



# Impax Asset Management Group plc Acquisition of Pax World Management LLC

Further extending Impax's position as a leading investment manager focused on the transition to a more sustainable global economy

18 September 2017

## Summary

- Impax has entered into an agreement to acquire Pax World Management LLC
  - 83.3 per cent from majority shareholder and others at Closing
  - 16.7 per cent from Pax Management in 2021 under put/call arrangements
- Based in the US, Pax is a pioneer in sustainable investing with AUM of £3.477 billion (\$4.496 billion)<sup>1</sup>
- Impax & Pax have successfully collaborated for more than a decade to design, launch and manage the \$511m Pax Global Environmental Markets Fund
- Combined Group will have pro-forma AUM of \$13.4 billion<sup>2</sup> (£10.3 billion)<sup>3</sup> and will be a leading independent investment manager specialising in the opportunities arising globally from the transition to a more sustainable global economy
- Initial implied value (100% of shares) of \$52.5m with contingent value of up to \$37.5m payable in 2021
- Financed by Impax's cash, Impax shares and new debt
- Conditions precedent to closing include consent of Pax mutual fund clients

<sup>1</sup>As at 31 August 2017. <sup>2</sup>Net consolidated. <sup>3</sup>US\$/£1.293.



# Pax

- Founded in 1971, Pax is a recognised leader in the development of sustainable investing in the United States
- 50 staff based in Portsmouth, New Hampshire
- AUM increased by 70% since 2012<sup>1</sup>

- 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

- Manages US\$4.496 billion of assets across eleven mutual funds as of 31 August 2017
  - 75% of AuM in actively managed equity & fixed income
  - 25% in passive equity

<sup>1</sup>31.12.2012. – 31.08.2017.

## Strategic rationale for the transaction

- Combination of two pioneering firms focused on the transition to a more sustainable economy
  - Rising interest from asset owners worldwide
  - Companies have extensive, diversified client bases and award winning investment products
  - Impax AUM rises by 43 per cent to £10.3 billion (\$13.4 billion)
  - Impax run-rate EBITDA increases by 41 per cent to £15.6 million (\$20.2 million)<sup>1</sup>
- Highly complementary investment capabilities
  - Combined team includes a deeper bench of investment talent
  - Provides enhanced trans-Atlantic research capability for Impax
  - Pax provides additional expertise in fixed income, passive equity strategies and risk analysis
- Acquisition builds on a successful 10 year relationship and similar business cultures

<sup>1</sup>As at 31 July 2017, based on unaudited management information.

# Investment capabilities

Asset class	Style	Strategy	Impax	Pax
Listed equity	Active	Global thematic	✓	-
		Global unconstrained	✓	-
		US	✓	✓
		Europe	✓	-
		Asia	✓	-
	Passive	Global thematic	-	✓
		US	-	✓
Private equity			✓	-
Fixed income			-	✓

## Transaction consideration

- Initial valuation of \$52.5m
- Impax buying 83.3 per cent of Pax for \$44.2m from exiting shareholders, principally the Shadek family<sup>1</sup>
- Initial consideration: \$38.1m in cash and \$6.1m of Impax shares at the IPX share price prevailing at Closing
- Remaining shares (16.7 per cent) owned by Pax Management are valued at \$8.3m and will convert to IPX shares in early 2021 at the prevailing IPX share price
- Earn-out (“EO”) payable pro rata to current Pax holders in January 2021
  - EO would be zero if Pax AUM is \$5.5 billion (or less) in 2020<sup>2</sup>
  - EO rises linearly from zero to \$37.5m if Pax AUM is between \$5.5 & \$8 billion in 2020<sup>2</sup>
  - Up to \$10 million may become payable as an interim payment in 2019 if targets met early
- EO payable in cash to the selling shareholders and in IPX shares to Pax Management

<sup>1</sup>Consideration reflects effective economic interest due to preference shares. <sup>2</sup>AUM as averaged on 30 June, 30 September and 31 December.

## Transaction financing

- Initial purchase of \$44.2m funded by:
  - Impax cash: \$12.1m
  - New Impax debt: \$26m
  - Newly issued Impax shares: \$6.1m to majority shareholder (subject to lock in)
- Cash leaves Impax with adequate reserves, including for regulatory capital
- New debt facility from Royal Bank of Scotland:
  - \$13m Term Loan with 3 year tenor, interest rate 2.9 per cent over US\$ LIBOR
  - \$13m Revolving Credit Facility (“RCF”) with 5 year tenor, interest rate 3.3 per cent over US\$ LIBOR
- Deferred and EO cash payments in 2021 to be settled from internal cash generation and RCF
- Impax plans to maintain a progressive dividend policy

## Integration plan

- Transaction rationale is not predicated on head-count reduction/cost synergies
- Brand – Pax World Management LLC to be renamed Impax Investment Management (US) LLC
- US mutual funds managed by Pax will retain the Pax name
- Investment management teams and process – the US and UK teams will continue to manage portfolios independently but will share investment research where relevant
- Operations – will be run on a global reporting basis
- Distribution – sales and marketing teams will be integrated over time
- New bonus plan for Pax management team, including share incentive plan<sup>1</sup>

<sup>1</sup>Cost capped at 10% of Pax EBITDA.



## The combined Group

	Impax stand alone	Combined Group <sup>1</sup>
Run rate revenue	£36.1m	£59.6m
Run rate EBITDA	£11.1m	£15.6m
Cash <sup>2</sup>	£22.3m	£13.1m
Investments	£8.6m	£8.6m
Debt	0	£20.1m
Shares in issue	127.7m	132.0m <sup>3</sup>   137.8m <sup>4</sup>
Goodwill/intangibles arising on acquisition <sup>5</sup>	0	£38.5m (approx)

<sup>1</sup>US\$/£ 1.293. <sup>2</sup>Assuming acquisition closed today. <sup>3</sup> Includes shares to be issued at Closing as part of the initial consideration, at an assumed prevailing IPX share price of 110p.

<sup>4</sup>Includes shares to be issued as consideration to Pax Management in 2021 at an assumed prevailing IPX share price of 110p. <sup>5</sup>Company intends to submit a capital waiver application to the FCA.

# Timetable

	Date
Announcement	18 September 2017
Proposed date of General Meeting	18 October 2017
Expected completion	By 28 February 2018

# Important information

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