

**Closed End Investments**


Source: Refinitiv

**Market data**

EPIC/TKR	VTA.NA, VTA.LN, VTAS LN
Price (€)	5.08/5.00/430p
12m high (€)	5.50/5.50/491p
12m low (€)	4.85/4.60/400p
NAV p/sh (Jun'23, €)	6.34
Discount to NAV	-20%
Shares (m)	36.6
Mkt cap (€m)	187
2022 div. yield	12.0%
Free float	70%
Market (NL, UK)	AEX, LSE, LSE
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	Graham Harrison, Stephen Le Page, Yedau Ogundele
Fund Managers	AXA IM Paris
Co. Sec./	BNP Paribas
Administrator	Securities Services SCA, Guernsey Branch

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[www.voltafinance.com](http://www.voltafinance.com)
**Key shareholders**

AXA Group	30%
BNP WM	16%
BNP Securities Services	11%

**Diary**

Mid-Aug	Jul estimated NAV
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**Analyst**

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# VOLTA FINANCE LIMITED

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In previous notes, we have highlighted why current conditions have a number of favourable aspects (see strong current position below). The [June factsheet](#) highlighted a further positive market evolution. After nearly 10% prepayment rate in 2022, Volta is now seeing underlying loan prepayments at a pace closer to 15%, and it may reach 20% in 2024. This reflects normal treasury management by borrowers and refinancing in a rising rate environment. The loans were, typically, bought at discounts to par, but repayments are made at par, so there is a gain on repayment. With repayments accelerating, this NAV uplift could partially offset rising defaults. Management gave the example that the current rate alone would offset a 1.2% rise in defaults.

- ▶ **Strong current position:** In [June](#), Volta's current annualised cash receipts were 20.1% of NAV, reflecting low defaults (strong corporate cashflows and profitability), low locked-in CLO borrowing costs, CLOs being floating-rate investments, and Volta's portfolio positioning over recent years into CLO equity.
- ▶ **Resilience going forward:** In our note, [R&A shining light on 20%+ IRR base-case scenarios](#), we reviewed how Volta generated cashflows, and why defaults would rise – but not to the level built into loan prices. We highlighted Volta's diversification and geographical exposure. We also noted that the R&A disclosure could help to understand these issues.
- ▶ **Valuation:** Volta trades at a double discount: its share price is at a 20% discount to NAV, and we believe its mark-to-market (MTM) NAV still includes a further sentiment-driven discount to the present value of expected cashflows. Volta targets an 8% of NAV dividend (11.6% 2023E 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 robust: 7.5% 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)	2019	2020	2021	2022	2023E	2024E
Coupons & dividend	42.0	39.4	41.8	42.9	45.0	42.6
Operating income	41.0	31.5	44.5	41.6	44.9	42.5
Inv. manager fees	(4.2)	(3.9)	(14.2)	(3.9)	(8.1)	(7.6)
Expenses	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Total comp. income	32.9	25.8	35.2	33.4	35.8	33.9
Statutory PTP	7.1	(63.0)	76.8	(17.8)	37.1	35.3
Underlying EPS (€)	0.9	0.7	1.0	0.9	1.0	0.9
NAV per share (€)	7.9	5.7	7.3	6.2	6.6	7.0
S/P prem./disc (-) to NAV*	-12%	-23%	-17%	-16%	-24%	-28%
Gearing	12%	0%	0%	0%	0%	0%
Dividend (€)	0.62	0.52	0.52	0.61	0.59	0.61
Dividend yield	12.2%	10.2%	10.2%	12.0%	11.6%	11.9%

\*2019-22 actual NAV and share price, 2023-24 forecast NAV to current share price

Source: Hardman &amp; Co Research