PennantPark Floating Rate Capital Ltd. (PFLT)

Updated August 28th, 2026, by Kody Kester

Key Metrics

Current Price:	$7.43	**5 Year CAGR Estimate:**	14.7%	**Market Cap:**	$737M
Fair Value Price:	$9.45	**5 Year Growth Estimate:**	1.0%	**Ex-Dividend Date:**	09/15/26[1]
% Fair Value:	79%	**5 Year Valuation Multiple Estimate:**	4.9%	**Dividend Payment Date:**	10/01/26[1]
Dividend Yield:	12.9%	**5 Year Price Target:**	$9.90	**Years Of Dividend Growth:**	0
Dividend Risk Score:	F	**Sector:**	Financials	**Rating:**	Sell

Overview & Current Events

PennantPark Floating Rate Capital Ltd. (PFLT) 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. As of Jun. 30, 2026, the BDC's portfolio was valued at $2.50 billion and consisted of 159 companies with an average investment size of $15.8 million and had a 9.8% weighted average yield on debt investments.

On Aug. 10, 2026, PFLT released its financial results for the fiscal third quarter ended Jun. 30, 2026. The company's net investment income per share grew by 4% year-over-year to $0.26 during the quarter. This was $0.01 below the analyst consensus in the quarter. The biggest variable leading to this slight uptick in NII per share was greater total investment income. This was fueled by healthy activity across its floating-rate portfolio and high weighted-average debt yields. The other contributing factor was a relatively contained cost structure, allowing incremental gross investment income to flow down to NII.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
NII	$1.02	$1.10	$0.81	$1.17	$1.12	$1.02	$1.18	$1.33	$1.18	$1.16	***$1.05***	***$1.10***
DPS	$1.14	$1.14	$1.14	$1.14	$1.14	$1.14	$1.14	$1.18	$1.23	$1.23	***$0.96***	***$0.96***
Shares[2]	26.7	32.5	38.8	38.8	38.8	38.9	45.4	58.7	77.6	99.2	***99.2***	***101.0***

Since 2016, PFLT's NII per share has grown by just over 1% annually. Moving forward, we think that it can keep growing by about 1% annually through FY 2031, off an anticipated FY 2026 base of $1.05. One key lever that PFLT has in a low-growth environment depends on its ability to maintain or slightly expand the spread between the interest it earns on its portfolio and its cost of debt. The recent issuance of 7.375% notes due 2031 shows that the company is locking in long-term funding to stabilize interest expenses. By recycling capital from maturing or exited investments into new middle-market opportunities with higher risk-adjusted spreads, PFLT can gradually improve its weighted average yield. Keeping non-accruals down (four companies representing 1.0% of the portfolio on a cost basis and 0.4% of fair value) is another tool in the toolbox for the BDC. Finally, not issuing shares when the share price is below NAV can help by not diluting existing equity. This is why the distribution cut earlier this year was important to its long-term objectives.

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[1] Estimated based on past distribution dates.

[2] Share count is in millions.

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	13.0	13.2	16.2	10.0	7.7	12.7	8.1	8.0	9.7	7.6	***7.1***	***9.0***
Avg. Yld.	8.6%	7.9%	8.7%	9.8%	13.2%	8.8%	11.9%	11.1%	10.7%	13.9%	***12.9%***	***9.7%***

Over the past decade, PFLT's P/E ratio has varied from as low as the high single-digits to as high as the mid-teens. The average P/E ratio over that time was 10.6. In recent years, the elevated rate environment has pushed the average P/E ratio down to just above 9. Looking ahead, we think that a fair value P/E ratio of 9 is realistic. Compared to the current-year P/E ratio of 7.1, this implies shares are materially undervalued.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	112%	104%	141%	97%	102%	112%	97%	89%	104%	106%	***91%***	***87%***

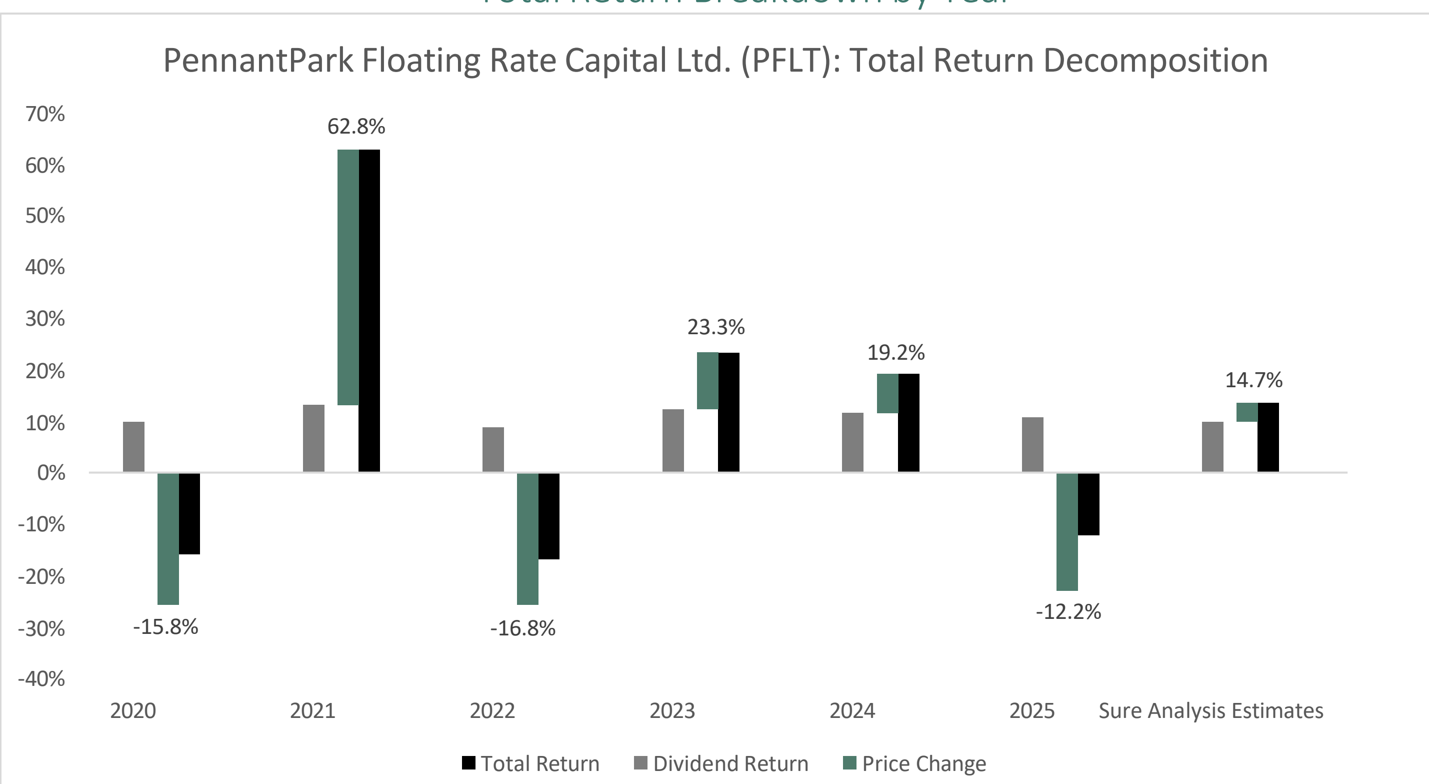
PFLT invests in floating-rate senior secured loans (the top of the capital structure) and was founded after the Great Recession. However, given that most of its loans are in the BB – CCC range, we can infer that many of them would struggle to perform under distressed conditions.

The risk is that any sharp/prolonged economic downturn could cause its loans to underperform. With the resized distribution still likely to produce a payout ratio around 90% in FY 2026, that could necessitate another dividend cut if an energy-induced recession were to materialize due to the ongoing conflict between the U.S./Israel and Iran.

Final Thoughts & Recommendation

PFLT's 12.9% dividend yield, 1.0% annual NII per share growth prospects, and 4.9% annual valuation multiple expansion could deliver 14.7% annualized total returns through FY 2031. However, we think that the overall risk-adjusted returns are underwhelming. Coupled with the F Dividend Risk Score, we're maintaining our Sell 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.