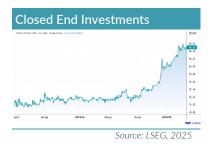
## The Monthly





Market data						
EPIC/TKR VTA.NA, VTA.LN, VTAS LN						
Price (€) 6	.50/6.45/527.5p					
12m high (€)	6.55/6.45/545p					
12m low (€)	5.15/4.83/404p					
NAV p/sh (Feb'25,	€) 7.75					
Disc. to NAV (%)	-16					
Shares (m)	36.6					
Mkt cap (€m)	238					
FY'24 div. yield (%)	9.2					
Market (NL, UK)	AEX, LSE, LSE					
Free float	70%					
Currency	€, €, GBP					
Description						

## Description

Volta Finance (Volta) is a closedended, 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 Manager	s AXA IM Paris				
Co. Sec./	BNP Paribas				
Administrator	Securities Services				
	SCA, Guernsey				
	Branch				

BNP: +44 (0)1481 750853 www.voltafinance.com

Key sharehold	ers (31	July 2024)
AXA SA Bank		21.75%
<b>BNP</b> Paribas		16.01%
AXA Framlingtor	IМ	8.23%
BNP Wealth Mg	t.	5.91%
Diary		
Mid-Apr	Mar e	estimated NAV

Analyst	
Mark Thomas	<u>mt@hardmanandco.com</u>

## VOLTA FINANCE LIMITED

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In our note, <u>2024 experience bodes well for 2025</u>, we highlighted that Volta has delivered +21.2% 2024 total NAV return, outperforming i) B-rated CLO tranches (+19.2%), ii) US high yield (+8.2%), iii) Euro high yield (+8.6%), and iv) global loans (+7.3%). Its performance reflects positive markets and the incremental value added by the manager through its asset selection and portfolio management. Looking into 2025, we expect another strong year from CLOs: more market growth (partially driven by loans issued to fund greater PE activity), and stable defaults offsetting some spread tightening and fewer pull-to-par benefits. The February NAV  $\in$ 7.75 is already close to our July forecast  $\notin$ 7.91. AXA IM has outperformed through economic cycles.

- ▶ <u>Feb factsheet</u>: Return 1.6% (23<sup>rd</sup> sequential positive performance) with CLO equity 2.4% and CLO tranches 1.7%. Volta outperformed benchmarks: CLO BBs 0.9%; US high yield returned 0.65%; Euro high yield 1%; and Global Loans gained 0.3%. Annualised past six-month cash generation: 20% of February NAV.
- Dividend rising with NAV: The quarterly dividend to be paid <u>in April 2025</u> is €0.155 vs. €0.14 for the same period last year. Volta's policy (paying 8% NAV annualised of NAV in quarterly payments) means that investors immediately benefit from the rising NAV through higher dividends.
- Valuation: Volta trades at a double discount: its share price is at a 16% discount to NAV, and we believe its mark-to-market approach includes a sentiment-driven discount to the expected cashflows. Volta's yield is a key attraction, and, in our view, it is likely to be more than 2x covered, giving investors considerable comfort.
- Risks: Credit risk is a key sensitivity. We examined the valuation of assets, highlighting the multiple controls to ensure its validity, in our September 2018 <u>initiation note</u>. 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 that, historically, some competitors to Volta had a more stable NAV valuation due to a different asset valuation approach. Fundamental long-term returns have been robust: 9.4% 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)	2021	2022	2023	2024	2025E	2026E		
Coupons & dividend	41.8	42.9	47.0	57.1	55.6	58.9		
Operating income	44.5	41.6	44.1	51.5	61.7	65.0		
Inv. manager fees	(14.2)	(3.9)	(5.6)	(10.1)	(11.3)	(11.9)		
Expenses	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)		
Total comp. income	35.2	33.4	35.2	41.0	49.3	52.1		
Statutory PTP	76.8	(17.8)	27.0	45.0	50.5	53.3		
Underlying EPS (€)	1.0	0.9	1.0	1.1	1.3	1.4		
NAV per share (€)	7.28	6.22	6.45	7.13	7.91	8.73		
S/P prem./disc (-). to NAV*	-17%	-16%	-21%	-27%	-18%	-26%		
Gearing	0%	0%	0%	0%	0%	0%		
Dividend (€)	0.51	0.57	0.51	0.55	0.60	0.65		
Dividend yield	7.8%	8.8%	7.8%	8.5%	9.2%	9.9%		

\*2021-24 actual NAV and share price, 2025-26 forecast NAV to current share price. Source: Hardman & Co Research