Horizon Technology Finance Corp. (HRZN)

Updated August 17th, 2026, by Nikolaos Sismanis

Key Metrics

Current Price:	$4.91	**5 Year Annual Expected Total Return:**	12.1%	**Market Cap:**	$336 M
Fair Value Price:	$5.11	**5 Year Growth Estimate:**	0.0%	**Ex-Dividend Date:**	08/17/2026
% Fair Value:	96%	**5 Year Valuation Multiple Estimate:**	0.8%	**Dividend Payment Date:**	09/15/2026
Dividend Yield:	14.7%	**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 47.2%, 37.7%, 11.1%, and 4.0% of its debt portfolio at fair value, respectively, at June 30th, 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 14.9% in the most recent quarter. Horizon Technology net investment income of around $44 million last year and is based in Farmington, Connecticut.

On August 4th, 2026, Horizon announced its Q2 2026 results for the period ending June 30th, 2026. For the quarter, total investment income increased 2.1% year-over-year to $25.0 million, primarily due to higher interest income, including PIK income, from a larger debt investment portfolio. The company's dollar-weighted annualized yield on average debt investments declined to 14.9% from 15.8% in the prior-year period.

Net investment income per share fell year-over-year to $0.11 from $0.28, although the latest figure included $0.07 per share of non-recurring merger expenses. NAV per share stood at $6.23, down from $6.75 in the prior year and $6.98 sequentially, mainly due to significant unrealized losses tied to one portfolio company. Horizon's undistributed spillover income was $0.33 per share at quarter-end. Management maintained the regular monthly dividend at $0.06 per share for October, November, and December 2026 and declared special monthly distributions of $0.03 per share, bringing total Q4 distributions to $0.27 per share.

During the quarter, Horizon completed its merger with Monroe Capital Corporation, funded nine loans totaling $72.7 million, and ended the period with a committed backlog of $228 million. The company also repurchased 1.37 million shares at an average price of $4.54 and subsequently increased its share-repurchase authorization to $20 million. 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
IIS[1]	$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***
Shares[2]	11.5	11.5	11.5	13.5	17.5	20.0	24.7	31.0	36.1	42.3	***65.0***	***100.0***

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

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[1] Investment Income per share

[2] Share count is 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.

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	***6.7***	***7.0***
Avg. Yld.	11.8%	10.9%	11.4%	10.2%	10.2%	7.8%	9.4%	12.5%	11.8%	17.6%	***14.7%***	***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 Q2.

Safety, Quality, Competitive Advantage, & Recession Resiliency

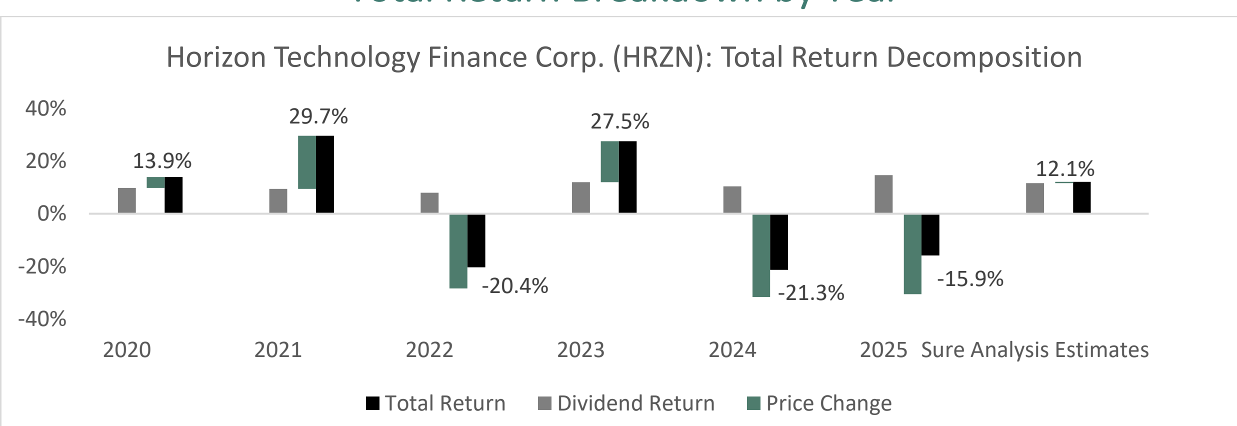
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	93%	112%	100%	79%	106%	89%	88%	69%	104%	126%	***99%***	***99%***

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 $228.6 million of available liquidity, including $135.0 million in cash and money market funds and $93.6 million available under existing credit facility commitments, the company's liquidity improved considerably from the prior quarter. Also, Horizon posted a net debt-to-equity leverage ratio of 65%, well below its 120% target, while its asset coverage ratio stood at 203%.

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 14.7% yield, we forecast annualized returns of 12.1% 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.