

Financials

Market data

EPIC/TKR	VTA .NA, VTA.LN, VTA.S LN*
Price (€)	4.54/4.58/420p
12m High (€)	6.74/7.04/642p
12m Low (€)	3.20/3.38/285p
Shares (m)	36.6
Mkt Cap (€m)	166
2020E yield	9.0%
Free Float	70%
Market	AEX, LSE

*Listing on 3 September 2018

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. Chairman	Paul Meader
Ind. Non-Executive Directors	Graham Harrison Stephen Le Page Atosa Moini Paul Varotsis
Fund Managers	Serge Demay
AXA IM Paris	A Martin-Min François Touati
Co. Sec./Administrator	BNP Paribas Securities Services SCA, Guernsey Branch

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Key shareholders

Axa Group	30%
BBVA Madrid & BNP WM	7%
Ironside Partners & Deutsche	6%

Diary

Mid-Jul'20	Jun estimated NAV
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Analyst

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VOLTA FINANCE LIMITED

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On 12 May 2020, we published a [Q&A with Hardman analyst](#). We provided investors with a detailed Q&A with Volta's Directors and Investment Manager on the key issues, structured into i) risk management and portfolio solvency, ii) re-investment opportunities and iii) the revised dividend prospects. Volta marks to market most of its assets and captures both "real" losses and investor sentiment. This saw a sharp fall in NAV and strong recoveries in both April and May. Despite the latter, at the end of May, the average price for CLO equity tranches was just 42.6% and 38.3% for USD and Euro positions, respectively, giving considerable potential upside.

- ▶ **Volta monthly report:** In April, Volta's NAV rose by 4.5% (April +5.7%, March -32.4%, YTD -26.5%). CLO debt and equity tranches were both up 6% (66% of portfolio), bank balance sheet transactions rose 2% (14%) and ABS positions rose 1% (6%). Cash is now 5% of GAV, down from 10% end April.
- ▶ **April peer reports:** Blackstone GSO Loan Financing's € NAV fell 0.77% (mark-to-model accounting basis), Fair Oaks Income's \$ NAV rose 10% (one year down 38%), TwentyFour Income Fund's £ NAV rose 7.5% (one year down 8%, but includes significant residential mortgages), and Marblepoint's £ NAV rose 14% (YTD -35%).
- ▶ **Valuation:** Volta trades at a 19% discount to NAV, which is subject to significant external input and oversight. The relative discounts to FAIR and MPLF appear anomalous, as, over the long term, Volta has delivered a better NAV performance. Volta declared a €0.1 dividend on [11 May](#), and is aiming for 8% NAV distribution.
- ▶ **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 good: pre-COVID-19, ca.11% p.a. (dividend re-invested basis) over five years. Volta's performance relative to 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)	2015	2016	2017	2018	2019	2020E	2021E
Coupons & dividends	33.7	34.7	33.2	38.5	42.0	42.3	25.5
Operating income	46.0	36.5	35.0	37.0	41.0	41.3	24.4
Inv. manager's fees	-4.5	-4.3	-4.6	-4.6	-4.4	-3.4	-1.5
Adj. perform. fees	-3.5	-1.3	-1.2	-1.3	-2.1	-2.6	-1.3
Total expenses	-1.8	-0.9	-0.8	-0.9	-1.0	-1.0	-1.0
Total comp. income	35.7	29.3	28.0	29.7	32.9	33.8	20.1
Statutory PTP	47.6	12.6	38.7	22.7	7.1	-89.7	83.3
Underlying EPS (€)	0.98	0.80	0.77	0.81	0.90	0.92	0.55
NAV	299.2	289.3	305.5	305.7	290.6	186.0	252.6
S/P disc. to NAV	44%	43%	46%	46%	43%	11%	34%
Gearing	9%	12%	12%	14%	12%	0%	0%
Dividend yield	13.7%	13.7%	13.7%	13.7%	13.7%	9.0%	10.1%

Source: Hardman & Co Research