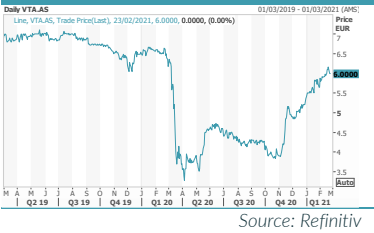


Financials



Market data

EPIC/TKR	VTANA, VTALN, VTAS LN
Price (€)	6.00/6.05/525p
12m High (€)	6.62/6.55/548p
12m Low (€)	3.28/3.38/285p
NAV p/sh Jan (€)	6.93
Disc. to NAV (%)	13%
Shares (m)	36.6
Mkt Cap (€m)	219
2021 yield	8.7%
Free Float	70%
Market	AEX, LSE

Description

Volta Finance (Volta) is a closed-ended, limited liability investment company with a diversified investment strategy across structured finance assets (primarily CLOs). It aims to provide a stable stream of income through quarterly dividends.

Company information

Ind. Chairman	Paul Meader
Ind. Non-Executive	Graham Harrison Stephen Le Page
Directors	Paul Varotsis
Fund Managers	Serge Demay
AXA IM Paris	A Martin-Min François Touati
Co. Sec. / Administrator	BNP Paribas Securities Services SCA, Guernsey Branch

BNP: +44 1481 750853  
[www.voltafinance.com](http://www.voltafinance.com)

Key shareholders (31 Jul'20)

Axa Group	30%
BNP WM	16%
Deutsche	6%
Citibank	6%

Diary

Mid-Mar'21	Feb estimated NAV
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Analyst

Mark Thomas 020 3693 7075  
[mt@hardmanandco.com](mailto:mt@hardmanandco.com)

# VOLTA FINANCE LIMITED

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Our 11 January 2021 report, *Volta's seven yield uplifts*, noted structural reasons supporting Volta's 9.5% yield and the favourable current conditions. In terms of the latter: i) as of end-January 2021, the total cost of debt for CLOs was at its lowest level for the last two years; ii) this led to the most active January month in recent memory for CLO Refi and Reset activity (very good for CLO equity returns); iii) in December, Moody's upgraded 38 US CLO debt tranches, and put on watch for potential upgrade 188 more; and iv) Fitch announced in January that it might consider positive revisions following an overall review of the consequences of the COVID-19 crisis.

- ▶ **Volta monthly report:** In January 2021, Volta's NAV rose by 3.9%. By asset type, it was +5.9% for CLO equity tranches, +4.1% for CLO debt, +0.7% for Cash Corporate Credit deals (this bucket comprises funds that have a one-month delay in publishing their NAV), and +0.8% for ABS.
- ▶ **Market outlook:** BGLF's *2021 outlook* noted i) spread tightening (new issue AAA spreads down ca.15bps), ii) CLO supply increase (US +\$20-\$30bn, 9%-19%, Euro to €25-€30bn, from €22bn), iii) refinancing/reset supply increase, iv) longer reinvestment periods; and v) CLO equity expected to deliver attractive returns.
- ▶ **Valuation:** Volta trades at a 13% discount to NAV (which is subject to significant external input and oversight). The relative discounts to Fair Oaks and Marblepoint seem anomalous, as, over the long term, Volta has delivered a better NAV performance. Volta aims for 8% NAV distribution (on current 8.7% dividend yield).
- ▶ **Risks:** Credit risk is a key sensitivity (Volta has a widely diversified portfolio). We examined the valuation of assets, highlighting the multiple controls to ensure its validity, in our *initiation note*. NAV is affected by sentiment towards its own and underlying markets. Volta's long \$ position is only partially hedged.
- ▶ **Investment summary:** Volta is an investment for sophisticated investors, as both the NAV and the discount to NAV reflect sentiment. This may be expected to normalise over time, and we note that BGLF's model-based approach saw its NAV drop by only a third that of Volta in March 2020. Fundamental long-term returns have been good: pre-COVID-19, ca.11% p.a. (dividend re-invested basis) over five years. Volta's performance relative to its peers has been strong, and returns for investments made after the financial crisis were double those in prior years.

Financial summary and valuation (Hardman & Co adjusted basis)

Year-end Jul (€m)	2016	2017	2018	2019	2020	2021E	2022E
Coupons & dividend	34.7	33.2	38.5	42.0	39.4	35.3	43.9
Operating income	36.5	35.0	37.0	41.0	31.5	37.4	44.7
Inv. Manager's fees	-4.3	-4.6	-4.6	-4.4	-3.6	-4.3	-4.6
Expenses	-0.9	-0.8	-0.9	-1.0	-1.0	-1.0	-1.0
Total comp. income	29.3	28.0	29.7	32.9	25.8	28.6	35.5
Statutory PTP	12.6	38.7	22.7	7.1	-63.0	97.7	40.3
Underlying EPS (€)	0.80	0.77	0.81	0.90	0.71	0.78	0.97
NAV per share (€)	7.92	8.36	8.36	7.94	5.69	7.84	8.31
S/P disc. to NAV*	-14%	-11%	-15%	-12%	-23%	-23%	-28%
Gearing	12%	12%	14%	12%	0%	14%	13%
Dividend	0.62	0.62	0.62	0.62	0.52	0.52	0.63
Dividend yield	10.3%	10.3%	10.3%	10.3%	8.7%	8.7%	10.6%

\*2016-20 actual NAV & share price, 2021-21 forecast NAV to current share price;  
Source: Hardman & Co Research