

Closed End Investments


Source: LSEG, 2024

Market data

EPIC/TKR	VTA.NA, VTA.LN, VTAS LN
Price (€)	5.20/5.23/430p
12m high (€)	5.40/5.40/468p
12m low (€)	5.00/4.78/404p
NAV p/sh (Jul'24, €)	7.13
Disc. to NAV (%)	-27
Shares (m)	36.6
Mkt cap (€m)	190
2023 div. yield (%)	9.8
Price (€)	5.25/5.23/430p
Market (NL, UK)	AEX, LSE, LSE
Free Float	70%
Currency	€, €, GBP

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. Chair	Dagmar Kent Kershaw
Ind. NEDs	Stephen Le Page, Yedau Ogundele
	Joanne Peacegood
Fund Managers	AXA IM Paris
Co. Sec./	BNP Paribas
Administrator	Securities Services SCA, Guernsey Branch

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www.voltafinance.com
Key shareholders

AXA SA Bank	21.75%
BNP Paribas	15.28%
AXA Framlington IM	8.23%
BNP Wealth Mgt.	5.50%

Diary

Mid-Sep	Aug estimated NAV
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Analyst

 Mark Thomas mt@hardmanandco.com

VOLTA FINANCE

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Volta's *latest monthly* is to its financial year of end-July. The FY'24 NAV total return was 19.7% and annualised cash receipts are 22% of the Jul'24 NAV, boding well for the near-term outlook. They are also consistent with levels seen since mid'22. For 16 consecutive months, Volta has generated positive NAV returns. We note both positive markets and incremental value added by the manager, AXA IM. To put Volta's returns into perspective, YTD to end-July, Volta has generated a +10.8% total NAV return, over twice the level of US and Europe high-yield debt markets, both of which returned ca.4.5%. The discount appears anomalous with such a performance and the resilience of the underlying NAV we have discussed in previous reports.

- ▶ **Positive CLO markets:** We believe investors should "follow the cash". Receipts into CLO structures have been strong with low default rates from good corporate profitability and cashflows, and many borrowers being able to pass on initial inflationary pressures to customers. Cash leaving CLO structures reflects refinancing and resetting opportunities in CLO debt.
- ▶ **Value added by AXA IM:** AXA IM scale brings i) specialist expertise to identify mis-priced opportunities and manage risk, ii) a broad network with informational advantages, and iii) business introduction and pricing opportunities. We also highlight its portfolio construction/asset selection.
- ▶ **Valuation:** Volta trades at a double discount: its share price is at a 27% discount to NAV, and we believe its mark-to-market approach includes a sentiment-driven discount to the expected cashflows. Volta targets an 8% of NAV annual dividend, with €0.145 announced for the most recent quarter (10.2% 2024E investor yield).
- ▶ **Risks:** Credit risk is a key sensitivity. We examined the valuation of assets, highlighting the multiple controls to ensure its validity, in our *initiation note*, in September 2018. The NAV is exposed to 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 may be volatile over time. We note the closest competitor to Volta has had a more stable NAV valuation due to a different asset valuation approach. Fundamental long-term returns have been robust: 8.0% p.a. (dividend reinvested basis) since inception. Volta's performance relative to that of 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)	2020	2021	2022	2023	2024E	2025E
Coupons & dividend	39.4	41.8	42.9	47.0	39.7	46.1
Operating income	31.5	44.5	41.6	44.1	53.7	51.6
Inv. manager fees	(3.9)	(14.2)	(3.9)	(5.6)	(9.8)	(9.3)
Expenses	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Total comp. income	25.8	35.2	33.4	35.2	42.8	41.3
Statutory PTP	(63.0)	76.8	(17.8)	27.0	44.1	42.5
Underlying EPS (€)	0.7	1.0	0.9	1.0	1.2	1.1
NAV per share (€)	5.69	7.28	6.22	6.45	7.13	7.72
S/P prem./disc (-) to NAV*	-23%	-17%	-16%	-21%	-27%	-33%
Gearing	0%	0%	0%	0%	0%	0%
Dividend (€)	0.53	0.51	0.57	0.51	0.53	0.57
Dividend yield	10.2%	9.8%	11.0%	9.8%	10.2%	11.1%

*2020-24 actual NAV and share price, 2025 forecast NAV to current share price.

Source: Hardman & Co Research