recently, damaging their investment results. However, Horizon's niche operations that require more unusual expertise in industries like biotech have maintained their higher ROIs amid a lack of cheap loans for such risky sectors, including early-stage tech companies. As its successful due diligence record has made possible, the company has maintained quite stable dividends, paid out monthly, providing smooth capital returns to its investors. Horizon's sectors

¹ Investment Income per share

² Share count is in millions.

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of interest are likely to remain quite high-risk and capital-hungry. That said, we expect a stable IIS/share through 2031, as the direction of rates several years ahead is uncertain.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	7.1	9.7	9.4	9.9	9.3	11.3	9.3	5.6	8.8	7.1	5.8	7.0
Avg. Yld.	11.8%	10.9%	11.4%	10.2%	10.2%	7.8%	9.4%	12.5%	11.8%	17.6%	17.1%	14.1%

Horizon's yield remains elevated, but recent pressure points make that less surprising. Portfolio yield and investment income have moved lower, NII has been hurt by softer prepayment activity, and the company reduced its monthly dividend to better align payouts with expected earnings. That suggests the high yield is now reflecting real earnings and portfolio pressure. We have set our fair P/E at 7.0, which is below the stock's historical average to account for a higher cost of equity lately. The stock is trading below its book value of \$6.98 as of Q1.

Safety, Quality, Competitive Advantage, & Recession Resiliency

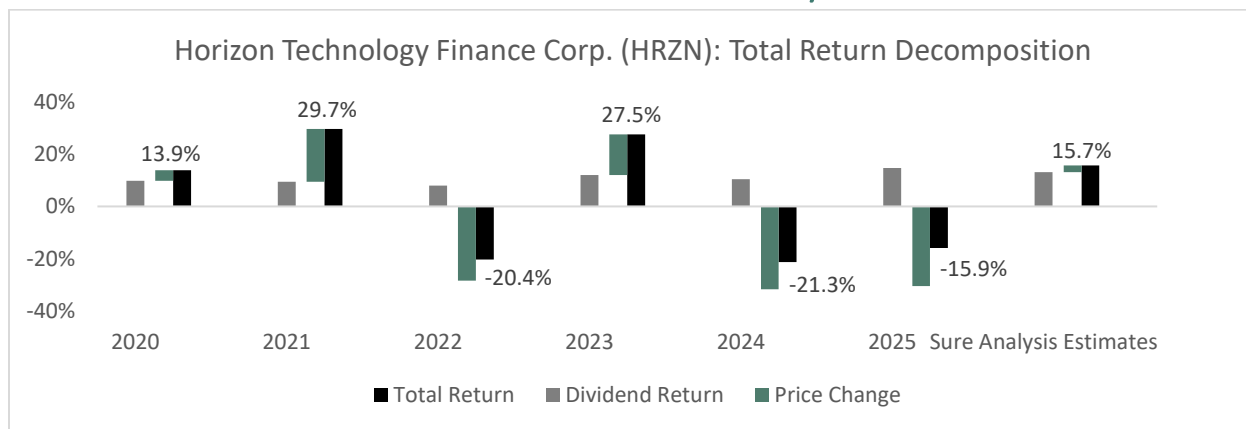
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	93%	112%	100%	79%	106%	89%	88%	69%	104%	126%	99%	99%

Horizon's dividend remained well-covered in recent years, including during the COVID-19 pandemic. Still, we estimate that a dividend cut could occur based on its ongoing performance. Regardless, the BDC's competitive advantage lies in its team's expertise to identify the most promising companies in risky sectors, which requires professional knowledge and experience beyond finance. So far, this perk has stood solid, as the company's results have outperformed the rest of its peers, many of which were forced to cut their dividends due to increased market pressure. Horizon's stable results over the years are also visible in its stock price, which is typically less volatile than its BDC peers. With \$105.3 million of available liquidity, including \$73.3 million in cash and money market funds and \$32.0 million of remaining credit facility capacity, the company's liquidity remains solid, though lower than at year-end. Additionally, Horizon reported a net debt-to-equity leverage ratio of 113%, still below its 120% target, while its asset coverage ratio stood at 174%.

Final Thoughts & Recommendation

Horizon should be able to keep leveraging its niche expertise in tech and life sciences, demanding a higher return on its investments, which should continue to result in very high investment yields. We view Horizon as one of the highest-quality BDCs amongst its competitors. Due to the potential for a valuation tailwind and the 17.1% yield, we forecast annualized returns of 15.7% through 2031. Yet, we rate shares as a sell at current prices due to the lack of consistent dividend increases. Also, we think that another distribution cut is possible, which would erode the return outlook.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	12.40	14.90	21.30	14.78	10.33	33.27	26.64	-9.9	1.7	41
SG&A Exp.	2.87	3.04	3.41	3.45	3.75	4.69	4.78	5.7	5.8	---
Net Profit	9.59	13.01	19.50	11.00	6.36	27.78	21.15	-17.2	-5.6	-2.7
Net Margin	77.3%	87.3%	91.5%	74.4%	61.6%	83.5%	79.4%	-174%	-329%	-6.6%
Free Cash Flow	-14.84	-12.06	-51.41	-4.02	-25.28	-75.99	-246.3	-5.3	3.9	40
Income Tax	0.03	0.03	0.24	0.34	0.22	0.40	0.72	1.5	1.5	---

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	234.15	266.75	344.00	197.81	407.16	513.95	766.83	802.4	821.8	811
Cash & Equivalents	6.59	12.59	6.47	1.30	19.50	38.05	20.61	46.6	70.3	143
Total Liabilities	99.07	132.49	159.95	67.93	194.56	268.62	448.38	478.4	486	493
Accounts Payable	3.46	3.46	4.67	0.00	5.79	6.37	9.16	11	13.2	---
Long-Term Debt	94.08	126.85	152.05	64.57	185.8	257.61	434.08	462	468	473
Total Equity	135.08	134.26	184.06	129.88	212.60	245.34	318.45	324	336	319
LTD/E Ratio	0.70	0.94	0.83	0.50	0.87	1.05	1.36	1.43	1.39	1.49

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	4.1%	5.2%	6.4%	6.8%	1.7%	6.0%	3.3%	-2.2%	-0.7%	-0.3%
Return on Equity	7.0%	9.7%	12.3%	11.6%	3.2%	12.1%	7.5%	-5.4%	-1.7%	-0.8%
ROIC	4.1%	5.3%	6.5%	6.9%	1.7%	6.2%	3.4%	-2.2%	-0.7%	-0.3%
Shares Out.	11.52	11.53	13.48	7.61	17.53	20.03	24.73	30.96	36.1	42.4
Revenue/Share	1.08	1.29	1.58	1.94	0.59	1.66	1.08	-0.32	0.05	0.97
FCF/Share	-1.29	-1.05	-3.81	-0.53	-1.44	-3.79	-9.96	-0.17	0.11	0.94

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

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