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Brian Lantier
312-265-9153
blantier@zacks.com

scr.zacks.com

101 N. Wacker Drive, Chicago, IL 60606

New Horizon Aircraft Ltd (NASDAQ: HOVR)

HOVR: Investing in the Full-Scale X7 Demonstrator While Navigating Choppy EVTOL Seas.

The company's strong balance sheet has significantly reduced near-term financing risk. Horizon Aircraft's valuation is based on our DCF model and our 2034 cash flow estimates remain largely unchanged; as a result, we maintain a 12-month target of \$3.25/share, but we recognize valuations in the sector have trailed the broader market

Current Price (10/09/26) **\$1.55**
Valuation **\$3.25**

OUTLOOK

Horizon Aircraft released first-quarter results, which showed a marked increase in R&D spending (primarily related to engineering activities) as the company ramps up development of its full-scale demonstrator aircraft. The company's balance sheet remains very strong, and it believes it has adequate cash to fund the next two years of operations.

The company continues to work on integrating several key systems to assemble its full-scale demonstrator within six months. This will likely be the next major milestone on investors' minds.

Sentiment in the industry has shifted significantly despite meaningful advances at industry leaders. Concerns about financing costs driven by higher interest rates or greater dilution continue to weigh on the entire sector.

SUMMARY DATA

52-Week High **\$4.18**
52-Week Low **\$1.16**
One-Year Return (%) **-58%**
Beta **3.83**
Average Daily Volume (sh) **864,762**

Shares Outstanding (mil) **67.1**
Market Capitalization (\$mil) **\$104**
Short Interest Ratio (days) **N/A**
Institutional Ownership (%) **11**
Insider Ownership (%) **20**

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 **N/A**

P/E using 2027 Estimate **N/A**

P/E using 2028 Estimate **N/A**

Zacks Rank **N/A**

Risk Level **High, Speculative**
Type of Stock **Growth**
Industry **Aerospace**

ZACKS ESTIMATES

Revenue

(in millions of CAD)

	Q1 (Aug)	Q2 (Nov)	Q3 (Feb)	Q4 (May)	Year (May)
2025	0 A	0 A	0 A	0 A	0 A
2026	0 A	0 A	0 A	0 A	0 A
2027	0 A	0 E	0 E	0 E	0 E
2028	0 E	0 E	0 E	0 E	0 E

EPS / Loss Per Share (in CAD)

	Q1 (Aug)	Q2 (Nov)	Q3 (Feb)	Q4 (May)	Year (May)
2025	-0.15 A	0.80 A	-0.17 A	-0.21 A	0.17 A
2026	-0.29 A	-0.21 A	-0.16 A	-0.14 A	-0.77 A
2027	-0.06 A	-0.13 E	-0.13 E	-0.14 E	-0.46 E
2028	-0.14 E	-0.15 E	-0.15 E	-0.15 E	-0.59 E

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

WHAT'S NEW

On October 9th, before the market opened, New Horizon Aircraft (referred to as "Horizon Aircraft" or "Horizon") released its first quarter results for fiscal 2027 and held a conference call to update investors on its progress in building the full-scale Cavorite X7. While there was little new information in the conference call or press release, we think investors may find it reassuring that the company remains on track to complete assembly of the full-scale Cavorite X7 within the next six months. The company continues to pursue a prudent financing strategy, accessing the capital markets only when it views the terms as favorable. The company's CAD 70 million in cash balances (estimated at \$50 million USD) and relatively low burn rate (estimated at CAD 2.4 million/month) provide its management team with significant flexibility to be patient when it comes to future financing.

We feel like there are two prospective catalysts for Horizon over the next six months. One will be the anticipated reveal of the completed full-scale prototype in the first quarter of calendar 2027, after which initial ground testing and taxi tests can begin. We think that the second potential catalyst will be any nondilutive financing secured by the company to further its development. We think this second point is underappreciated by the market.

First Quarter Results

Horizon Aircraft remains in a pre-revenue development stage as it engineers and designs its hybrid-electric vertical takeoff and landing aircraft – the Cavorite X7. We still forecast that the company's initial sales will occur roughly 4-5 years from now, in fiscal 2031, so the company remains a long-term investment story. The company has largely mitigated its near-term financing risks as a result of several capital raises in 2026, and while the company's shares have been treading water over the past three months, the stock has performed better than about half of its comps during that period, which has seen the share prices of several companies fall 30-70% during the quarter even though these companies are further along the development pipeline than Horizon.

As in previous quarters, the company's reported first-quarter results reflect the operating costs for the period, as it remains in pre-revenue development for the next several years. The company's first-quarter results reflected a sharp increase in R&D expenditures, with R&D costs rising CAD 4.7 million to CAD 7.4 million, up more than 170% from the same period in fiscal 2026. Engineering costs accounted for all of this increase, jumping from roughly CAD 5.1 million to CAD 5.3 million, which was partially offset by lower compensation costs. We think some of this increase in engineering costs could be attributed to the company's progress, which led to the reallocation of costs from G&A to R&D, as well as to the scale-up of the overall operation. The company indicated on its quarterly conference call that it has increased its overall staffing from roughly 30 a year ago to 65 today, with roughly another 20 full-time equivalent positions contracted. While the increase in R&D spending may seem unusually large, we are encouraged by it, as it more closely aligns the company with industry spending at this stage of development.

The company's G&A costs fell by CAD 1.5 million, or 48%, from the first quarter of 2026 to CAD 1.7 million as a result of lower stock-based compensation. In total, the company's expenses for the quarter were CAD 9.1 million, or 16% ahead of our projection of CAD 7.9 million. The company reported a CAD 3.8 million benefit from changes in the fair value of warrants and another CAD 1.2 million in other income and interest income in the first quarter, which lowered the company's net loss to CAD 4.1 million.

Cash used in operations was CAD 7.2 million in Q1, and with more than CAD 70 million on the balance sheet at 8/31/26 and a relatively slow uptick in expenses, the company appears to have adequate funding for operations for at least the next 24 months.

The company's fully diluted weighted average share count grew to 65.6 million, and, combined with a smaller loss than we forecast (largely due to a change in the fair value of warrants), led to a net loss of CAD 0.06 per share. This compares to our published estimate of (CAD 0.11)/share. Given the company's

current burn rate and cash balances, we do not anticipate any meaningful new share issuance until the end of fiscal 2028; however, the company has demonstrated that it will seek to raise funds when it views the terms as favorable, so investors should be aware that additional equity issuance could occur before the end of fiscal 2028.

Balance Sheet:

The company's liquidity position remains strong with more than 90% of assets in cash on the balance sheet. We anticipate that in fiscal 2028 and 2029, the company will begin investing in additional assembly and testing equipment to expand its test-vehicle production.

Canadian Opportunities: We feel that the coming year could be very eventful for companies like Horizon that sit at the intersection of various industries poised to see marked increases in investment in Canada, including the sustainability, defense, and aerospace sectors. The federal government has prioritized domestic spending in these sectors, so the combination of additional spending with Canadian-based firms and an overall increase in spending should create several opportunities for Horizon. There are already several tax credit and research grant programs in effect that could provide additional funding for Horizon, but we think we could see even more opportunities when the Canadian federal budget for 2027 is finalized.

RECENT NEWS

In July, Horizon announced it had signed a letter of intent with V-Star Powered Lift Aviation to purchase five Cavorite X7 aircraft, with options for V-Star to acquire up to 95 additional aircraft. While the announcement noted a potential total value of up to \$600 million, this would assume that several factors fall into place perfectly. We noted that the V-Star website is rather sparse, with only mentions of a “potential aircraft lineup,” and while V-Star announced in 2022 that it was launching its service, it still appears to be in the process of building out its fleet.

In September, Horizon announced that it had begun testing ice-prevention technology developed at the University of Toronto. Given that the Cavorite X7 is likely to spend most of its time aloft as a conventional propeller-driven aircraft, we believe much of the focus of this testing is on the ducted fans and on addressing ways to keep those fans free of ice.

In late September, Horizon signed an LOI with Great Lakes Helicopter to provide maintenance, repair, and overhaul services (MRO), offer pilot training, and purchase an undisclosed number of Cavorite X7 aircraft. This is one of the broader steps that Horizon will have to undertake to establish an ecosystem for its aircraft with support and training accessible to operators. We anticipate that eventually, the company may have multiple relationships with companies like Great Lakes Helicopter to offer regional training and MRO services.

SENTIMENT AND INDUSTRY UPDATE

Managing expectations while keeping investors excited about the prospects for Horizon Aircraft is a delicate balance, and thus far, we think the company's management team has done a great job navigating an investor base that at times expects the company's share price to go parabolic at any moment.

Joby and Beta will likely be flying passengers by this time next year, and Horizon will likely have a completed Cavorite X7 doing ground testing or even early flight testing. However, it is a long road from the initial testing period to type certification, and we think managing investor expectations may become an even greater challenge in the coming year. While the timeline to certification is likely to be shorter for Horizon given the heavy lifting done by early innovators in the field like Joby, Beta and Archer, and the

company's ability to fly longer flights as a conventional aircraft will help it log testing hours faster, the expectation of some investors that a completed full-scale demonstrator will instantly increase the value of the company by 10x will be challenging to manage.

Broadly speaking, the eVTOL industry has continued to make solid advances over the past 3 months, but as we saw in the June quarter, these companies' shares have continued to lag the broader indexes for the most part. Archer (NYSE: ACHR) is up 9% over the last three months, while Beta (NYSE: BETA) is up 20% compared to a 3% gain for the US market. However, Joby (NYSE: JOBY) and EVE Holding (NYSE: EVEX) were each down 27%, and Vertical Aerospace (NYSE: EVTL) was down a staggering 67% in this period. New Horizon's shares were roughly in the middle of this group with a 9% decline over the last 3 months.

While US and UK regulators move forward with initiatives to spur the eVTOL market forward, it is worth noting that the Chinese regulators have started pulling back on deployments, and the market in the Middle East that was expected to be an early adopter of this technology has been impacted by the current conflict between the US and Iran.

News:

The most significant company-related news of the quarter was Archer's acquisition of Wisk, along with an air traffic management company (Skygrid) and a drone/autonomous flight company (Insitu) from Boeing, in exchange for roughly 20% equity in Archer. While we do not cover Archer, we feel that if the company can manage the integration of these acquisitions, it could reshape the industry landscape. While Joby has a first-mover advantage and Beta has a strong product and impressive cash reserves of over a billion, Archer's product lineup is suddenly very relevant in the space.

However, in a market that has become fixated on hyperscalers and chipmakers adding billions to their quarterly forecasts, the time to commercialization seems to have led many aggressive investors to focus on other industries.

Vertical Aerospace (NYSE: EVTL) is worth watching for Horizon investors because, while they continue to make progress with their EVTOL, completing numerous piloted transitions of their full-scale prototype and recently completed another major financing, the terms of the financing and the fact that they have extended their target for certification to 2029 have led to collapse of the share price. The stock is now down 90% over the last year, and the total market cap of the company is less than the market cap of New Horizon. There is a risk for all companies in this industry that another high-profile failure could severely impact access to financing and valuations in the space.

Market Cap Per Employee:

We have discussed this measure before as a way to compare companies at different stages of development in the Advanced Air Mobility space. We believe it provides a way of comparing the growth trajectories of different companies. While Horizon Aircraft has made meaningful advances over the past year, it is clearly at the earliest stage of development among public EVTOL companies, yet its market cap per employee of \$1.6 million significantly exceeds those of both Vertical Aerospace (\$206k) and Ehang (\$380k).

Even the clear market leader, Joby, trades at "only" \$2.1 million per employee despite being in the final stages of its certification process.

MODEL UPDATE

We are now presenting our model and EPS in CAD to ensure consistency across all publishing platforms with other analysts. This change does not reflect any fundamental shift in our view of the company.

We are now assuming that R&D expenses will be the company's primary expense for the balance of fiscal 2027 and 2028. We assume modest, fairly linear growth in these expenses, but we think there could be a meaningful acceleration in costs in 2027 or 2028 as testing programs commence. Our total net loss for fiscal 2027 decreases slightly to CAD 31.3 million from a previous estimate of CAD 33.1 million, largely as a result of slightly higher R&D costs that were more than offset by the gain recognized on the change in the fair value of warrants.

As a result of a prefunded warrant conversion, the company's fully diluted share count has risen to roughly 67.1 million shares currently. Given the company's strong balance sheet today, we are not forecasting any additional capital raises in the near term, but we think that if the share price rises meaningfully, that could be worth monitoring.

As a result of these changes, our loss per share forecasts change to CAD (0.46)/share, compared to the previous estimate of CAD (0.48)/share for fiscal 2027. Our fiscal 2028 estimate is essentially unchanged at CAD (0.59)/share.

VALUATION TARGET

There are several challenges associated with valuing companies like Horizon Aircraft that are still many years from generating revenue and positive cash flow. Quarterly updates are important for gauging the company's continued progress toward specific development milestones, but, ultimately, the quarterly expenses relative to our model have little impact on our valuation projections.

However, valuations in the sector remain under extreme pressure, with every company in the industry except BETA trading at the lower end of their 52-week range. As we noted in our last report, we were concerned that further selling could hit the sector if sentiment did not improve, and that appears to be the case. As December approaches, there could be another wave of tax-loss selling in the industry, further hampering valuations.

We have not made any adjustments to our long-term forecasts for deliveries or margins, but the company has continued to make steady progress over the past three months. Our 12-month target price for the shares remains \$3.25, representing more than 100% upside from the current price. We would encourage long-term investors to opportunistically build positions when prices are attractive relative to our target.

KEY POINTS

- Horizon Aircraft is developing the Cavorite X7 to target the regional air mobility by offering a hybrid approach that utilizes electricity to power vertical takeoff and landing while using existing technologies (conventional fuel, rear propeller and fixed-wing design) to achieve horizontal flight. By combining these approaches, it is expected that the Cavorite X7 will offer greater range, reduced travel times and significantly lower operating cost per seat mile than existing options (principally helicopters).
- 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. The company's unique fan-in-wing technology has plenty of engineering hurdles to overcome and the market is rapidly evolving toward the company's hybrid model, management's decision to design a product with a clear end-market in mind is a sensible approach.
- There are several high-profile, fully electric vehicles that are seeking certification of their aircraft in the next 12 months principally 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.

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. The company's decision to partner with many successful aerospace suppliers for key components mitigates this risk somewhat.
- There are risks associated with developing 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 fact that the Cavorite X7 is not reliant on a large buildout of charging infrastructure also reduces this risk.
- The competition in the eVTOL space has financial and human capital that vastly exceeds Horizon's. Archer Aviation, Joby Aviation, BETA Technologies and Wisk Aero spend hundreds of millions of dollars annually on research and development. The company's recent capital raises have also reduced this risk somewhat.
- 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 (in CAD)

New Horizon Aircraft

10/9/26

	FY	FY	FY	FY	Aug	Nov	Feb	May	FY	Aug	Nov	Feb	May	FY
	2023A	2024A	2025E	2026A	2026A	2026E	2027E	2027E	2027E	2027E	2027E	2028E	2028E	2028E
(CAD in Millions; May Year-End)														
Revenues:														
Total Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses:														
Research and Development	676	880	3,660	17,039	7,429	7,578	7,729	7,961	30,697	8,120	8,323	8,531	8,958	33,933
General and administrative	787	3,744	9,925	10,674	1,669	1,769	1,902	2,082	7,422	2,155	2,231	2,309	2,390	9,085
Total Operating Expenses	1,463	4,624	13,585	27,713	9,098	9,347	9,631	10,044	38,119	10,276	10,554	10,840	11,348	43,017
% change (yoy)			194%	104%	54.0%	82.7%	26.9%	10.4%	37.5%	12.9%	12.9%	12.6%	13.0%	12.8%
Operating Income (Loss)	(1,463)	(4,624)	(13,585)	(27,713)	(9,098)	(9,347)	(9,631)	(10,044)	(38,119)	(10,276)	(10,554)	(10,840)	(11,348)	(43,017)
Other income (expense)	290	575	10	503	597	179	134	107	1,018	81	56	28	29	194
Interest Expense (Income)	(74)	(163)	(123)	(671)	(610)	(495)	(443)	(390)	(1,938)	(338)	(278)	(225)	(165)	(1,005)
Change in fair value of Warrants		0	1,988	10,802	(3,820)	0	0	0	(3,820)	0	0	0	0	-
Warrant income	0	394	0	0	0	0	0	0	-	0	0	0	0	-
Termination of Fwd Purchase Agreement	0	0	21,400	0	0	0	0	0	-	0	0	0	0	-
Change in fair value of Fwd Purchase Agreement	0	(4,342)	(740)	0	0	0	0	0	-	0	0	0	0	-
Income (loss) before Taxes	(1,247)	(8,160)	5,200	(37,342)	(4,071)	(8,673)	(9,054)	(9,546)	(31,344)	(9,858)	(10,220)	(10,587)	(11,154)	(41,818)
Income Tax Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income (Loss)	(1,247)	(8,160)	5,200	(37,342)	(4,071)	(8,673)	(9,054)	(9,546)	(31,344)	(9,858)	(10,220)	(10,587)	(11,154)	(41,818)
EPS reported	(0.17)	(0.76)	0.17	(0.87)	(0.06)	(0.13)	(0.13)	(0.14)	(0.46)	(0.14)	(0.15)	(0.15)	(0.15)	(0.59)
Diluted Shares (weighted average)	7326.3	10717.4	30760.0	43047.0	65637.8	67278.0	67950.8	69309.8	67544.1	70002.9	70157.9	70859.5	72276.7	70824.2

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

BALANCE SHEET

New Horizon Aircraft Ltd

Balance Sheet in CAD

8/31/26

Assets

Current Assets

CAD

Cash and Cash Equivalents	70,061
Prepaid expenses	2,571
Account receivable	1,207
Total current assets	73,839

Non-Current Assets

Property, Plant & Equipment	1,421
Operating lease assets	54
Total non-current assets	1,475

Total Assets

75,314

Liabilities

Current Liabilities

Accounts payable	1,617
Accrued liabilities	783
Operating lease liabilities	46
Total current liabilities	2,446

Non-Current Liabilities

Warrant liabilities	5,204
Operating lease liabilities	7

Total Liabilities

7,657

Shareholder's Equity

Class A ordinary shares	175,775
Preferred shares	6,277
Additional Paid-in capital	(67,745)
Accumulated deficit	(46,650)
Shareholder's Equity (Deficiency)	67,657

Total Liabilities & Shareholder's Equity

75,314

Source: Company filing

HISTORICAL STOCK PRICE

NasdaqCM - Nasdaq Real Time Price • USD

New Horizon Aircraft Ltd. (HOVR) ☆

1.5500 +0.0200 (+1.31%) **1.5598** +0.0098 (+0.63%)

At close: 4:00:01 PM EDT

After hours: 7:19:34 PM EDT

🔄 HOVR Q1 2027 earnings call Replay the call for the latest insights.

📄 Read transcript

🔊 Play call



Source: Yahoofinance.com

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