

Closed End Investments


Source: LSEG

Market data

EPIC/TKR	VTA.NA, VTA.LN, VTAS LN
Price (€)	5.20/5.13/430p
12m high (€)	5.40/5.30/467p
12m low (€)	4.90/4.76/412p
NAV p/sh (Feb'24, €)	6.96
Disc. to NAV (%)	-25
Shares (m)	36.6
Mkt cap (€m)	190
2024E div. yield (%)	10.2
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	Stephen Le Page, Yedau Ogundele Joanne Peacegood
Fund Managers	AXA IM Paris
Co. Sec./	BNP Paribas
Administrator	Securities Services SCA, Guernsey Branch

BNP: +44 (0)1481 750853

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-Apr	Mar estimated NAV
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Analyst

 Mark Thomas mt@hardmanandco.com

VOLTA FINANCE LIMITED

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In our note, *Insights from the Report and Accounts*, we reviewed the key information and messages investors should take from the recent Report and Accounts. In particular, we note the detailed explanations as to how Volta is delivering strong returns. This performance reflects the sound fundamentals of the CLO investment market and the value specifically added by the manager (reaffirming the issues we identified in our note, *The benefits of having AXA IM as the manager*). In terms of outlook, the expected relative resilience of the portfolio was also noted. On 28 February, Volta announced a *new management fee* (lower-tier level for lower fees) and revised performance fees (20% of performance over 8% hurdle with high water mark).

- ▶ **Strong current position:** Volta's annualised cash receipts of 21.6% of NAV reflect low defaults (strong corporate cashflows and profitability, ability to pass on inflation to date), low locked-in CLO borrowing costs, CLOs being floating-rate investments and Volta's portfolio positioning in recent years into CLO equity.
- ▶ **Feb'24 factsheet:** The February return was 1.0% (YTD: 3.9%). Annualised cash receipts over the past six months were 21.6% of NAV (broadly stable since early 2023). Key highlights in the month were +1.7% for CLO equity and +1.6% for CLO debt tranches. Cash was 3.6% of gross asset value. Mgt. noted the strong CLO primary issuance market.
- ▶ **Valuation:** Volta trades at a double discount: its share price is at a 25% 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 €0.14 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: 7.9% 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	46.3
Operating income	31.5	44.5	41.6	44.1	55.2	51.9
Inv. manager fees	(3.9)	(14.2)	(3.9)	(5.6)	(10.1)	(9.4)
Expenses	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Total comp. income	25.8	35.2	33.4	35.2	44.0	41.5
Statutory PTP	(63.0)	76.8	(17.8)	27.0	45.3	42.8
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	7.16	7.77
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%	10.9%

*2020-23 actual NAV and share price, 2024-25 forecast NAV to current share price

Source: Hardman & Co Research