Impax Asset Management Group plc to acquire Pax World Management LLC

Acquisition further extends Impax's position as a leading investment manager focused on the transition to a more sustainable global economy

London, 18 September 2017 - Impax Asset Management Group plc ("Impax", the "Group" or the "Company"), the AIM quoted investment management group, today announces that it has entered into agreements to acquire 100% of Pax World Management LLC ("Pax"), subject to certain closing conditions.

Strategic rationale for the acquisition

- Combination of two pioneering firms focused on the transition to a more sustainable economy:

  - Rising interest from asset owners worldwide in allocating capital to high growth sustainable investment opportunities, in investment products that take a broad view of risk, including environmental, social & governance ("ESG") factors, and/or that demonstrate positive, non-financial impact;

  - Impax, founded in 1998, and Pax, founded in 1971, have extensive, diversified client bases and award-winning investment products that reflect these concepts;

  - Pro forma assets under management ("AUM") of the combined Group would be £10.3 billion (US$13.4 billion).[1]

- Highly complementary investment capabilities:

  - Wider team and deeper bench of investment talent offers a broader range of investment solutions for clients;

  - Impax, which is headquartered in London, with offices in the New York metropolitan region, Portland (OR) and Hong Kong, has assets under management of £7.245 billion (US$9.367 billion), and focuses on actively managed global public equity and private equity strategies;

  - Pax, which is headquartered in Portsmouth (NH), USA, has AUM of £3.477 billion (US$4.496 billion), offers actively and passively managed equity and fixed income strategies.

- Acquisition builds on the companies' successful ten year relationship and similar business cultures:

[1]Net consolidated.

- Impax and Pax have collaborated since 2007 in the design and management of the Pax Global Environmental Markets Fund, which as of 31 August 2017 had net assets of US$511 million.

Financial terms

- Impax to acquire 100% of Pax at an initial valuation of US$52.5 million. Additional contingent payments of up to US$37.5 million payable in 2021, subject to Pax's performance:

  - Exiting shareholders, principally the Shadek family, representing ca. 83.3% interest in Pax, to receive US$44.2 million at Closing and up to US$31.3 million of contingent payments;

  - Management shareholders, representing ca.16.7% interest in Pax to receive Impax shares in 2021 valued at a minimum of US$8.3 million plus up to US$6.3 million of contingent payments.

- Closing conditions include approval by the shareholders of the mutual funds managed by Pax.

Integration plan

- Agreed integration plan designed to preserve and enhance client service:

  - Both management and investment teams to remain in place post Closing;

  - Mutual funds managed by Pax will retain the Pax brand name;

  - Pax will be renamed Impax Investment Management (US) LLC, and will become a division of Impax;

  - Joe Keefe, Pax's President and Chief Executive Officer will continue to lead Pax, reporting to Ian Simm, Impax's Chief Executive, and is expected to join the board of Impax Asset Management Ltd, Impax's London-based investment management subsidiary.

Keith Falconer, Chairman of Impax stated:

"At a time when many asset owners are seeking increased exposure to investment opportunities arising from the transition to a more sustainable global economy, Impax's acquisition of Pax represents a compelling opportunity for all stakeholders."

Ian Simm, Founder and Chief Executive of Impax commented:

"I am delighted that, after a decade of working with Joe and his team to design, launch and manage the Pax Global Environmental Markets Fund, the Impax and Pax teams will be joining forces."

"Like Impax, Pax has a long track record as a pioneer in sustainable investing and a strong team of highly experienced investment management and support staff. The combined group will start with a closely aligned business culture and be well placed to offer a broader service and more diversified range of products to existing and future clients."

Joe Keefe, President and Chief Executive Officer of Pax added:

"This is an exciting new chapter in our decade long partnership with Impax. Combining our two firms will create a leading sustainable investment manager with business on both sides of the Atlantic. Pax World Funds' shareholders stand to benefit in significant ways from our increased scale, research and investment capabilities as we seek to deliver a more robust investment and client service platform for the global market."

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Notes to Editors

About Impax Asset Management

Impax Asset Management manages or advises on approximately £7.2 billion (as at 31 August 2017) in both listed and private equity strategies primarily for institutional clients.

The Company's investments are based on the strong conviction that population dynamics, resource scarcity, inadequate infrastructure and environmental constraints will profoundly shape global markets, creating investment risks and opportunities. Impax expects that these trends, reflecting the transition towards a more sustainable global economy, will drive earnings growth for well-positioned companies. Impax's proprietary investment framework identifies and calibrates the rising risks and expanding opportunities from this transition, and guides the search for investments that will deliver long term outperformance.

This announcement contains inside information within the meaning of article 7 of the EU Market Abuse Regulation (MAR).

IMPAX ASSET MANAGEMENT GROUP PLC

Acquisition of Pax World Management LLC

Introduction

Impax Asset Management Group plc ("Impax", the "Group" or the "Company"), the AIM quoted investment management group, today announces that it has entered into agreements to acquire 100 per cent. of the membership interests in Pax World Management LLC ("Pax"), a US-based investment manager which, like Impax, focuses on the opportunities and risks arising from the transition to a more sustainable global economy (the "Acquisition"). The Acquisition will be effected through (a) a purchase and sale agreement to buy ca. 83.3 per cent. of the membership interests and (b) put and call option arrangements to acquire the remaining ca. 16.7 per cent. of the membership interests (which are currently held by Pax management) following an earn out period.

Pax, which was founded in 1971, is a recognised leader in the field of sustainable investing in the United States. Based in Portsmouth, New Hampshire, Pax manages eleven mutual funds and, as at 31 August 2017, had assets under management ("AUM") of US$4.496 billion. Impax and Pax formed a partnership in 2007 to launch and manage the Pax Global Environmental Markets Fund (the "Pax GEM Fund"), which, as a result of the successful long-term collaboration between the two companies, as at 31 August 2017 had net assets of US$511 million.

Impax is continuing to deliver strong investment performance and to attract significant net inflows. As at 31 August 2017, Impax's AUM was £7.245 billion (US$9.367 billion)[2], representing a 61 per cent. increase since the start of Impax's financial year on 1 October 2016. As of 31 July 2017, Impax's run rate annual revenue and run rate EBITDA were £36.1million (US$46.7 million) and £11.1 million (US$14.3 million) respectively[3].

Under the terms of the Acquisition, Impax will pay an upfront amount ("Initial Consideration") for Pax, followed by deferred, contingent amounts ("Contingent Consideration") payable over a multi-year period, subject to Pax achieving certain performance targets. The Initial Consideration represents an implied value for Pax of US$52.5 million (£40.6 million), with the Contingent Consideration representing additional implied value for the business of up to US$37.5 million (£29.0 million)[4].

The shareholders representing ca. 83.3 per cent. of Pax's issued capital (the "Exiting Shareholders"), the most significant of which is the Shadek family, will be exiting through

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[2] Exchange rate of US$/£ 1.293.
[3] Unaudited.
[4] The Initial Consideration and Contingent Consideration, which are to be paid in US$ amounts, have also been stated in GBP Sterling for illustrative purposes. The Initial Consideration and Contingent Consideration will be subject to certain balance sheet adjustments including for net working capital, debt and transaction expenses.

the purchase and sale agreement and will receive Initial Consideration in cash and Impax equity totalling approximately US$44.2 million. Subject to Pax achieving certain performance targets, the Exiting Shareholders will subsequently receive Contingent Consideration in cash of up to a further US$31.3 million in 2021, with scope for a potential advanced payment in 2019.

Pax's management and staff shareholders, representing the remaining ca. 16.7 per cent. of Pax's issued capital ("Pax Management Shareholders") will retain their shareholding until 2021, when if either Impax or the Pax Management Shareholders exercise the put and call option arrangement, Impax would acquire their entire holding for US$8.3 million of Initial Consideration and up to a further US$6.3 million of Contingent Consideration. This would be paid in 2021 in Impax equity and/or cash, as Impax elects, subject to certain conditions as summarised below.

Strategic Rationale for the Transaction

The directors of Impax believe that the Acquisition represents a compelling opportunity for the Company:

- *Market leading position*: extends further Impax's position as a leading, independent investment manager specialising in the opportunities arising globally from the transition to a more sustainable global economy;

- *Increased scale:* enables a significantly enlarged investment management group to apply its expertise and skill across more sectors and strategies in a way that will provide investors more options to manage risk and realise returns. If combined as of 31 August 2017, the two companies would have had ca. £10.3 billion (US$13.4 billion) of AUM[5] and as of 31 July 2017, pro-forma run-rate revenues in excess of £59.6 million (US$76.3 million);

- *Further development of a successful relationship:* Impax and Pax have a track record of working together for over a decade in the design and management of the Pax GEM Fund. This enduring partnership has robust foundations, including closely aligned business cultures, underpinning the Company's confidence in the excellent prospects for the combined entity;

- *Significantly enhanced, trans-Atlantic research capability*: the combined team will include a deeper bench of talent across complementary areas of investment expertise, offering an enhanced resource for both existing and prospective clients. For example, Pax and Impax have both been early-movers in expanding their risk assessment and value creation processes to integrate environment, social and governance ("ESG") factors. Pax has applied its expertise in this area to equities and bonds issued by US companies, complementing Impax's focus on small and mid-cap global public equity and private equity strategies; and

[5] Pro-forma AUM for the Pax GEM Fund and the Pax Balanced Fund have been calculated on a net consolidated basis.

- *Wider product range available to a broader client base:* Pax has developed a strong mutual funds business mainly serving a large group of financial advisors in the United States. Impax, which runs commingled funds and segregated accounts primarily for institutions, has the majority of its client base in Europe, as well as a material and growing number of institutional accounts in the United States. By being able to offer a broader range of investment solutions to the investment community, both institutional and retail, the integrated group will have a significant growth opportunity.

Information on Pax

With an initial focus on the management of socially responsible mutual funds, Pax has subsequently developed deep expertise in assessing the opportunities and risks arising from the transition to a more sustainable global economy. The business employs 15 investment professionals and 35 other staff, and, as of 31 August 2017 managed US$4.496 billion of assets.

Pax currently offers a range of sustainable investment strategies which encompass both equities and fixed income, active and passive management and core and thematic offerings. The company manages eleven mutual funds, including the Pax GEM Fund, a second thematic fund (the Pax Ellevate Global Women's Index Fund), three actively managed US equity funds, two strategic beta US equity funds, a passive international equity fund, two fixed income funds and an asset allocation fund that invests in other Pax strategies. Over Impax's last full financial year, i.e. the 12 months ending 30 September 2016, the Pax GEM Fund contributed US$109 million or 20 per cent. of Impax's AUM growth in North America.

Pax has experienced rising demand for its services and has grown annual revenues by 70 per cent. since 2012, particularly through sales to financial advisors, which during 2016 contributed in excess of 68 per cent. of gross inflows.

In the financial year ending 31 December 2016, Pax reported net revenues of US$26.3 million (£20.3 million) and EBITDA of US$4.4 million (£3.4 million)[6]. Additional financial information is summarised in the table below.

Table 1: Pax's recent financial performance

Year ended 31 December	2014 (audited)	2015 (audited)	2016 (audited)
AUM (US$ bn)	3.4	3.6	4.1
Average AUM (US$ bn)	3.3	3.6	3.9
Net revenues (US$ m)	21.1	24.8	26.3
EBITDA (US$ m)	2.6	4.1	4.4
PBT (US$ m)	2.2	3.9	4.3

[6] The reported revenue and EBITDA have also been stated in Sterling for illustrative purposes using an exchange rate of £1.293/US$.

Summary Terms of the Acquisition and Financing

As set out below, Impax has agreed to pay a fixed amount of Initial Consideration and an additional Contingent Consideration which may become payable subject to Pax's future performance.

The Initial Consideration

Under the terms of the Acquisition, Impax will pay to the Exiting Shareholders on Closing an initial consideration of ca. US$44.2 million (£34.2 million) for their majority interest in Pax, valuing the entire share capital of Pax at US$52.5 million (£40.6 million). The Initial Consideration payable to the Exiting Shareholders will comprise approximately US$38.1 million in cash and US$6.1 million to be settled with the issue of new ordinary shares in the Company (the "Consideration Shares"). The Initial Consideration will also be subject to certain balance sheet adjustments including for net working capital, debt and transaction expenses.

As set out in more detail below, this will be funded through a combination of the Group's existing cash resources, new debt facilities totalling US$26 million and the Consideration Shares.

Pax Management Shareholders, representing the remaining ca. 16.7 per cent. of Pax's issued share capital, will retain their shareholding until 2021, when if Pax Management Shareholders or Impax exercises the put and call option arrangement, Impax would acquire their entire holding for US$8.3 million (£6.4 million) of Initial Consideration, which is expected to be settled in 2021 in ordinary shares of the Company (at the share price prevailing at that time) and/or cash if Impax so elects.

The Contingent Consideration

Impax has agreed to pay the Exiting Shareholders Contingent Consideration of up to US$31.3 million (£24.2 million) in cash within 45 days of 1 January 2021. The Contingent Consideration will be determined based on Pax's average AUM as at 30 June 2020, 30 September 2020 and 31 December 2020, and will rise linearly from zero, if Pax's average AUM is not more than US$5.5 billion, to US$37.5 million for the entire share capital of Pax if Pax's average AUM is US$8.0 billion or above. To the extent that Pax has achieved these performance targets, based on Pax's average AUM as at 31 December 2018, 31 March 2019 and 30 June 2019, up to US$10 million of Contingent Consideration will become payable earlier, within 45 days of 30 June 2019.

The directors of the Company expect that this element of Contingent Consideration, if due, will be funded from a combination of ongoing cash flow of the combined Group and draw-down on the revolving credit facility described below.

As part of Impax's right to acquire the balance of the shares that are held by Pax Management Shareholders, Impax would pay up to US$6.3 million (£4.8 million) of Contingent Consideration to the Pax Management Shareholders for their shares, subject to the same performance calculations outlined above. As with the Initial Consideration payable to Pax Management Shareholders, the settlement of any additional Contingent

Consideration is expected to be made in 2021 in ordinary shares of the Company at the share price prevailing at that time, and/or cash if Impax so elects.

Settlement of the Pax Management Shares

Under the terms of the Acquisition, Impax and the Pax Management Shareholders have entered into a further agreement whereby each party has the contractual right to exchange the shares held by Pax Management Shareholders for Impax shares in 2021 through a put-call option arrangement, in accordance with the settlement of the Initial Consideration and, if any, Contingent Consideration outlined above. The Pax Management Shareholders will retain their equity interest and rights to dividends during the intervening period.

The Debt Facilities

The Company has entered into a US$26 million facilities agreement with The Royal Bank of Scotland plc, under which, subject to certain conditions precedent, the bank will make available a US$13 million three year term loan facility and a US$13 million five year revolving facility (together the "Facilities"). In addition to part-funding the Acquisition, the revolving facility can be used for the general corporate purposes of the Group. Loans made under the Facilities will bear interest at a floating rate per annum equal to LIBOR plus 2.9 per cent. in the case of term loans or 3.3 per cent. in the case of revolving loans. The Facilities will be borrowed by the Company and guaranteed by and secured on the assets of the Company's subsidiaries: Impax Asset Management Limited; Impax Asset Management (AIFM) Ltd; and IAM US Holdco, Inc. (a newly formed special purpose vehicle established for the purpose of the Acquisition).

Due to certain borrowing limits imposed under the Company's Articles of Association, the proposed utilisation of the Facilities requires the prior approval of Impax shareholders. Accordingly, the Company's shareholders will be receiving a circular providing further details regarding the proposed borrowing and a notice convening a general meeting of the Company to be held on 18 October 2017.

The Consideration Shares

The Consideration Shares, which will be issued to the Shadek family on completion (at a price based on the average share price of the Company over the previous 20 trading days), will be subject to a lock-up for a period of 12 months following completion, and thereafter will be subject to an orderly market provision for a further period of up to 12 months.

Financial Impact of the Acquisition

The Acquisition significantly increases and diversifies the level of AUM of the Group. As at the end of August 2017 and on a pro-forma basis as set out in Table 2 below, Pax would be contributing approximately 32 per cent. of the enlarged Group's AUM[7] and as of 31 July 2017, 41 per cent. of the enlarged Group's aggregate run-rate revenue.

[7] Including 50% of Pax GEM fund in Pax AUM to avoid double counting.

Table 2: Analysis of pro forma combined assets under management (AUM)

	US$ billion (31 August 2017)	£ billion (31 August 2017)
Impax	9.4	7.2
Pax	4.5	3.5
Sub-total	13.9	10.7
Less Pax GEM Fund	(0.5)	(0.4)
Total pro forma	13.4	10.3

The Acquisition is expected to enhance Impax's earnings per share significantly in the first full financial year after completion (excluding exceptional items arising from transition and transaction costs, and the impact of goodwill amortisation).

The goodwill and intangible assets arising on acquisition will be approximately £38.5 million. This will mean that the Group will have a capital deficit on consolidation under the FCA's rules and it will therefore make a capital waiver application.

Following the completion of the Acquisition, the Board intends to maintain the Company's progressive dividend policy and, from time to time, to continue to buy back shares, if these are available at an attractive price, each being subject to and taking into account the Company's prospects and financial obligations, including repayment of the Facilities.

Conditions to the Closing of the Acquisition

The Acquisition is subject to customary closing conditions. Pax is required to obtain the consent of mutual funds and other investment advisory clients so that the revenue run-rate of Pax from clients who have given their consent is no lower than an agreed amount, being ca. $24.5 million, which is 85 per cent. of Pax's run-rate investment management fee revenue on 31 July 2017. In addition, Pax assets under management must be no lower than an agreed amount, being ca. $3.4 billion, which is 75 per cent. of Pax's AUM on 31 July 2017. Impax must receive consent from the Financial Conduct Authority that Impax's application for a capital waiver is acceptable. Furthermore, a majority of Impax's shareholders voting on the resolution proposed in a circular to be posted shortly must support the Company's proposal to utilise the Facilities; to date, the Company has received irrevocable undertakings to vote in favour of the resolution from shareholders representing 48 per cent. of the issued share capital.

Additional Information regarding the Acquisition

Post closing, the management teams of Impax and Pax will implement a plan to combine the two businesses. The investment teams across the two firms will remain focused on achieving their investment objectives for the clients of both firms, and will seek to share research expertise where appropriate and practicable. Other teams will collaborate closely and, over time, are likely to be integrated.

Impax intends to retain the Pax brand name for the funds managed by Pax after completion. Pax will be renamed Impax Investment Management (US) LLC. Joe Keefe, Pax's President and Chief Executive Officer will continue to lead the renamed company, reporting to Ian Simm, Impax's Chief Executive, and is also expected to join the board of Impax Asset Management Ltd, Impax's London-based investment management subsidiary.

Mr Keefe, together with other members of Pax's management and senior staff, have agreed to enter into new service agreements, supporting Pax's continued strength and stability. Following completion, Impax will also be implementing an additional management incentive plan for Pax's staff representing no more than 10 per cent. of Pax's EBITDA as currently calculated, in the form of cash and Impax restricted share units.

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Impax is being advised on the Acquisition by Peel Hunt LLP, as its Nominated Advisor, and by Spencer House Partners LLP.

Peel Hunt LLP, which is regulated in the United Kingdom by The Financial Conduct Authority, is acting for the Company and is not advising any other person, and accordingly will not be responsible to anyone other than the Company for providing the protections afforded to customers of Peel Hunt LLP or for providing advice in relation to the matters described in this announcement.

Spencer House Partners LLP, which is regulated in the United Kingdom by The Financial Conduct Authority, is acting for the Company and is not advising any other person, and accordingly will not be responsible to anyone other than the Company for providing the protections afforded to customers of Spencer House Partners LLP or for providing advice in relation to the matters described in this announcement.

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This announcement has been released on behalf of the Company by order of the Board.

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