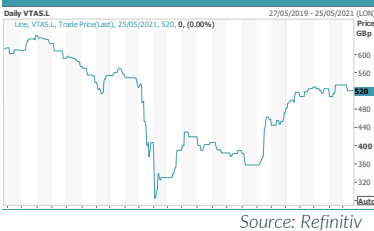


**Financials**

**Market data**

EPIC/TKR	VTA.NA, VTA.LN, VTAS LN
Price (€)	<b>5.98/6.05/520p</b>
12m High (€)	6.10/6.20/546p
12m Low (€)	3.84/3.80/342p
NAV p/sh (Apr'21, €)	7.09
Disc. to NAV (%)	16%
Shares (m)	36.6
Mkt Cap (€m)	219
2021 yield	8.7%
Free Float	70%
Market (NL, UK)	AEX, LSE

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

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[www.voltafinance.com](http://www.voltafinance.com)

**Key shareholders (31 Jul'20)**

Axa Group	30%
BNP WM	16%
Deutsche	6%
Citibank	6%

**Diary**

Mid-Jun'21	May estimated NAV
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**Analyst**

Mark Thomas 020 3693 7075  
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# VOLTA FINANCE LIMITED

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In our 5 May 2021 note, *Re-Set, Re-Fi, Re-Light my Fire*, we explored how favourable market conditions mean that CLO vehicles can re-finance debt cheaply, enhancing the value of Volta's equity positions (which have been increased substantially in recent years). We showed the impact on Volta's CLO debt portfolio, and what this meant for new investment returns. The key message is that the favourable conditions are expected to lift returns by 1%-1.5% p.a. for several years. Volta is also benefiting from the unexpectedly low levels of defaults. Despite this favourable outlook, Volta still trades at a 16% discount to NAV, albeit down from March 2020 highs.

- ▶ **Volta monthly report:** Its *April 2021 report* showed that Volta's NAV increased by 2.1% (YTD 8.4%). By asset type, it was +3.2% for CLO equity tranches, 3.7% for CLO debt, +6.2% for Cash Corporate Credit deals (this bucket has a one-month delay in publishing its NAV), +0.9% for Bank Balance Sheet transactions and 0% for ABS.
- ▶ **Monthly commentary:** Trailing-12-month default rates continued to decline in April (there are more forecasts now for 2% for both the US and Europe). On a six-month rolling basis, Volta received interest and coupons equivalent to a 16.8% yield on NAV. Volta recently announced the end-June NED *appointment of Dagmar Kent Kershaw*.
- ▶ **Valuation:** Volta trades at a 16% discount to NAV (which is subject to significant external input and oversight). The relative discounts to Fair Oaks and Marblepoint seem anomalous, as, over the long term, Volta has delivered a better NAV performance. Volta aims for 8% NAV distribution (8.7% 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 good: 8.6% p.a. (dividend re-invested basis) since inception. Volta's performance relative to 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)	2016	2017	2018	2019	2020	2021E	2022E
Coupons & dividend	34.7	33.2	38.5	42.0	39.4	36.3	41.7
Operating income	36.5	35.0	37.0	41.0	31.5	38.4	42.6
Inv. manager's fees	-4.3	-4.6	-4.6	-4.4	-3.6	-3.4	-4.6
Expenses	-0.9	-0.8	-0.9	-1.0	-1.0	-1.0	-1.0
Total comp. income	29.3	28.0	29.7	32.9	25.8	30.2	33.6
Statutory PTP	12.6	38.7	22.7	7.1	-63.0	80.0	38.2
Underlying EPS (€)	0.80	0.77	0.81	0.90	0.71	0.83	0.92
NAV per share (€)	7.92	8.36	8.36	7.94	5.69	7.36	7.79
S/P disc. to NAV*	-14%	-11%	-15%	-12%	-23%	-20%	-24%
Gearing	12%	12%	14%	12%	0%	15%	14%
Dividend	0.62	0.62	0.62	0.62	0.52	0.52	0.61
Dividend yield	10.4%	10.4%	29.4%	10.4%	8.7%	8.7%	10.3%

\*2016-20 actual NAV and share price, 2021-21 forecast NAV to current share price;  
 Source: Hardman & Co Research