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New Horizon Aircraft Ltd (NASDAQ: HOVR)

HOVR: Progress made on all fronts. Putting the pieces in place today to complete the full-scale prototype in 2026.

Horizon Aircraft's valuation relies on our DCF model, and based on our 2034 cash flow estimates, we maintain a 12-month target of \$3.25/share.

Current Price (01/14/26)	\$2.09
Valuation	\$3.25

SUMMARY DATA

52-Week High	\$4.18
52-Week Low	\$0.35
One-Year Return (%)	154%
Beta	2.99
Average Daily Volume (sh)	1,090,616
Shares Outstanding (mil)	44.3
Market Capitalization (\$mil)	\$92.5
Short Interest Ratio (days)	N/A
Institutional Ownership (%)	31.9
Insider Ownership (%)	10.8
Annual Cash Dividend	\$0.00
Dividend Yield (%)	0.00
5-Yr. Historical Growth Rates	
Sales (%)	N/A
Earnings Per Share (%)	N/A
Dividend (%)	N/A
P/E using TTM EPS	NM
P/E using 2026 Estimate	N/A
P/E using 2027 Estimate	N/A

OUTLOOK

Our investment thesis in Horizon Aircraft assumes that the company will strengthen its financial position and steadily increase R&D expenditures. The company achieved both of these goals with ease in the current quarter while controlling G&A expenses.

Horizon's management alluded to potential strategic partnerships that could develop in 2026. While no specifics were provided, we believe that these potential partnerships will be the key drivers of returns for investors in the near term.

Most of the publicly traded eVTOLs have underperformed the broader market over the past three months, but we anticipate renewed enthusiasm for the sector as market leaders Joby, Beta, and Archer move closer to type certification in the US.

ZACKS ESTIMATES

	Revenue (in millions USD)				
	Q1 (Aug)	Q2 (Nov)	Q3 (Feb)	Q4 (May)	Year (May)
2024	0 A	0 A	0 A	0 A	0 A
2025	0 A	0 A	0 A	0 A	0 A
2026	0 A	0 A	0 E	0 E	0 E
2027	0 E	0 E	0 E	0 E	0 E

	EPS / Loss Per Share (in USD)				
	Q1 (Aug)	Q2 (Nov)	Q3 (Feb)	Q4 (May)	Year (May)
2024					-\$0.56A
2025	-\$0.11 A	\$0.58 A	-\$0.12 A	-\$0.12A	\$0.12A
2026	-\$0.21 A	-\$0.15 A	-\$0.09 E	-\$0.10 E	-\$0.53E
2027	-\$0.10 E	-\$0.12 E	-\$0.12 E	-\$0.14 E	-\$0.48E

Quarterly EPS may not equal annual EPS due to rounding and/or dilution.
Reported in USD

WHAT'S NEW

This week, New Horizon Aircraft (referred to as "Horizon Aircraft" or "Horizon") released its second-quarter financial results and provided a corporate update during its first quarterly earnings conference call. The company made progress toward several of our 2026 milestones, including further strengthening of the balance sheet, increased R&D investments, operating cost control, and continued expansion of the company's technical talent.

Second Quarter Results

As we've noted previously, Horizon is still in the pre-revenue phase of its development, so the reported second-quarter results reflect the operating costs for the quarter. Research and development costs were CAD 2.6 million in the quarter (\$1.9 million), which exceeded our estimate of CAD 2.2 million by roughly CAD 420k. We are encouraged that the company has ramped up investment in R&D at an aggressive pace. The company also held the line on general and administrative costs, which at CAD 2.5 million, were effectively in line with our expectations.

The company incurred a non-cash expense of CAD 4 million (\$2.9 million) related to changes in the fair value of warrants, resulting in a total net loss of CAD 8.65 million (\$6.7 million), which was larger than our forecast of CAD 4.9 million. Excluding the non-cash expense for the change in the fair value of warrants of CAD 4 million, the net loss for the quarter would have been roughly CAD 4.7 million, or effectively in line with our forecasts.

The company continues to access the capital markets when market conditions are appropriate. During the quarter, the company sold another 2.6 million shares for net proceeds of roughly CAD 10.8 million. This share sale, combined with shares issued upon warrant exercises and shares issued to cover professional services, increased the total share count to 44.3 million. The company still has more than \$31 million (USD) of availability under its at-the-market sales agreement. We believe the rate of equity issuance will slow over the balance of fiscal 2026, as the company has adequate capital to fund its development for the next 12 months.

Balance Sheet:

The company's liquidity position improved further in the quarter as a result of the previously mentioned equity issuance, with CAD 24.3 million (\$17.4 million) in cash on the balance sheet, representing 95% of total assets at 11/30/25.

Recent News:

In December, Horizon announced that it had partnered with Motion Applied to design and manufacture a motor drive inverter for Horizon's Cavorite X7. The company believes that the system will offer higher power efficiency and reduce the total weight of the aircraft's vertical lift system. Motion Applied was sold by McLaren Group in 2021 to Greybull Capital, a private equity firm focused on UK-based companies. Motion Applied's subsidiaries have been manufacturing the standard electronic control unit (the SECU) for all F1 teams since 2008. The SECU processes data from the vehicle's sensors to control the engine, gearbox, and other systems. Motion Applied has also become a major supplier of inverters to EV manufacturers and is currently manufacturing the fifth-generation inverters.

The exacting standards of Motion Applied's customers and the company's long track record of building world-class components speak to the quality of manufacturing partners Horizon seeks. We are very encouraged by this agreement and believe that the company is pursuing additional manufacturing relationships that could be announced in 2026.

EARNINGS CALL

Management hosted the company's first earnings call with investors following the release of the second-quarter financials. We are encouraged by the company's proactive communication with the investing community, but recognize that navigating the short-term focus of investors and managing expectations, given the extended time the company will be pre-revenue, will be a challenge.

- The company noted that it doubled its engineering team in 2025, with a stated goal to double it again in 2026. Currently, the company has 14 openings listed on its website, and 12 of the 14 positions are categorized as "engineers". Management indicated that Canada's deep technical talent pool is providing several qualified candidates, but noted that competition for senior-level talent remains intense.
- While management did not disclose any new manufacturing partnerships, the company reminded investors of the long history of Aerospace innovation and manufacturing in Canada. It noted that it would make sense for an emerging company like Horizon to speak with all of the leading Canadian Aerospace firms. Given that most of 2026 will be focused on activity going on "behind the scenes," mainly building the full-scale prototype and testing subsystems, strategic partnerships with any leading aerospace companies could be the most significant market-moving events for the company in the near term, so investors should keep an eye on this in 2026. While we won't speculate on specific manufacturing partners, we are encouraged by the company's previously announced agreements with Motion Applied and the selection of a Pratt & Whitney Canada PT6A to power the Cavorite X7, both of which are indicative of the high-quality companies Horizon intends to partner with.
- Management indicated that the priority for 2026 remains the completion of the Full-scale prototype and testing various subsystems, including the critical flight control system, to begin ground testing in 2027. We think it is important for investors to remember that the full-scale prototype is just one step on the path toward type certification, and that Joby flew its full-scale demonstrator in 2017 but, nearly a decade later, is still just beginning testing on an FAA-conforming vehicle. While we think the timelines will be compressed for companies like Horizon that do not have to do much of the heavy lifting of being a first mover in the industry, the path to type certification will be lengthy.

INDUSTRY UPDATE

The eVTOL market was the belle of the ball for most of 2025, with eVTOL stocks like Horizon and Joby significantly outperforming the broader market. However, in the fourth quarter, company-specific and industry-wide concerns began to emerge, impacting share performance in the eVTOL sector. Specifically, several analysts have increased total cost assumptions to reach certification for several leading companies, and have extended the certification timeline by another 6 months, which, when coupled with end-of-year tax-related selling, put the shares of most eVTOL companies under pressure for most of the fourth quarter. In the past eight weeks, there have been some significant news items from companies that could shape the race to dominate the eVTOL markets.

- Joby (**NYSE: JOBY**) indicated that it plans to expand its manufacturing capacity to reach a total of four aircraft produced per month by 2027. Additionally, in a year-end update, Joby noted that it completed over 850 flights in 2025, covering more than 9,000 miles. The company also powered on its first type-conforming aircraft and expects FAA pilots to begin testing it in 2026.
- We would also note that Joby announced a "hybrid-powered" aircraft in August to be developed with L3Harris (**NYSE: LHX**). Just three months after this announcement, Joby and L3 flew a demonstrator model that can be controlled by a pilot or flown autonomously. While details like range and payload were

not provided, it is safe to assume the hybrid-powered aircraft would have a greater range than the fully electric Joby S4. We think investors should note the speed with which new competitive threats to Horizon can emerge within the industry, given the substantial engineering talent and financial capacity of the market leaders.

- Archer Aviation (**NYSE: ARCH**) has not had much news about its progress over the past two months. Still, we would note that on the company's last earnings call in November, it specifically cited patents acquired from Lilium (over 300 in total), including the "ducted fan" technology, as "particularly exciting". Given some of the challenges Archer has faced with its tilt-rotor designs, we believe this warrants monitoring. As we noted previously, many of the key engineering team members at Horizon Aircraft came directly from Lilium. We do not believe that there is any patent litigation risk today, but given the long development timelines in this industry, we think Archer's plans for the Lilium patents acquired are worth watching for Horizon investors.
- Privately held Beta announced that its conventional take-off and landing vehicle, Alia, reached 100,000 miles of flight testing in 2025. The CTOL version of the Alia is very similar to the VTOL version from Beta, and the company hopes to attain certification for the VTOL version about a year after seeking certification for the CTOL version. Beta also announced plans to expand its autonomous capabilities through a partnership with Near Earth Autonomy. The company anticipates initial flight testing of these systems to begin in 2026.

Despite these advances, we would note that several industry observers have slowly been extending their forecast for certification at the leading companies like Joby, Beta, Wisk, and Archer from mid-late 2027 out by about six months (late 2027/early 2028) because the companies have not yet logged enough hours testing their certification fleet.

MODEL UPDATE

The company's expenses were broadly in line with our forecast, and we are adjusting our model to reflect a steady increase in R&D expenditures throughout the balance of the decade. The company also incurred another CAD 4.0 million in warrant expense (\$2.9 million USD) in the second quarter, which was not reflected in our projections but did impact the company's reported EPS. As a result of the warrant expenses incurred in the first two quarters, we are increasing our projected FY 2026 loss from (\$19.8 million) USD to (\$23.4 million), and our FY 2027 loss remains essentially unchanged at USD (\$24.6 million).

We have adjusted our estimated share count to reflect the new shares issued under the equity line during the November quarter and shares issued upon exercise of warrants. The increase in the company's shares outstanding means that while our total net loss in Fiscal 2027 is relatively unchanged, our loss per share forecast is actually reduced. It would be a mistake for investors to view this as anything other than a mathematical adjustment due to the higher share count. Our FY 2026 loss per share increases from (\$0.49) to (\$0.53) USD due to higher Q2 warrant expenses, which are partially offset by the higher share count.

VALUATION TARGET

The late-summer frenzy in eVTOL stocks like Horizon Aircraft has receded as investors have begun to realize that, while the opportunity is significant in this market, it will be a lengthy and complex path to commercialization. Horizon's shares have been more volatile than those of larger companies in the sector, as many retail investors seek the next big thing. Relatively minor news items often trigger sharp spikes in message volume on Horizon Aircraft in many penny stock forums. Over time, we anticipate the investor base will have a longer time horizon, but in the interim, investors in Horizon Aircraft will need to be aware that the stock is prone to significant swings that are often unrelated to the company's underlying fundamentals.

Joby continues to trade at prices 25-30% above the average target prices established by covering analysts, so this premium remains attached to many comparable stocks in the sector, including Horizon Aircraft.

We have maintained our DCF model's discount rate at 17%, adjusted our initial sales from 2030 to 2031, and increased our market penetration assumptions in 2034. Our 12-month target price for the shares is unchanged at \$3.25, representing more than 50% upside from the current price. Given the stock's past volatility, we expect the shares could trade in a wide range around our target over the coming months. We would encourage long-term investors to tactically add or reduce exposure when prices reach extremes.

KEY POINTS

- The Cavorite X7 is a unique approach to solving the problem of regional air mobility by offering a hybrid approach that utilizes electricity to power vertical takeoff and landing while using existing technologies (conventional fuel or potentially hydrogen and fixed-wing design) to achieve horizontal flight. By combining these approaches, it is expected that the Cavorite X7 will offer the ability to travel further and faster than existing options in the vertical takeoff world (principally helicopters). Also, by utilizing traditional fuel and a propeller, the Cavorite X7 will significantly exceed the range capacity of nearly all proposed eVTOLs we've reviewed while expanding the landing possibilities of fixed-wing aircraft to more remote locations not currently served by regional airports.
- We believe the team at Horizon Air has carefully analyzed the market to build a product that will find demand in the market. Rather than building a product for a potential market that has yet to develop (like the "air taxis" envisioned by many eVTOL players), Horizon's team is building a product to address the greatest weakness of helicopters and small aircraft markets. While the fan-in-wing technology has plenty of engineering hurdles to overcome, building an aircraft with a clear end-market in mind is a sensible approach.
- Most investor attention in the emerging market for new aircraft remains focused on the high-profile, fully electric vehicles that plan to offer vertical takeoff and landing, targeting the intracity "air taxi" market. These companies have raised substantial amounts of venture capital, private equity, strategic investments, and public financing as they pursue certification for their vehicles. Horizon's possible use cases are well-established since regional aircraft and helicopters have a long history of operating safely and successfully, so the company is not attempting to create a market that does not currently exist. The high-profile eVTOL companies have significant advantages in terms of both engineering prowess and financial resources, but in an emerging market like eVTOLs, we do not expect it to be a "winner-take-all" as many different models may succeed.

OVERVIEW - HORIZON'S CAVORITE X7

Horizon Aircraft is taking an interesting approach to the market for regional air travel by building a hybrid vehicle, unlike the pure electric alternatives proposed by many of the industry's first movers, which are targeting intracity travel.

Horizon Aircraft aims to offer an aircraft that incorporates a hybrid electric Vertical Takeoff and Landing system for flights of up to 500 miles carrying up to 6 passengers (with one pilot). The ability to take off and land vertically will enable the Cavorite X7 to serve communities that a traditional regional airport does not currently serve or to rapidly reach emergencies (natural disaster or medical emergencies).

The unique design of the Horizon Air "fan-in-wing" technology allows the company's vehicle (at least in early tests) to achieve vertical lift, but then, when the fan covers are closed, the aircraft takes on a more standard configuration of a fixed-wing aircraft for horizontal flight powered by a rear propeller. The company will use lithium-ion batteries to power isolated motors and a more traditional internal combustion engine to power an on-board generator. This hybrid approach has allowed the company to design a system that will utilize smaller batteries than most other eVTOL designs (reducing the total weight of the aircraft) and which enables inflight recharging of the batteries.

The ability to offer inflight recharging of its batteries is one of the key differentiators that we think can separate the Cavorite X7 from other proposed vehicles. We believe this addresses the greatest concern customers have expressed with eVTOLs – the ability to make multiple takeoffs and landings without requiring downtime to recharge. Inflight recharging will mean that vertical takeoff and landing for the Cavorite X7 is not constrained by access to charging infrastructure. While an eVTOL flying a consistent route (for example, from a Manhattan helipad to one of the region's three major airports) would likely have charging infrastructure in place at its key docking locations, a vehicle flying to an emergency location to enable paramedics to treat injuries or access remote locations in combat scenarios is almost always going to have a different flight path that includes multiple points of departure and arrival.

Figure 1: 50% scale prototype in flight



Source: Company's YouTube Channel

The company anticipates that the full-size version of the Cavorite X7 will be capable of carrying seven people (6 passengers and one pilot) and have a cargo capacity of 1,500 pounds, which exceeds most of the other later stage eVTOL concepts we have reviewed, but it is still short of the useful load of a comparable helicopter. The company envisions that the target markets for its vehicle will be those customers who value a combination of speed, capacity, efficiency, and increased operating range.

RISKS

- Execution and certification risk. The company has only flight-tested a 50%-scale prototype to date. The company is currently building its first full-scale prototype.
- There are risks associated with a completely new product. The company must build brand and product recognition among its potential customers. It will also have to price a new product competitively in the market to ensure demand materializes and adequate margins.
- The electrification of aircraft may never materialize. There are several relatively safe and effective solutions in the marketplace today that use hydrocarbons as the energy source. If policy shifts away from environmentally friendly initiatives, like aircraft electrification, the market may never develop.
- The competition in the eVTOL space has financial and human capital that vastly exceeds Horizon's. Archer Aviation and Joby Aviation spend hundreds of millions of dollars annually on research and development.
- Supplier risk. The aircraft will rely on various components from suppliers, including batteries, electric motors, etc., which may not meet the company's expectations and could impact the vehicle's performance.

PROJECTED INCOME STATEMENT

New Horizon Aircraft

1/15/26

													FY 2027E	
	FY			Aug			Nov			Feb				
	2023A	2024A	2025A	2025A	2025A	2026E	2026E	2026E	2026E	2026E	2027E	2027E		
(USD in Thousands; May Year-End)														
Revenues:														
Total Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cost of Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	
Gross Profit	-	-	-	-	-	-	-	-	-	-	-	-	-	
Operating Expenses:														
Research and Development	501	651	2,620	1,981	1,868	2,204	2,601	8,655	3,122	3,746	4,308	4,954	16,129	
General and administrative	583	2,761	7,106	2,325	1,797	1,878	1,944	7,944	1,973	2,003	2,033	2,063	8,072	
Total Operating Expenses	1,084	3,411	9,727	4,306	3,665	4,083	4,545	16,599	5,095	5,748	6,340	7,017	24,200	
% change (yoY)				185%	118.0%	54.0%	64.5%	58.2%	70.7%	18.3%	56.8%	55.3%	54.4%	
Operating Income (Loss)	(1,084)	(3,411)	(9,727)	(4,306)	(3,665)	(4,083)	(4,545)	(16,599)	(5,095)	(5,748)	(6,340)	(7,017)	(24,200)	
Other income (expense)	215	422	7	18	(190)	(86)	(89)	(346)	(91)	(94)	(99)	(102)	(385)	
Interest Expense (Income)	(55)	(120)	(88)	(86)	(139)	(112)	(89)	(426)	(72)	(59)	(48)	(39)	(219)	
Change in fair value of Warrants	0	0	1,423	3,744	2,860	0	0	6,603	0	0	0	0	-	
Warrant income	0	289	0	0	0	0	0	-	0	0	0	0	-	
Termination of Fwd Purchase Agreement	0	0	15,322	0	0	0	0	-	0	0	0	0	-	
Change in fair value of Fwd Purchase Agreement	0	(3,228)	(530)	0	0	0	0	-	0	0	0	0	-	
Income (loss) before Taxes	(924)	(6,048)	3,723	(7,945)	(6,196)	(3,885)	(4,367)	(22,430)	(4,931)	(5,595)	(6,194)	(6,877)	(23,597)	
Income Tax Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	
Net Income (Loss)	(924)	(6,048)	3,723	(7,945)	(6,196)	(3,885)	(4,367)	(22,430)	(4,931)	(5,595)	(6,194)	(6,877)	(23,597)	
EPS reported	(0.13)	(0.56)	0.12	(0.21)	(0.15)	(0.09)	(0.10)	(0.53)	(0.10)	(0.12)	(0.12)	(0.14)	(0.48)	
Diluted Shares (weighted average)	7326.3	10717.4	30760.0	37135.9	42081.0	44453.0	44653.0	42080.7	47828.0	47983.0	49983.0	50113.0	48976.8	

Source: Company filings, Zacks Small Cap Research, Brian Lantier

BALANCE SHEET

New Horizon Aircraft Ltd

Balance Sheet in USD (CAD 1.3979 to US \$1.00)

11/30/25

	CAD	USD
Assets		
Current Assets		
Cash and Cash Equivalents	24,304	17,386
Prepaid expenses	319	228
Account receivable	220	157
Total current assets	24,843	17,772
Non-Current Assets		
Property, Plant & Equipment	774	554
Operating lease assets	21	15
Total non-current assets	795	569
Total Assets	25,638	18,340
Liabilities		
Current Liabilities		
Accounts payable	906	648
Accrued liabilities	2,891	2,068
Operating lease liabilities	19	14
Total current liabilities	3,816	2,730
Non-Current Liabilities		
Warrant liabilities	7,352	5,259
Operating lease liabilities	0	-
Total Liabilities	11,168	7,989
Shareholder's Equity		
Class A ordinary shares	109,355	78,228
Preferred shares	6,277	4,490
Additional Paid-in capital	(72,126)	(51,596)
Accumulated deficit	(29,036)	(20,771)
Shareholder's Equity (Deficiency)	14,470	10,351
Total Liabilities & Shareholder's Equity	25,638	18,340

Source: Company filing

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Source: Yahoofinance.com

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