

Financials



Market data

	VTAS LN
EPIC/TKR	VTA.NA, VTA.LN, VTAS LN
Price (€)	6.04/6.03/532p
12m High (€)	6.10/6.20/538p
12m Low (€)	3.58/3.60/327p
NAV p/sh Mar (€)	7.08
Disc. to NAV (%)	15%
Shares (m)	36.6
Mkt Cap (€m)	221
2021 yield	8.6%
Free Float	70%
Country of listing	UK
Market (NL, UK)	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
Directors	Stephen Le Page
Fund Managers	Paul Varotsis
AXA IM Paris	Serge Demay
	A Martin-Min
	François Touati
Co. Sec.	BNP Paribas
/Administrator	Securities Services SCA, Guernsey Branch

BNP: +44 1481 750853

www.voltafinance.com

Key shareholders (31 Jul'20)

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

Diary

Mid-May'21	April estimated NAV
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Analyst

Mark Thomas 020 3693 7075
mt@hardmanandco.com

VOLTA FINANCE LIMITED

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Volta released its *interim results* (to end-January) on 8 April. We particularly draw investors attention to CLO-equity enhancement, which is likely if they re-finance their debt at a lower cost. This is estimated to enhance Volta's returns by 1-1.5% p.a. for several years as the new debt locks in long-term benefits (see p.5-6 of the report). Volta also details its ESG credentials. Our numbers reflect higher interest and coupons, the latest returns, a lower management charge and the performance fee. Volta's dividends are supported by cashflows, which, on a six-month, rolling basis, represent an annualised 16.3% of March NAV. Discount to NAV has been reducing but is still 15%.

- ▶ **Volta monthly report:** In *March 2021*, Volta's NAV increased by 1.1% (YTD 6.1%). By asset type, it was +1.6% for CLO equity tranches, -0.9% for CLO debt, +3.2% for Cash Corporate Credit deals (this bucket has a one-month delay in publishing its NAV), +0.6% for Bank Balance Sheet transactions and -1.3% ABS.
- ▶ **Monthly commentary:** Performance was driven by the solid performance from CLO equity tranches against a backdrop of variable broad credit markets, and \$ appreciation. Volta's investments are mainly floating rate, so the negative impact of rising long-term rates was largely avoided.
- ▶ **Valuation:** Volta trades at a 15% 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 (8.6% yield on current share price).
- ▶ **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: 8.6% p.a. (dividend re-invested basis) since inception. 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	36.3	41.7
Operating income	36.5	35.0	37.0	41.0	31.5	38.4	42.6
Inv. manager's fees	-4.3	-4.6	-4.6	-4.4	-3.6	-3.4	-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	30.2	33.6
Statutory PTP	12.6	38.7	22.7	7.1	-63.0	80.0	38.2
Underlying EPS (€)	0.80	0.77	0.81	0.90	0.71	0.83	0.92
NAV per share (€)	7.92	8.36	8.36	7.94	5.69	7.36	7.79
S/P disc. to NAV*	-14%	-11%	-15%	-12%	-23%	-18%	-22%
Gearing	12%	12%	14%	12%	0%	15%	14%
Dividend	0.62	0.62	0.62	0.62	0.52	0.52	0.61
Dividend yield	10.3%	10.3%	29.1%	10.3%	8.6%	8.6%	10.2%

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