

Closed End Investments

Market data

EPIC/TKR	VTA.NA, VTA.LN, VTAS LN
Price (€)	6.05/5.95/485p
12m high (€)	6.15/6.10/502p
12m low (€)	5.05/4.90/424p
NAV p/sh (Nov'24, €)	7.63
Disc. to NAV (%)	-21
Shares (m)	36.6
Mkt cap (€m)	221
FY'24 div. yield (%)	9.1
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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Key shareholders (31 July 2024)

AXA SA Bank	21.75%
BNP Paribas	16.01%
AXA Framlington IM	8.23%
BNP Wealth Mgt.	5.91%

Diary

Mid-Jan	Dec NAV
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Analyst

Mark Thomas mt@hardmanandco.com

VOLTA FINANCE LIMITED

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In our note, *FY'24: another year of outperformance*, we highlighted Volta's strong performance to its year-end July. This has continued in calendar 2H'24 and, looking forward to 2025, we expect a further strong performance. The latest annualised cashflows are 21% of the NAV, despite the strong growth in NAV. We note both the positive markets, and incremental value added by the manager in asset selection and portfolio management, which have delivered a strong track record of market outperformance through a range of economic conditions. For 20 consecutive months, now, Volta has generated positive NAV returns. The discount appears to be anomalous with such a performance.

- ▶ **November factsheet:** The strong FY performance has continued with a 20th consecutive month of positive NAV return. The YTD return is +20.9%: +2.1% in November alone (monthly returns of 2.3% and 1.3% for CLO equity and debt tranches, respectively). Annualised cash generation is 21% of NAV.
- ▶ **Rising yield:** Volta's policy is to pay annualised dividends equivalent to ca.8% of NAV (payable quarterly). The growth in NAV thus feeds through to a growing dividend with latest quarterly payment (announced 5 December) of €15c (against €12c in Dec'22). Our FY'26E yield is 10.7% (statutory cover of 2.3x).
- ▶ **Valuation:** Volta trades at a double discount: its share price is at a 21% discount to NAV, and we believe its mark-to-market approach includes a sentiment-driven discount to the expected cashflows. Volta's yield is a key attraction, and, in our view, it is likely to be more than 2x covered, giving investors considerable comfort.
- ▶ **Risks:** Credit risk is a key sensitivity. We examined the valuation of assets, highlighting the multiple controls to ensure its validity, in our September 2018 *initiation note*. 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: 8.5% 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)	2021	2022	2023	2024	2025E	2026E
Coupons & dividend	41.8	42.9	47.0	57.1	55.6	58.9
Operating income	44.5	41.6	44.1	51.5	61.7	65.0
Inv. manager fees	(14.2)	(3.9)	(5.6)	(10.1)	(11.3)	(11.9)
Expenses	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Total comp. income	35.2	33.4	35.2	41.0	49.3	52.1
Statutory PTP	76.8	(17.8)	27.0	45.0	50.5	53.3
Underlying EPS (€)	1.0	0.9	1.0	1.1	1.3	1.4
NAV per share (€)	7.28	6.22	6.45	7.13	7.91	8.73
S/P prem./disc (-) to NAV*	-17%	-16%	-21%	-27%	-24%	-31%
Gearing	0%	0%	0%	0%	0%	0%
Dividend (€)	0.51	0.57	0.51	0.55	0.60	0.65
Dividend yield	8.4%	9.4%	8.4%	9.1%	9.9%	10.7%

*2021-24 actual NAV and share price, 2025-26 forecast NAV to current share price.

Source: Hardman & Co Research