

Financials


Source: Eikon Thomson Reuters

Market data

EPIC/TKR	VTA .NA, VTA.LN VTAS LN *
Price (€)	6.88/6.83/600p
12m High (€)	7.80/7.40/655p
12m Low (€)	6.74/6.74/600p
Shares (m)	36.6
Mkt Cap (£m)	221
Trail. 12-mth. yld.	9.1%
Free Float*	70%
Market	AEX, LSE

* Listing 03 September 2018

Description

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

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

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www.voltafinance.com
Key shareholders

Axa Group	30.4%
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Diary

Late Nov	October monthly
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Analyst

Mark Thomas	020 7194 7622 mt@hardmanandco.com
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VOLTA FINANCE LIMITED

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Volta invests in a broad portfolio of structured finance assets, maintaining flexibility to optimise long-term returns in highly dynamic markets. Its five-year 13.2% p.a. shareholder return has been largely generated by predictable coupons and dividends, and not from capital gains. Volta's long-term NAV returns have beaten those of peers for an in-line volatility. Its deep market understanding has identified assets mis-priced for risk. Economic downturns create opportunities, as well as threats. The historical yield is now 9.0% and is covered ca.1.5x by our adjusted earnings forecasts.

- ▶ **Volta monthly report:** In September, Volta's NAV fell 0.4%, taking it to €8.28 and the YTD performance to +5.0%. The five-year performance has been +13.2% p.a. US CLO equity holdings were increased, taking total CLO equity holdings to over 30% of the portfolio and cash down to 2% – its lowest level since July 2016. The top five underlying exposures remain under 2.5% of NAV.
- ▶ **Peers' September reports:** Carador saw a 0.29% rise in its \$ NAV (YTD 3.09%). It is now in wind-up mode. Fair Oaks Income's \$ NAV was down 1.4%. Blackstone GSO Loan Financing said that its more marked to model € NAV rose 1.81% (YTD 6.35%). TwentyFour Income Fund saw a 0.22% rise in NAV (YTD 3.18%). Marble Point reported a 0.61% \$ monthly gain (0.52% since February IPO).
- ▶ **Valuation:** Volta trades at a 17% discount to NAV. Peer-structured finance funds trade at a small discount (ca.2%), with some at premiums up to 6% over NAV. In the medium term, Volta has delivered faster NAV growth than its immediate peers and an in-line volatility, making this discount an anomaly.
- ▶ **Risks:** Credit risk is a key sensitivity (Volta has a widely diversified portfolio). We examine the valuation of assets, highlighting the multiple controls to ensure its validity. 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 there may be sentiment-driven, share price volatility. However, long-term returns have been good: 13.2% p.a. returns (dividend re-invested basis) over five years. The current portfolio expected NAV return is similar. The yield is 9.0%, and we believe it will be covered by predictable income streams.

Financial summary and valuation (Hardman-adjusted basis)

Year-end Jul (€m)	2014	2015	2016	2017	2018E	2019E
Coupons & dividend	31.4	33.7	34.7	33.2	36.6	39.4
Operating income	37.5	46.0	36.5	35.0	38.4	41.1
Inv. managers' fees	-4.1	-4.5	-4.3	-4.6	-4.6	-4.7
Adj. perform. fees	-2.5	-3.5	-1.3	-1.2	-1.6	-2.1
Total expenses	-7.9	-10.3	-7.2	-7.0	-0.9	-0.9
Total comp. income	29.5	35.7	29.3	28.0	30.9	33.0
Statutory PTP	44.0	47.6	12.6	38.7	22.5	33.0
Underlying EPS (€)	0.82	0.98	0.80	0.77	0.84	0.90
NAV	273.6	299.2	289.3	305.5	305.5	316.0
S/P disc. to NAV	8%	16%	13%	18%	18%	20%
Gearing	0%	9%	12%	12%	12%	12%
Dividend yield	8.7%	9.0%	9.0%	9.0%	9.0%	9.0%

Source: Hardman & Co Research