

Impax Asset Management Group plc

Final Results For Year End 30 September 2010

January 2011



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Impax Asset Management Ltd is
authorised and regulated by the
Financial Services Authority

Agenda

- Business update
- Annual results
- Q&A



Ian Simm
(Chief Executive)



Charlie Ridge
(Chief Financial
Officer)

Impax Overview: A Compelling Business Proposition

- **Attractive sector for specialist investment managers**
 - Environmental policy addressing unsustainable economic development globally
 - 1400+ quoted companies growing rapidly, US\$500 billion+ (annual revenues)
 - Growing evidence that institutions are allocating to this area
 - Understanding technology & regulation key to identifying mis-priced assets
- **Impax has a well proven business model**
 - Founded in 1994. Highly qualified, stable management team with significant equity stake
 - £1.8 billion assets under management/advisory (30 September 2010)
£2.3 billion assets under management/advisory (31 December 2010)
 - Carefully selected environmental investment strategies with significant capacity
 - Investment management infrastructure to support further growth
- **Growth in shareholder value based on:**
 - Building on excellent investment track record
 - Multiple distribution partners to complement direct sales
 - Operational leverage of revenue growth exceeding cost growth
 - Excess cash flow used for business development and dividends

Environmental Markets: Highlights in 2010

- **Positive policy developments**
 - China: 15% of power from renewables by 2020
 - India: 10% of power from renewables by 2015
 - Cancún conference: climate change negotiations back on track
 - Europe: subsidy programmes extended in Germany, UK, Italy
- **Negative policy developments**
 - US: no progress on federal renewables legislation
 - Europe: subsidies challenged in Spain
- **Market growth mixed (calendar 2010 data)**
 - FTSE Energy Efficiency Index +31.2%
 - FTSE Renewable Energy Index -2.2%
 - MSCI World Index +15.3%
- **Return of IPO and M&A markets**
 - 54 IPOs and 30 M&A transactions in 2010
- **Positive catalysts for 2011**
 - High oil prices
 - Return of investment confidence
 - Recovery of debt markets

FYE 30/09/10 – Financial Highlights

- Assets under management (“AUM”) up 44% to £1,823 million (2009: £1,263 million)
- Post year end, further increase in AUM to £2,251 million by 31 December 2010
- Revenues up 48% to £15.3 million (2009: £10.4 million)
- Profit before tax £5.2 million (2009: £2.5 million), boosted by £1.0 million from the redemption of a loan note arising from legacy oil business
- Earnings per share (adjusted) up 33% to 3.50 pence (2009: 2.63 pence)
- Long-only listed equity strategies managed by Impax have, on average, returned 69.3% over 5 years over 5 years to 31 December 2010 (in Sterling), compared to 23.6% for the MSCI World Index.
- Proposed dividend of 0.60 pence per share (2009: 0.40 pence per share)
- Shareholders’ equity up 22%, from £13.9 million to £16.9 million

FYE 30/09/10 – Commercial Highlights

- Successful product launches
 - Impax Asian Environmental Markets (long-only)
 - Impax New Energy Investors II (private equity)
- More recently established strategies performing well
 - Environmental Leaders
 - Water
- Five new segregated account mandates won
- Further expansion of distribution partnerships
- Operating subsidiary incorporated in Hong Kong
- Careful control of costs

Impax Investment Universe & Product Range

Listed Equities		Geographic scope	Market cap of universe	Typical # of stocks/ investments	Strategy launched	Benchmark	
<p>Listed Equity Investment Universe</p> <p>c. 1,400 companies</p> <p>Market cap of c.US\$4 trillion</p>	➔	ENVIRONMENTAL LEADERS* Universe of c.1400 companies	Global	c.US\$4tn	40-60	Mar 2008	MSCI World
	➔	ENVIRONMENTAL SPECIALISTS Universe of c.850 companies	Global	c.US\$500bn	60-80	Feb 2002	MSCI World Small Cap
	➔	WATER Universe of c.300 companies	Global	c.US\$500bn	50-70	Jul 2001	MSCI World
	➔	ASIA-PACIFIC Universe of c.450 companies	Regional	c.US\$900bn	40-60	Oct 2009	MSCI AC Asia Pacific (ex Japan)
	➔	HEDGE FUND Universe of c.1000 companies**	Global	c.US\$5tn	40-80	May 2007	N/A
Private Equity							
<p>>600 investment opportunities evaluated since 2005</p>	➔	NEW ENERGY FUND	European	N/A	10-15	Aug 2005	N/A

* Includes 'Environmental Specialists' (50-100% in environmental markets) and "companies in transition" (20-50% in environmental markets)

** Includes utilities

Strategy Performance (to 31/12/10) in GBP

	5Y	3Y	1Y	1 year volatility	Forward PE
Environmental Specialists	65.4%	15.2%	12.0%	18.0%	15.6
Environmental Leaders	N/A	N/A	15.1%	17.5%	15.6
Asia-Pacific	N/A	N/A	26.4%	14.8%	15.4
Water	N/A	N/A	20.3%	16.2%	16.9
FTSE World Index	32.7%	13.8%	16.3%	16.2%	13.8
FTSE ET50	43.5%	-29.2%	-2.4%	22.0%	17.0
FTSE Asia Pacific ex Japan	N/A	N/A	23.9%	16.2%	13.2

FTSE indices are total return (source: FactSet. FX rates taken 4pm, source WM Reuters)

Volatilities calculated over 1 year period to 31 December 2010 (source: FactSet, WM Reuters)

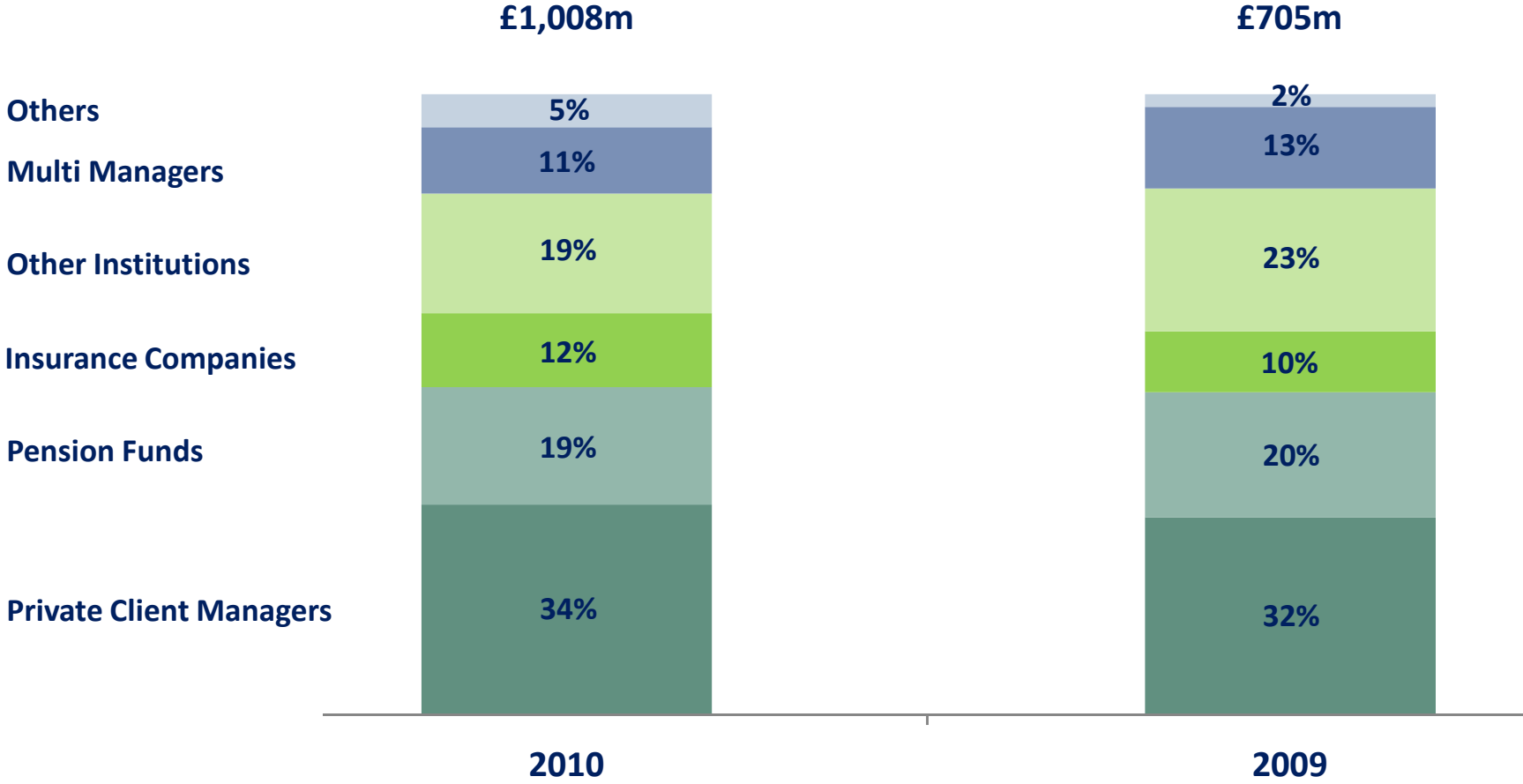
Impax AUM Breakdown

Investment strategy	AUM (£) 31/12/10	AUM (£) 30/09/10	AUM (£) 30/09/09
Environmental Specialists	1.2bn	1.0bn	843m
- Impax Environmental Markets plc	451m	409m	376m
- Impax Environmental Markets (Ireland)	223m	215m	190m
- Third Party funds/accounts	493m	424m	277m
Environmental Leaders	212m	197m	118m
- IFSL Impax Environmental Leaders	N/A	3m	5m
- Third Party funds/accounts	212m	194m	113m
Water	224m	192m	163m
- Third Party funds/accounts	224m	192m	163m
Asia-Pacific	302m	153m	N/A
- Impax Asian Environmental Markets plc	289m	142m	N/A
- Impax Asian Environmental Markets (Ireland)	6m	4m	N/A
- Third Party funds/accounts	7m	7m	N/A
Hedge Fund	3m	3m	4m
Private Equity	336m	246m	130m
TOTAL	£2.3bn	£1.8bn	£1.3bn

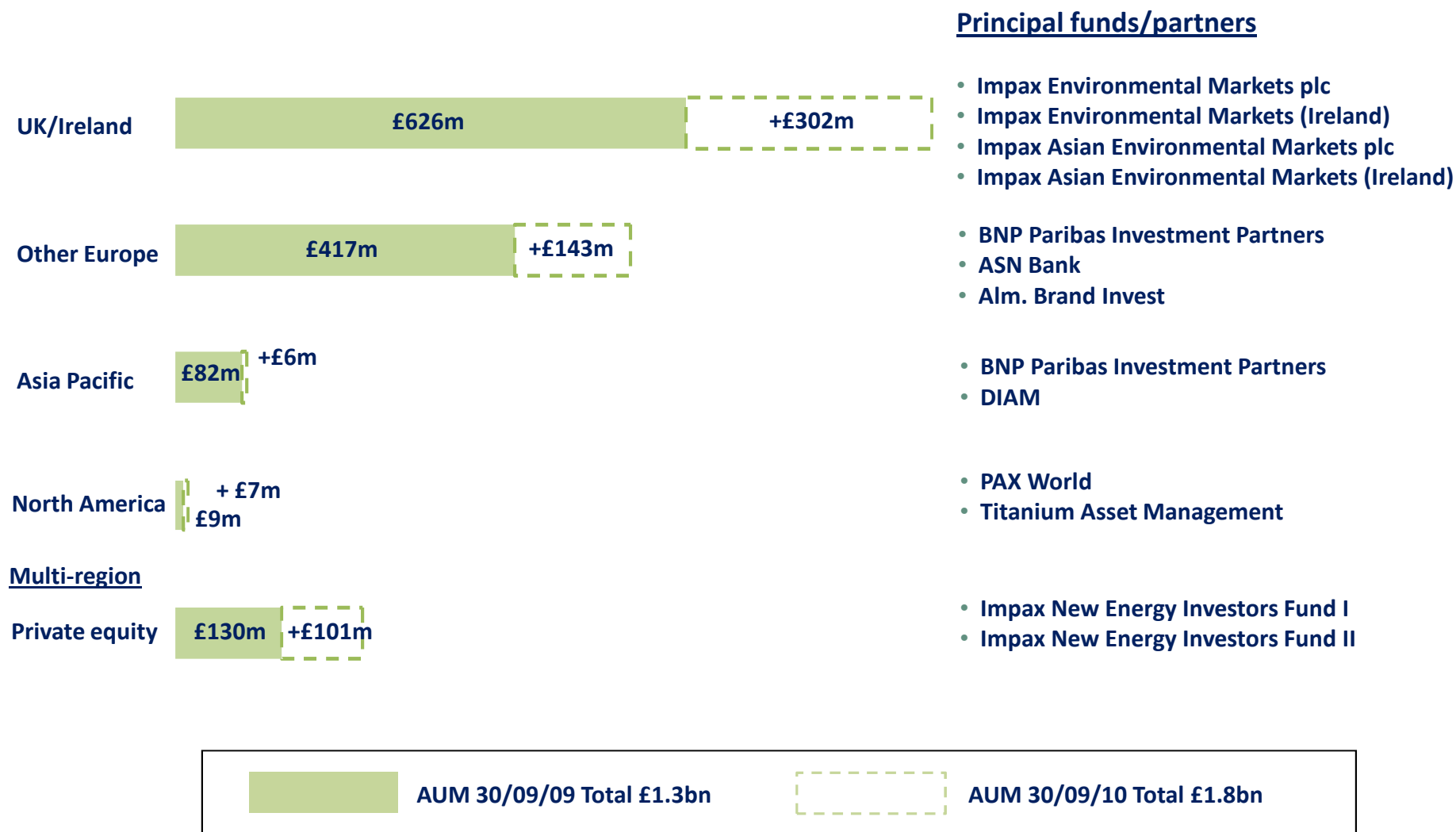
Significant New Accounts

- Impax Asian Environmental Markets plc
 - £104.5m IPO in October 2009
 - Successful £131m C Share fund raise in October 2010
- New Institutional Accounts
 - Second account for Russell Investments (October 2009)
 - €150m mandate from European institutional investor (fully funded by April 2010)
 - A\$50m from Local Government Super, Australia (August 2010)
 - Awarded €75m mandate by LD pension fund (to be funded January 2011)
- Impax New Energy Investors II LP
 - €141m raised for second private equity fund (March 2010)
 - Subsequent fund raising has brought total to €275m (December 2010)
- Skandia mandate to access UK retail market
 - Managing £74m Skandia Ethical Fund since July 2010

Diversified, Stable Client Base: “Impax Label” Funds at FYE



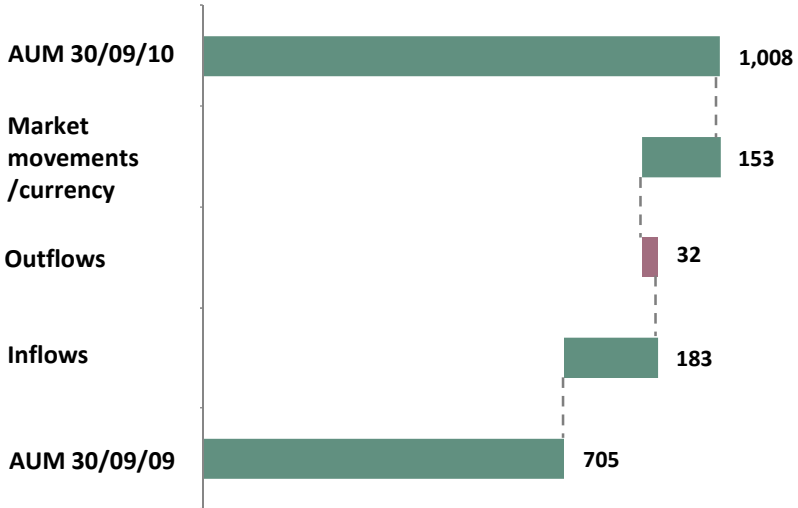
Increase in AUM by Geographic Region (Source of Funding)



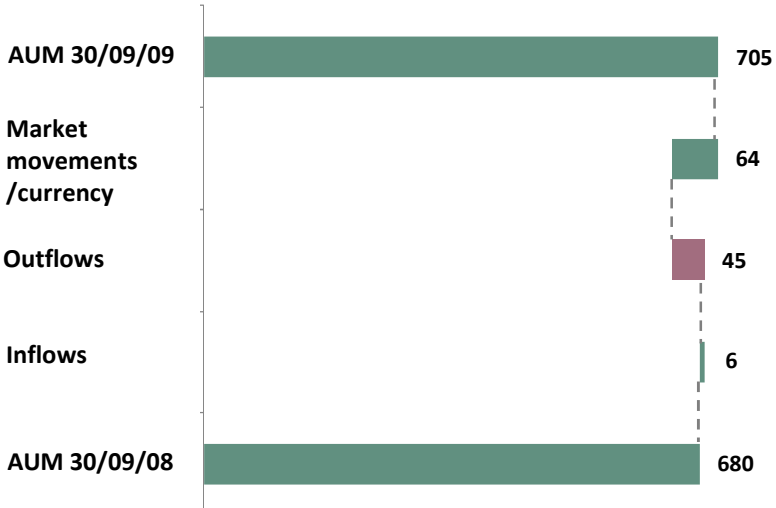
Net Inflows Across both “Impax label” and Third Party Funds/Accounts

Financial year end 2010

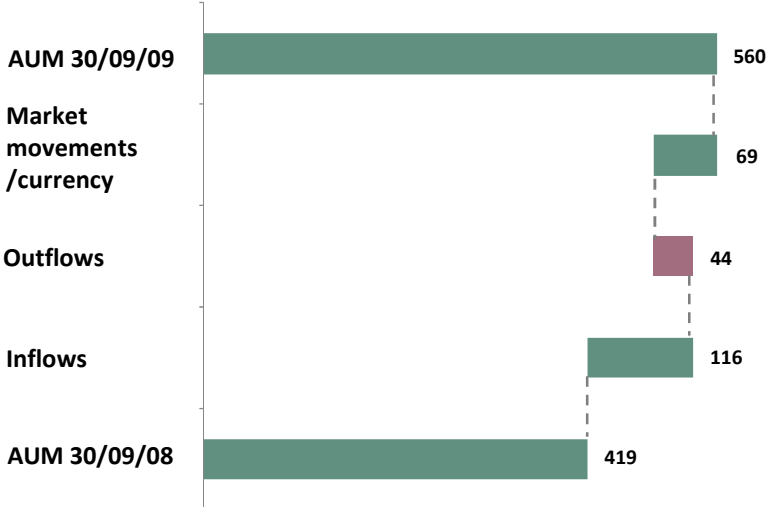
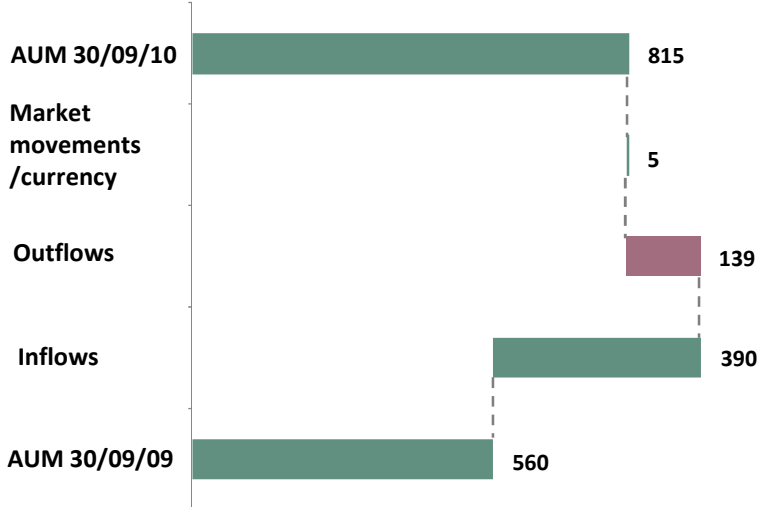
“Impax label” funds (£m)



Financial year end 2009



Third party funds/accounts (£m)



Private Equity: Successful Launch of Second Fund

- **Significant investment opportunity**

- Substantial need across the EU to fund construction of renewable power plants
- Investment in projects offering stable, long-term, inflation-protected cashflow
- Considerable “proprietary” deal flow from Impax network

- **NEF I**

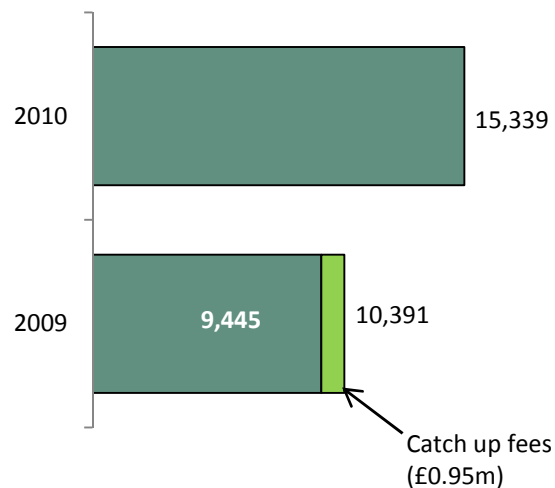
- Fund I (€125m) now fully invested/committed in 13 companies
- Impax committed to invest €3.76m into Fund I
 - €2.75m invested; further draws expected in 2011
 - Strong cash flow from investees to date
 - Ongoing policy uncertainty in Spain

- **NEF II**

- Fund II currently fundraising and will continue NEF I’s successful “value added” strategy
 - Current investor commitments of €275m; final close during H1 calendar 2011
 - First investment, Epuron GmbH, closed December 2010
- Impax committed to invest €2.6m into Fund II

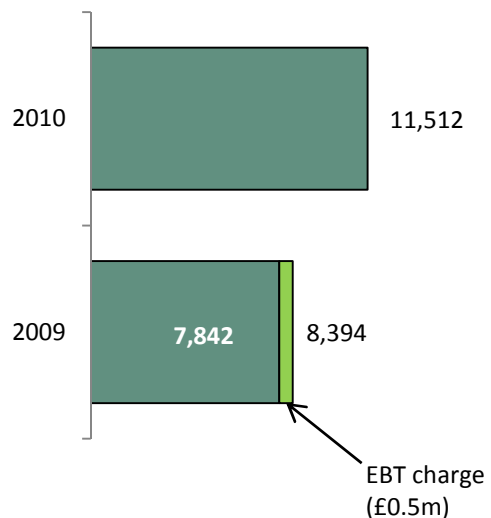
Final Results: Financial Highlights (1)

Revenue (£k)



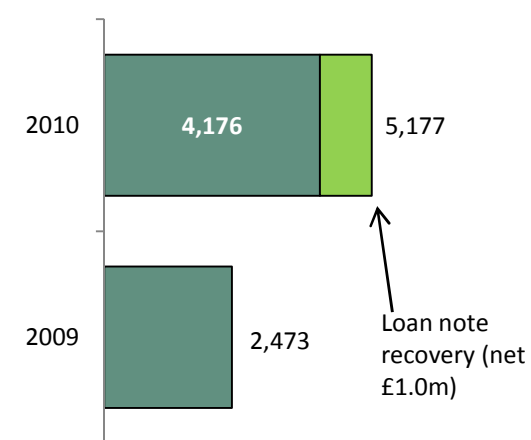
- Revenue up 48%
- Increase predominantly driven by inflows into Impax labelled funds

Operating costs (£k)



- Average headcount up by 24% from 34 (2009) to 42 (2010)
- Distribution fees increased re. new assets raised in 2010 (£0.7m)

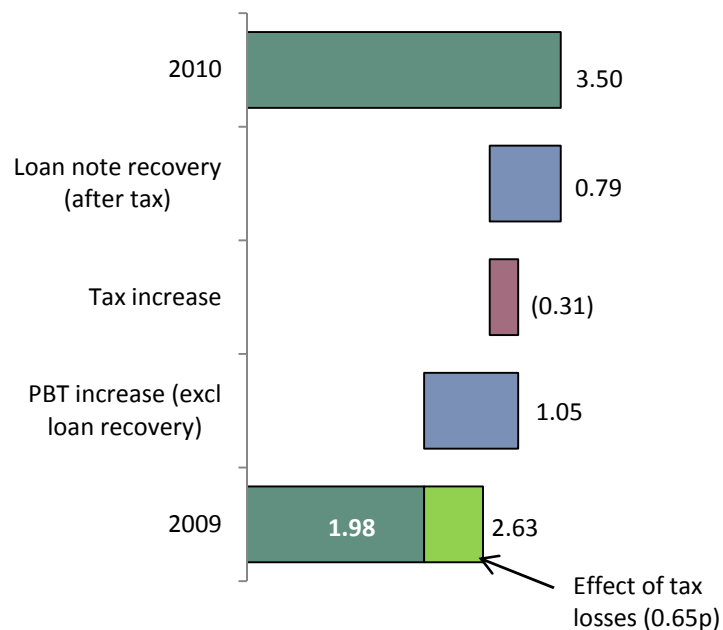
Profit before tax (£k)



- Operating margin of 25.0% (2009: 24.5%)

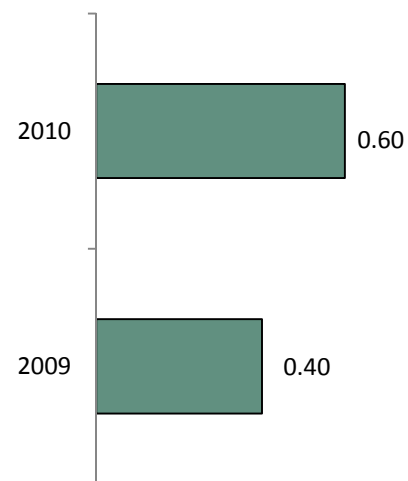
Final Results: Financial Highlights (2)

Basic adjusted EPS (pence)



Shares in Impax are “relevant business property” for UK IHT purposes (noting that any application made is between the investor and HMRC)

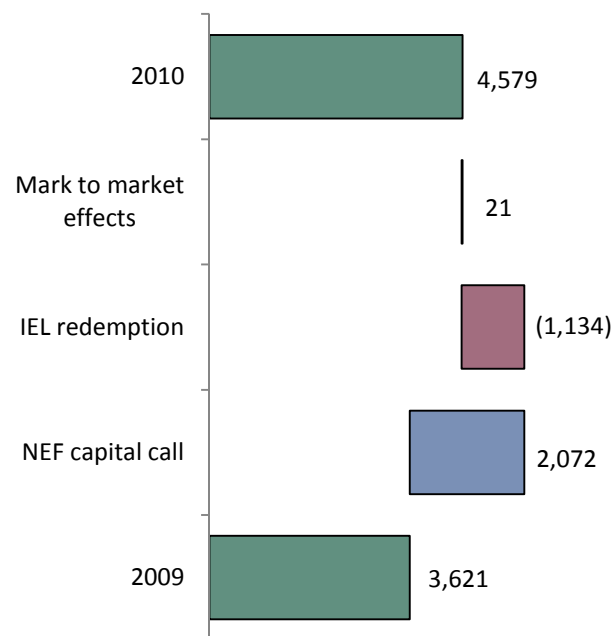
Dividend per share (pence)



- Increase of 50%
- Dividend cover of 5.8 x
- Dividend yield of 0.91%

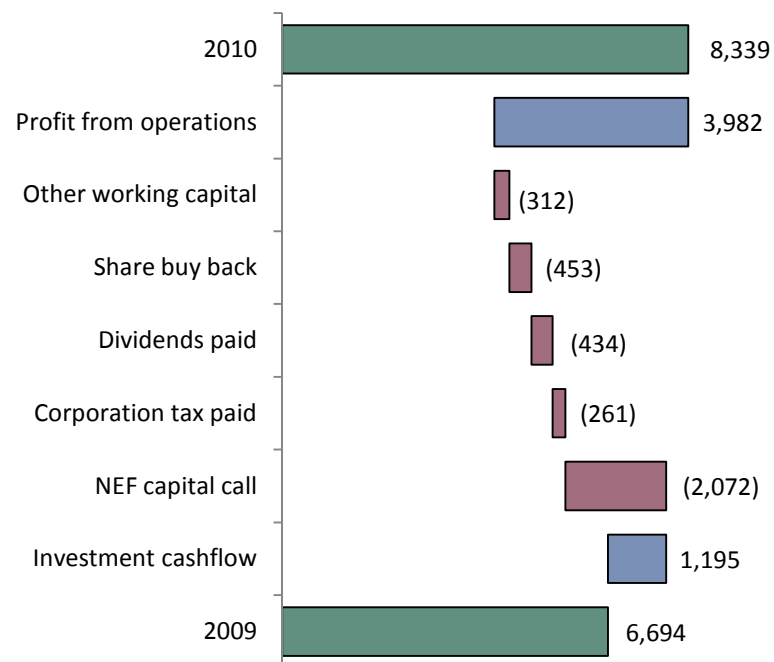
Final Results: Financial Highlights (3)

Investments (£k)



- Includes Impax's investment in Impax Absolute Return Fund

Cash flow available to shareholders (£k)



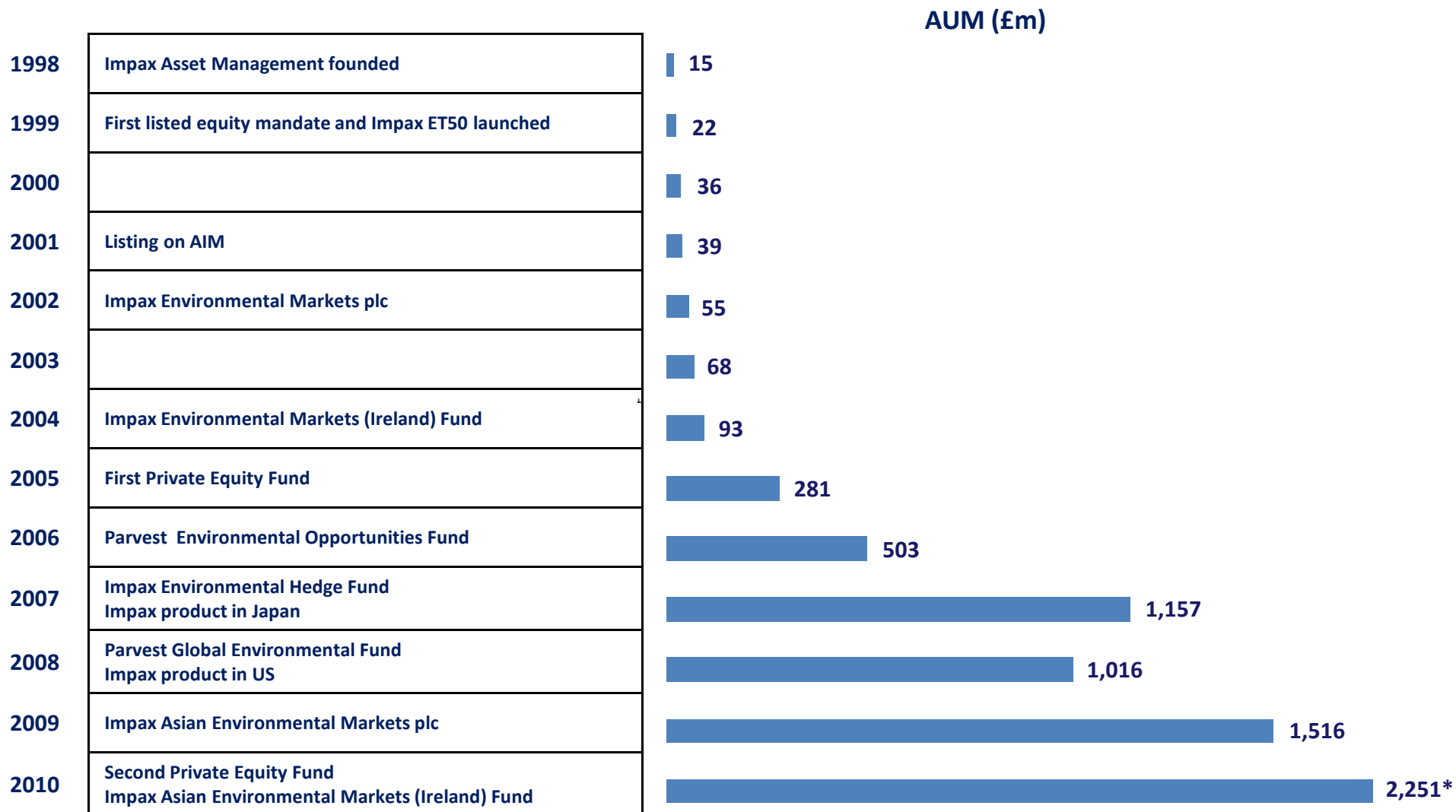
- Further boosted post year-end by loan note recovery (Dec 10) of £2.4m

Outlook

- Environmental sector drivers set to strengthen
 - Growing urgency to address global warming
 - Roll-out of “green” infrastructure in Asia
 - Beneficiary of improving economic conditions
- Environmental sector funds attracting investor and consultant interest
- Impax business model positioned for further scale-up
 - One of very few investment managers with long term track record of environmental sector investing
 - Focus on sustaining investment out-performance
 - Further leverage from powerful distribution platform
- Full revenues from new business feeding through to the bottom line expected to fuel growth

Appendix











Impax Asset Management: Investing Since 1998



* As at 31 December 2010









Diverse, High Growth Markets

Renewable & Alternative Energy







Renewable Energy Developers	Solar Energy Generation Equipment	Wind Power Generation Equipment	Biofuels	Other Renewables Equipment
 	 	 	 	 

Energy

Energy Efficiency

Power Network Efficiency	Industrials Energy Efficiency	Buildings Energy Efficiency	Transport Energy Efficiency
 	 	 	 

Water Infrastructure & Technologies

Water Infrastructure	Water Treatment Equipment	Water Utilities
 	 	 

Water

Pollution Control



Pollution Control Solutions	Environmental Testing & Gas Sensing
 	 

Waste Management & Technologies

Waste Technology Equipment	Value added Waste Processing	Hazardous Waste Management	General Waste Management
 	 	 	 

Waste

Environmental Resource Management & Trading

Environmental Consultancies	Carbon & Other Environmental Assets Trading	General Environmental
 	 	 

FTSE's Partner for Environmental Indices

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Home > Indices > FTSE Environmental Markets Index Series

FTSE Environmental Markets Index Series

FTSE Group has launched the FTSE Environmental Markets Index Series in collaboration with the environmental technology specialist, Impax Asset Management, to provide two new environmental index solutions: the FTSE Environmental Technology Index Series and the FTSE Environmental Opportunities Index Series.

Developed under the direction of the independent FTSE Environmental Markets Committee, the indices further enhance FTSE's suite of Responsible Investment indices and provide investors with an increasing set of robust responsible investment tools.

The family includes:

- FTSE Environmental Technology Index Series**
Measuring the performance of companies globally whose core business is in the development and deployment of environmental technologies, including renewable & alternative energy, energy efficiency, water technology and waste & pollution control. Forming part of the overall FTSE Environmental Markets Index Series, the FTSE Environmental Technology Index Series requires companies to have at least 50% of their business derived from environmental markets and technologies (as opposed to at least 20% for the FTSE Environmental Opportunities Index Series).
- FTSE Environmental Opportunities Index Series**
The FTSE Environmental Opportunities Index Series measures the performance of global companies that have significant involvement in environmental business activities, including renewable & alternative energy, energy efficiency, water technology and waste & pollution control. Forming part of the overall FTSE Environmental Markets Index Series, the FTSE Environmental Opportunities Index Series requires companies to have at least 20% of their business derived from environmental markets and technologies (as opposed to at least 50% for the FTSE Environmental Technology Index Series).

Further Information

- [Facisheets](#)
- [FTSE EM Classification System](#)
- [FTSE EM Research Report Attribution Requirements](#)
- [Impax Website](#)

- Growing demand for sector indices
- Impax ET50 Index operating since 1999
- Impax-FTSE partnership established in 2007
- FTSE now marketing 18 indices world-wide
- Impax revenue share and brand/profile benefits

Extensive Sector Expertise

Keith Falconer



- Chairman since 2004
- 30 years investment expertise
- Ex Martin Currie

Ian Simm



- Chief Executive
- 20 years sector expertise (14 at Impax)
- Physicist, ex McKinsey

Charlie Ridge



- CFO
- 20 years finance expertise (2 at Impax)
- Accountant, ex Deutsche Bank

Bruce Jenkyn-Jones



- MD, Quoted Equities
- 20 years in sector (12 at Impax)
- Chemist, ex BT Alex. Brown

Nigel Taunt



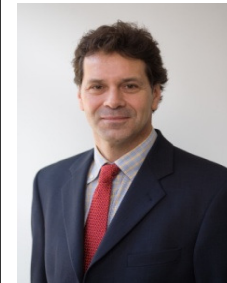
- MD, Venture Capital
- 30 years in sector (9 at Impax)
- Accountant (ex Kelda)

Peter Rossbach



- MD, Private Equity
- 30 years in sector (7 at Impax)
- Banker & fund manager (Lazard, EBRD)

Hubert Aarts



- MD, Hedge Funds
- 20 years investment expertise (4 at Impax)
- Ex MLIM

Strong Institutional Investor Relationships

Consultants



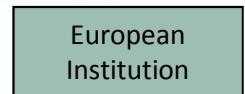
Investors in pooled vehicles



White label funds



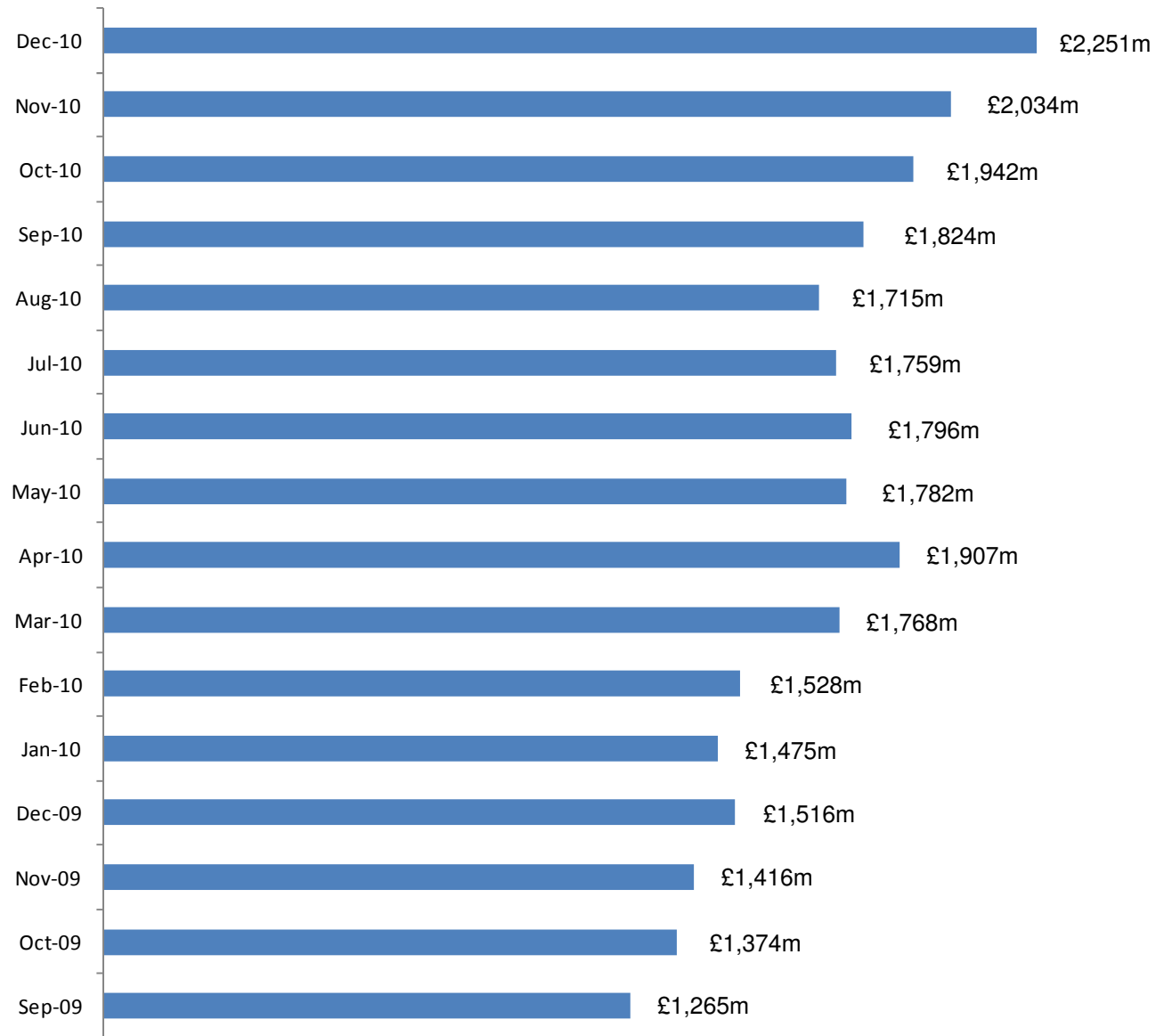
Investors in segregated accounts



Well-Placed Distribution Partners



AUM – Monthly Development*



*AUM stated as of month end

Income Statement

	Year ended 30-Sep-10	Year ended 30-Sep-09 (restated)
	£m	£m
Turnover	15.3	10.4
<u>Operating expenses</u>		
Cost of operating business	8.0	5.4
Bonuses	3.5	2.1
Long term incentives	0.1	0.6
Third party interest in consolidated funds	(0.2)	0.1
	11.4	8.2
Profit before interest and tax	4.0	2.2
Investment income	1.2	0.3
Profit before tax	5.2	2.5
Tax	1.4	0.2
Profit after tax	3.8	2.3

Balance Sheet

	As at 30-Sep-10 £m	As at 30-Sep-09 (restated) £m
Goodwill and intangibles	1.6	1.6
Other non current assets	0.4	1.8
	<u>2.0</u>	<u>3.4</u>
Cash	11.7	10.3
Current asset investments	7.0	3.9
Other current assets	6.4	3.2
Total assets	<u>27.1</u>	<u>20.8</u>
Current liabilities	<u>(10.2)</u>	<u>(7.0)</u>
Net assets	<u>16.9</u>	<u>13.9</u>
Shareholder's equity	<u>16.9</u>	<u>13.9</u>

Note: The balance sheet includes the effect of the consolidation of our hedge fund. Cash available to shareholders is £8.4m (2009: £6.7m)

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