

Closed End Investments


Source: Refinitiv

Market data

EPIC/TKR	VTA.NA, VTA.LN, VTAS LN
Price (€)	5.06/4.99/435p
12m high (€)	5.50/5.50/491p
12m low (€)	4.70/4.60/400p
NAV p/sh (Sep'23, €)	6.51
Disc. to NAV (%)	-22
Shares (m)	36.6
Mkt cap (€m)	185
2022 div. yield (%)	11.3
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 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 Group	30%
BNP WM	16%
BNP Securities Services	11%

Diary

Mid-Nov	Oct estimated NAV
Mid Nov	Annual Report

Analyst

Mark Thomas
mt@hardmanandco.com

VOLTA FINANCE LIMITED

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We have highlighted previously why current conditions are especially favourable. The [September factsheet](#) reported a 18.6% YTD NAV return (1.6% September). Volta outperformed the strong leveraged loan markets (Europe +1.1%, US +ca.1.0%) with a notable 3.7% monthly uplift in CLO equity tranches. As expected, on 20 September, Volta announced its [quarterly dividend](#) (€0.13 per share paid on 12 October 2023, equating approximately to an annualised 8% of NAV, cost ca.€4.76m). In September, Volta received a further \$1.5m from a Bank Balance Sheet Transaction (BBST) principal repayment at par. The BBST exposure has reduced to 1.8% (July 5.6%) with proceeds to be re-invested in CLOs.

- ▶ **Strong current position:** To September, Volta's six-month cash receipts were a record €25.8m, annualised 21.7% of NAV, reflecting low locked-in CLO borrowing costs, low defaults (strong corporate cashflows and profitability), CLOs being floating-rate investments, and Volta's positioning 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, with its share price at a 22% 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 (10.1% 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: 7.9% 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)	2019	2020	2021	2022	2023E	2024E
Coupons & dividend	42.0	39.4	41.8	42.9	45.0	40.9
Operating income	41.0	31.5	44.5	41.6	44.9	40.9
Inv. manager fees	(4.2)	(3.9)	(14.2)	(3.9)	(6.3)	(7.3)
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	32.6
Statutory PTP	7.1	(63.0)	76.8	(17.8)	29.9	33.9
Underlying EPS (€)	0.9	0.7	1.0	0.9	1.0	0.9
NAV per share (€)	7.94	5.69	7.28	6.22	6.45	6.78
S/P prem./disc (-) to NAV*	-12%	-23%	-17%	-16%	-21%	-27%
Gearing	12%	0%	0%	0%	0%	0%
Dividend (€)	0.61	0.53	0.51	0.57	0.51	0.54
Dividend yield	12.1%	10.5%	10.0%	11.3%	10.1%	10.7%

*2019-23 actual NAV and share price, 2024 forecast NAV to current share price

Source: Hardman & Co Research