

Impax Asset Management Group plc

Final Results: Financial Year Ending 30 Sept 2011



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

Impax is a registered investment advisor with the SEC

Agenda

- Business update
- Annual results
- Q&A



Ian Simm
(Chief Executive)



Charlie Ridge
(CFO)

Financial Highlights

- Revenue up 36% to £20.9m (2010: £15.3m)
- Operating earnings* increased 63% to £6.2m (2010: £3.8m)
- Profit before tax (“PBT”) of £1.7m, inclusive of a £5.4m charge arising from share incentive schemes (2010: £5.2m, which included a £1.0m gain from repayment of a loan note)
- Assets under management (“AUM”) increased to £1,896m as of 30 September 2011 (2010: £1,823m), reflecting strong net inflows in H1 offset by falling equity markets in H2
- As of 31 October 2011, further increase in AUM to £1,980m
- Diluted earnings per share of 3.74 pence (adjusted**) (2010: 3.49 pence (adjusted**))
- Increase in shareholders’ equity to £21.5m (2010: £16.9m) and in cash reserves*** to £20.0m (2010: £8.3m)
- Board recommending increased dividend of 0.7 pence per share (2010: 0.6 pence per share)

**revenue less operating costs excluding £5.4m charge (2010: nil) due to share incentive schemes*

***adjusted to exclude the IFRS2 charge for share schemes satisfied by primary shares*

****excludes cash held by the Company’s consolidated fund and includes cash invested in money market funds*

Commercial Highlights

- Successful expansion of recently established products
 - Impax Asian Environmental Markets C Share (long-only): (£131m, October 2010)
 - Impax New Energy Investors II (private equity): (final close at €330m, September 2011)
- Two significant new listed equity mandates
 - LD pension fund: (€68m, January 2011)
 - BNP Paribas L1 Green Future Fund: (€80m, March 2011)
- Progress in international expansion
 - Hong Kong subsidiary approved by SFC to provide investment management services
 - US Managing Director appointed (initial focus on investor relations)
 - US listed equity fund planned
- Further corporate development
 - Further senior staff (Head of Distribution, General Counsel, HR Director)
 - New London office (10,000 sq ft, 4 year lease)
 - Risk management and internal controls

Environmental Markets Update

- **Major developments in energy markets**
 - Review of nuclear policy post Fukushima accident
 - Historically high oil prices
 - Renewed interest in carbon taxes/markets
- **China's Five Year Plan**
 - c.\$1trn investment in environmental sectors (renewables, water and waste) by 2015
 - Strategic sectors: Renewables, Industrial energy efficiency; LED lighting; Electric vehicles
- **Landmark corporate transactions**
 - Total – Sunpower (solar PV; US\$1.6bn for 60%)
 - Toshiba – Landis & Gyr (smart meters; US\$2.3bn)
 - Schneider Electric – Telvent (automated meter reading; US\$2.0bn)
 - ZF Friedrichshafen - Hansen (wind turbine gearboxes; US\$930m)
 - Ecolab - Nalco (water treatment; US\$8.0bn)
 - Tesla Motors IPO (valuation - US\$230m)

Listed Equity Strategy Performance (to 30/10/11) in GBP

	5Y	3Y	1Y	1 year volatility	Forward PE*
Environmental Specialists	23.4%	40.8%	-6.2%	18.8%	13.5x
Environmental Leaders	N/A	48.9%	-2.1%	18.1%	12.6x
Asia-Pacific	N/A	N/A	-24.8%	21.3%	10.2x
Water	N/A	63.3%**	0.4%	15.4%	13.2x
FTSE World Index	19.1%	41.7%	0.4%	13.6%	11.1x
FTSE ET50	-4.1%	-3.9%	-20.2%	22.2%	12.9x
FTSE EO Asia Pacific ex Japan	N/A	N/A	-20.7%	26.1%	11.0x

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

Volatilities calculated over 1 year period to 31 October 2011 (source: FactSet, WM Reuters)

** Forward 12 months to October 2012. PE ratio based on representative account for the strategy*

*** Since Inception, December 2008*

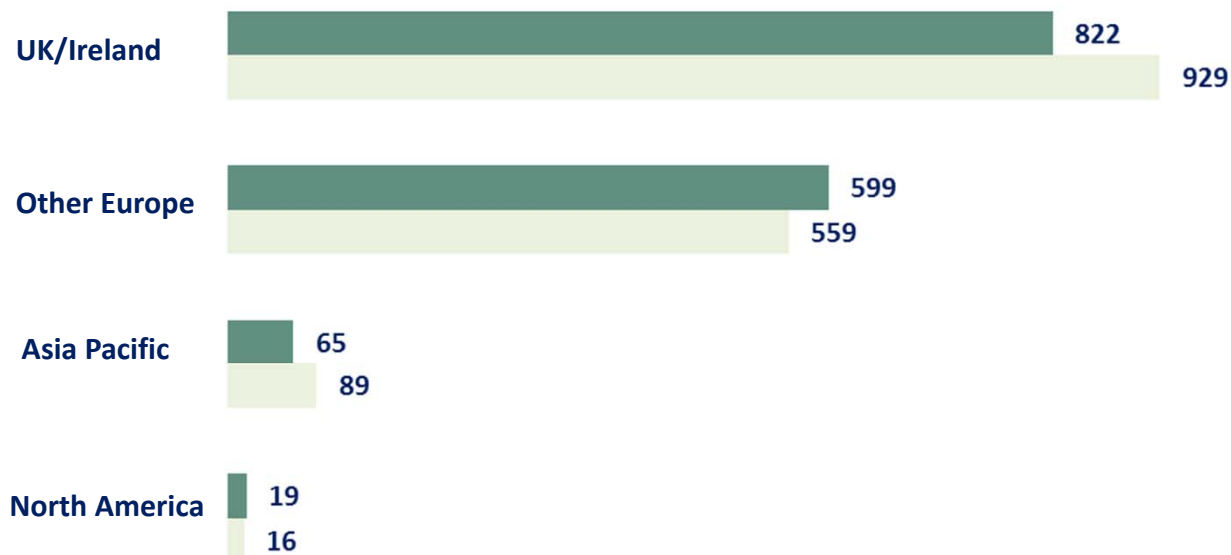
AUM Breakdown

Investment Strategy	AUM (£) 30/09/11	AUM (£) 31/03/11	AUM (£) 30/09/10
Environmental Specialists	0.8bn	<i>1.1bn</i>	1.0bn
- Impax Environmental Markets plc	343m	<i>452m</i>	409m
- Impax Environmental Markets (Ireland)	162m	<i>230m</i>	215m
- Third Party funds/accounts	333m	<i>465m</i>	423m
Environmental Leaders	252m	<i>332m</i>	197m
- Third Party funds/accounts	252m	<i>332m</i>	197m
Water	204m	<i>240m</i>	192m
- Third Party funds/accounts	204m	<i>240m</i>	192m
Asia-Pacific	209m	<i>284m</i>	153m
- Impax Asian Environmental Markets plc	202m	<i>272m</i>	142m
- Impax Asian Environmental Markets (Ireland)	3m	<i>6m</i>	4m
- Third Party funds/accounts	4m	<i>7m</i>	7m
Hedge Fund	2m	<i>2m</i>	3m
Private Equity	392m	<i>356m</i>	230m
TOTAL	£1.9bn	<i>£2.4bn</i>	£1.8bn

**Average fee lower since end of Fund I's investment period*

Increase in AUM by Geographic Region (Client Domicile*)

£ million



Multi-region



Principal funds/partners

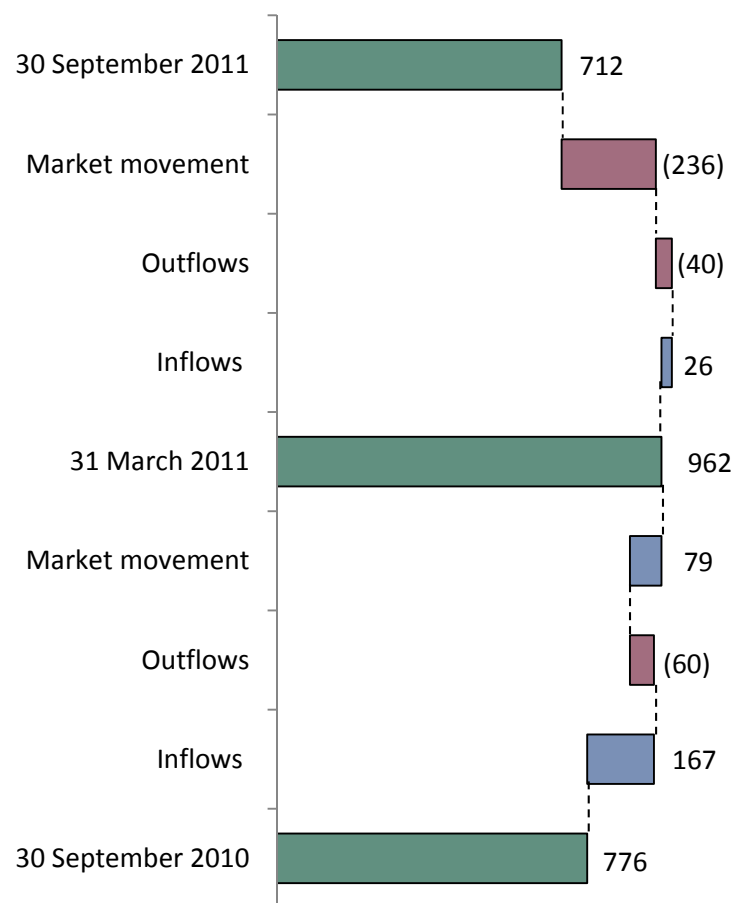
- Impax Environmental Markets plc
- Impax Environmental Markets (Ireland)
- Impax Asian Environmental Markets plc
- Impax Asian Environmental Markets (Ireland)
- BNP Paribas Investment Partners
- ASN Bank
- Alm. Brand Invest
- LD
- BNP Paribas Investment Partners
- DIAM
- PAX World
- Impax New Energy Investors Fund I
- Impax New Energy Investors Fund II



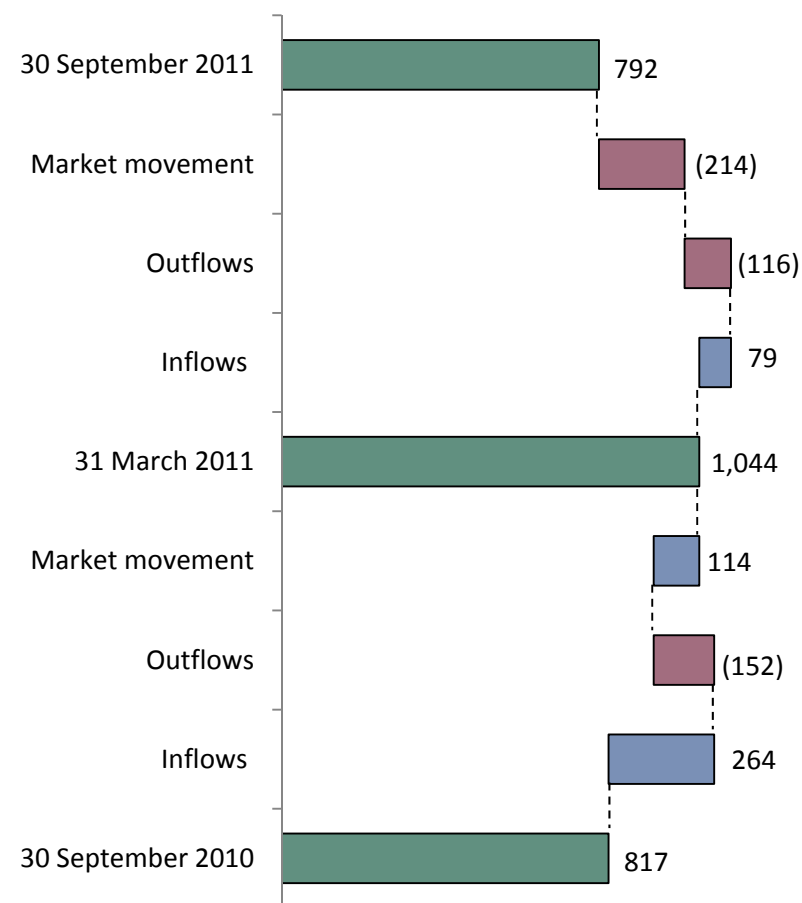
* Estimated breakdown based on fund domicile

Flows for “Impax label” and Third party funds/accounts

“Impax label” funds (£m)



Third party funds/accounts (£m)



Note: the data above refers to Listed Equity funds only

Private Equity Highlights

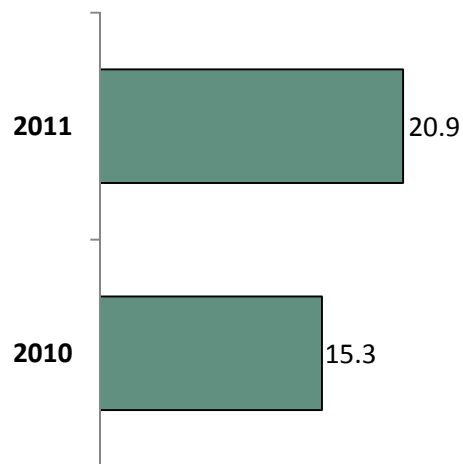
- **Significant investment opportunity**
 - Substantial need across the EU to fund construction of renewable power plants
 - Investment in projects offering stable, long-term, inflation-protected cashflow
 - Considerable “proprietary” deal flow from Impax network
- **NEF I**
 - Fund I (€125m) now fully invested/committed
 - Impax committed to invest €3.76m into Fund (€2.75m drawn)
 - Core portfolio is “utility quality” and ready for sale when market conditions turn favourable
- **NEF II**
 - Final close of €330m
 - Includes €3.3m investment by IPX
 - Significant level of “re-ups” from Fund I investors; new investors include US and Japanese institutions
 - Four investments made to date

Channels for Growth

- US distribution
 - Pax Global Green Fund (ca.\$40m, Morningstar “4 star”)
 - Impax Green Markets Fund LP
 - Consultants
 - Focus on endowments, foundations, family offices, charities
- BNP Paribas Investment Partners
- New strategies
- Additional distribution resources

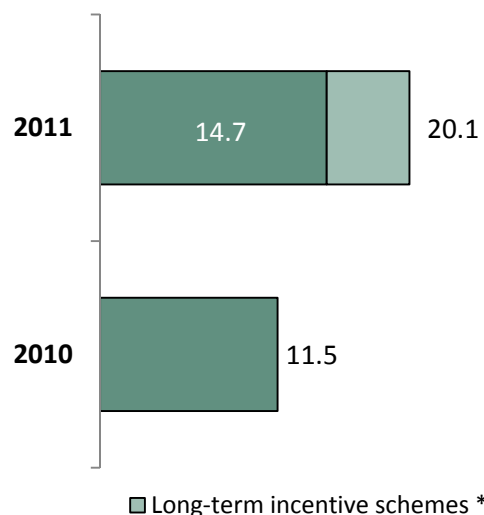
Final Results: Financial Highlights (1)

Revenue (£m)



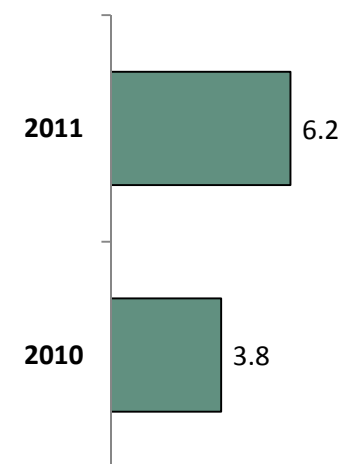
- Revenue up 36% vs 2010 primarily due to new assets and annualisation

Operating costs (£m)



- “Other operating costs” up 28%
- Average headcount up from 42 in 2010 to 48 in 2011

Operating earnings (£m)

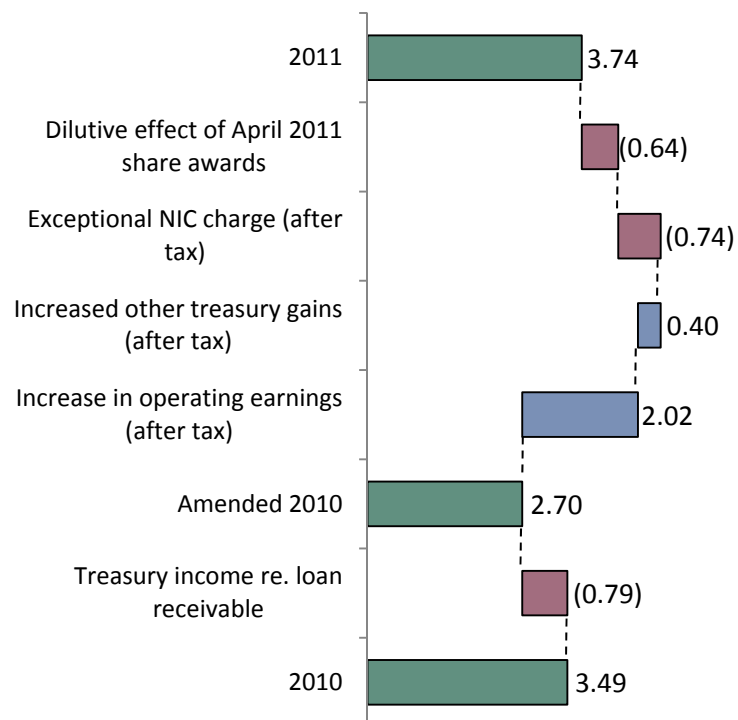


- Operating earnings up 63%
- Operating margin (excluding treasury and long-term incentive scheme charges) up to 30% from 25% in 2010

* Long-term incentive schemes include the IFRS 2 share based payment charge, exceptional NIC and other long-term incentive scheme related charges.

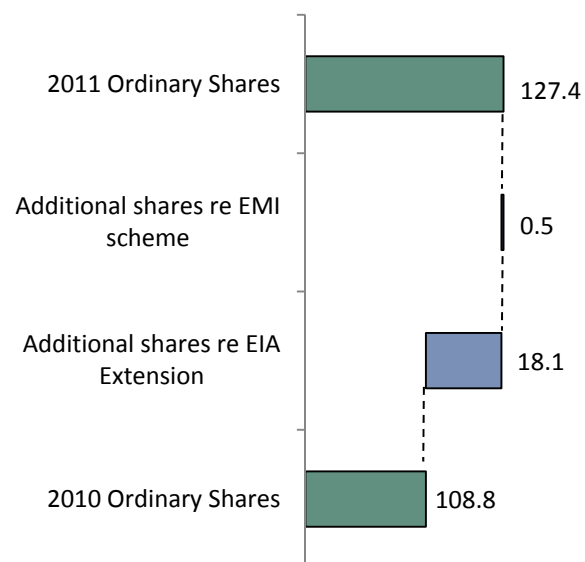
Final Results: Financial Highlights (2)

Diluted adjusted EPS (p)



- EPS excluding Exceptional NIC charge up 66% compared to amended 2010 in spite of dilutive impact of share awards

Ordinary Shares (m) (per diluted adjusted EPS)



- “Additional shares” awarded April 2011 subject to vesting
- 100% vesting on 30 September 2012 subject to individuals remaining employed

Dividend per share (p)

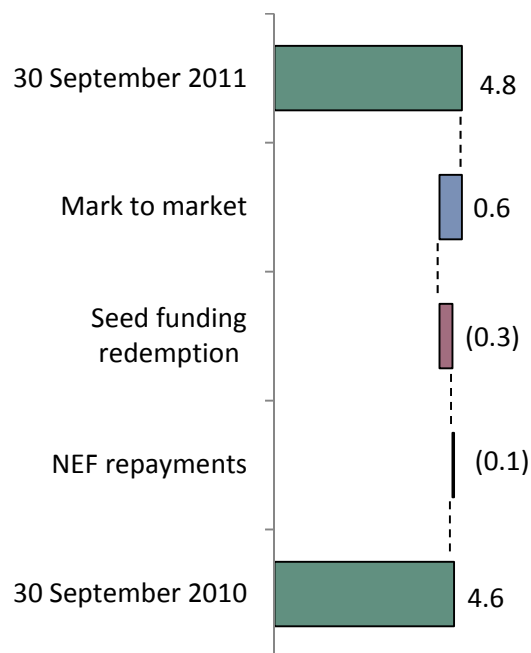


- 17% increase from prior year
- Payment to be made 6 February 2012
- Progressive annual dividend policy

We understand Impax shares are “relevant business property” for UK IHT purposes

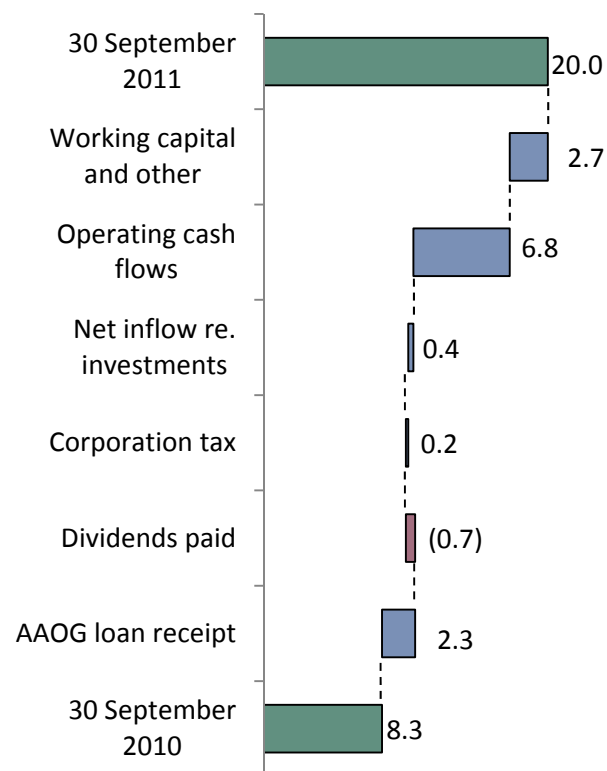
Final Results: Financial Highlights (3)

Investments (£m)



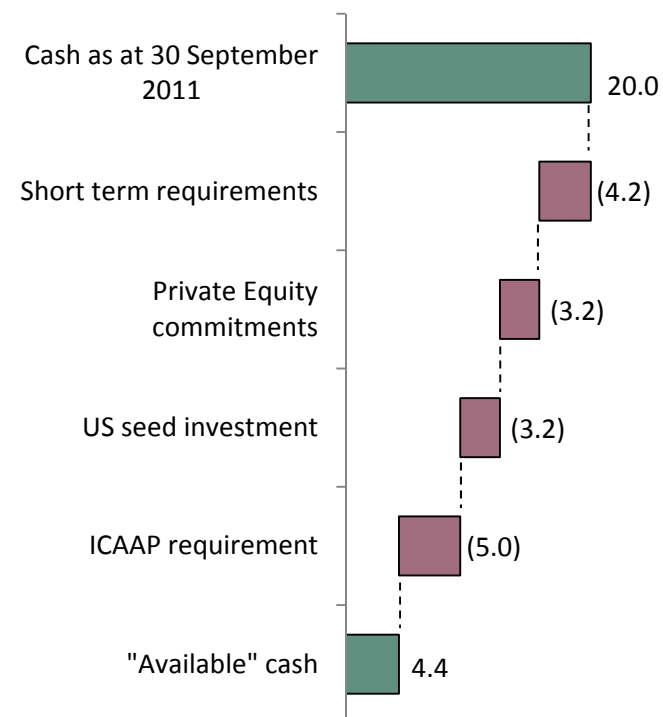
- Mark to market gains arise mainly on NEF 1

Cash reserves (operating entities) (£m)



- Strong cash generation in the period
- Working capital movement principally comprises cash receipts on NEF 2 management fee catch up due at September 2010 (received October 2010)

Cash reserve commitments (£m)



New Remuneration Policy (2011 onwards)

- Implemented by the Board after the successful conclusion of the Company's previous long term incentive scheme on 1 April 2011 (slides 21&22)
- Salaries to continue at market median
- Variable remuneration pool determined by % of "earnings before variable remuneration, interest and taxes", which declines with increasing profitability, typically at or below 45%
- Resultant variable remuneration pool reduced by the fair value charge arising from a new Employee Share Option Plan ("ESOP")
- ESOP comprises "10% out-of-the-money options" over up to 14 million shares to be awarded in respect of performance during financial years 2011-14
- The Board is intending to apply free cash flow generated by operating activities to finance buyback of the Company's stock into Treasury which may then be utilised to satisfy employee share based award obligations, reducing any requirement to issue new shares

Outlook

- Attractive prospects for environmental markets to sustain “superior growth”
 - Major overhaul underway in energy policies worldwide
 - Demographics and weak asset base driving investment in environmental infrastructure
- Active investment management ideal for exploiting inefficient prices
 - Rapidly changing market drivers
 - Expert team can interpret technology and policy issues
 - Valuation anomalies across regions
- Impax “platform” well positioned for further expansion
 - Stable investment team with global coverage
 - Highly regarded, proven investment process
 - Established distribution model
- Scope for further increase in operating margin
 - Scalable products with strong track records
 - Infrastructure in place to support significantly higher AUM

Appendix

Income Statement

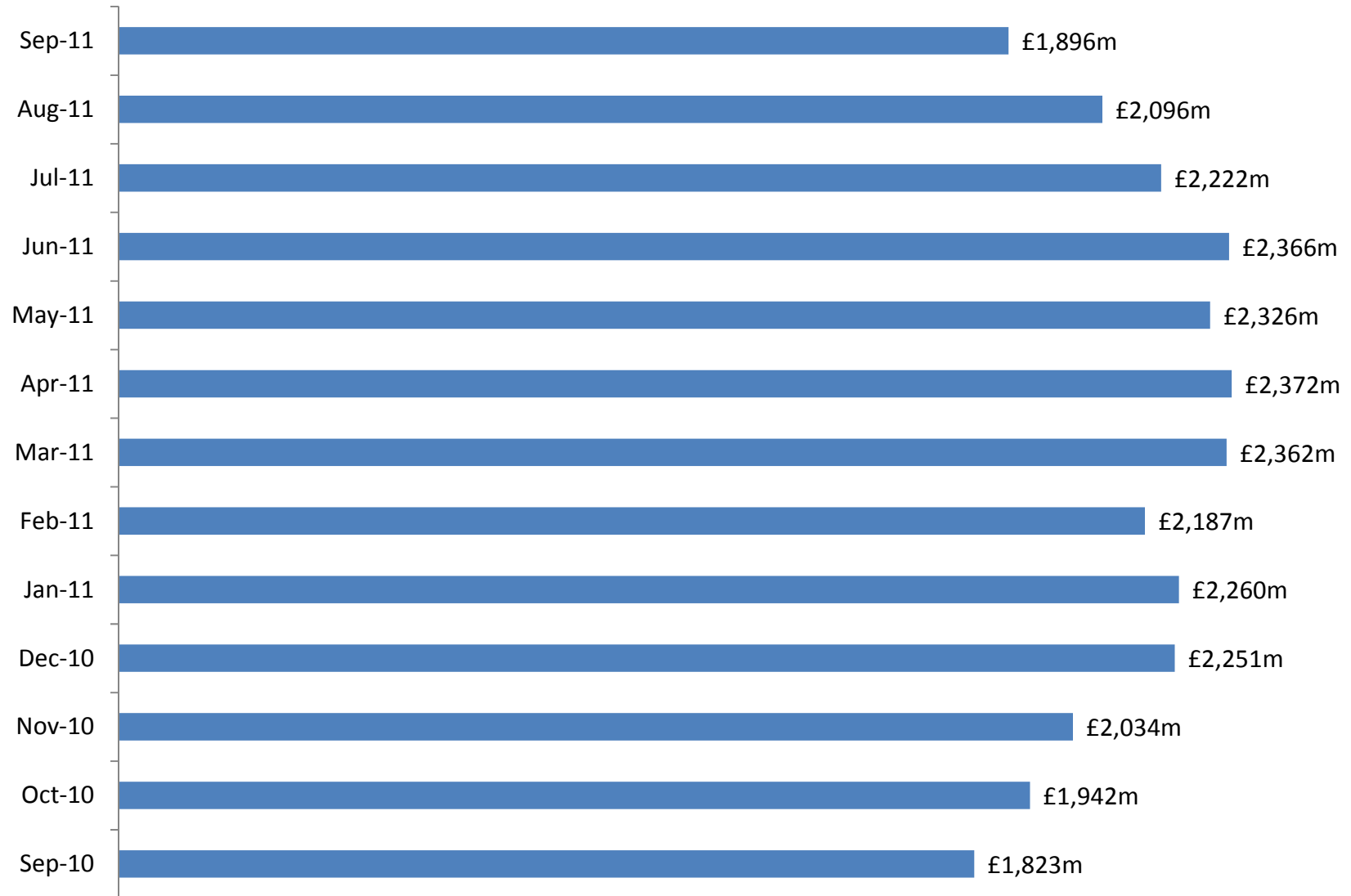
	Year ended 2011 £'000	Year ended 2010 £'000
Revenue	20,931	15,339
Bonuses	(5,267)	(3,620)
Other operating costs	(9,429)	(7,892)
Operating earnings	6,235	3,827
Share based payment charge	(3,647)	-
Exceptional long-term incentive scheme NIC charge	(1,090)	-
Other long-term incentive scheme related charges	(619)	-
Fair value gains on investments	785	3
Change in third party interest in consolidated fund	(117)	152
Investment income	171	1,195
Profit before taxation	1,718	5,177
Taxation	(652)	(1,378)
Profit after taxation	1,066	3,799

Balance Sheet

	Year ended 2011 £'000	Year ended 2010 £'000
Goodwill and intangibles	1,668	1,705
Other non current assets	509	313
	2,177	2,018
Cash	21,416	11,729
Current asset investments	3,930	7,007
Other current assets	3,433	6,378
Total assets	30,956	27,132
Current liabilities	7,868	9,424
Non current liabilities	1,587	805
Net assets	21,501	16,903
Shareholder's equity	21,501	16,903

Note: The balance sheet includes the effect of the consolidation of our hedge fund. Cash reserves not including hedge fund cash is £20.0m (2010: £8.3m)

AUM – Monthly Development*



*AUM stated as of month end

Remuneration (1) - Employee Incentive Arrangement (FY 2005-10)

- Two schemes; both subject to share price hurdle and individual performance targets
 - 2005 scheme (18.25m shares): 100% allocated and vested
 - 2008 scheme (18.25m shares): 100% allocated
 - FY2010 hurdle (58.5p) met in March 2011 with awards granted 1 April 2011
- Employees and Board members have a c. 35% interest in the Company's diluted share capital (including 15% in unvested share awards)
- 2008 scheme awards
 - Tax advantages of EBT impacted by changes to legislation announced in December 2010
 - Awards satisfied by 5.89m shares from EBT and 12.16m 1p strike price LTIP options
 - Vesting date for EBT and LTIP options: 30 September 2012
 - Last date for exercise of LTIP options: 30 September 2020
 - Employees eligible for Additional Payment, equal to the corporation tax benefit to the Company minus the NIC cost suffered by the Company on exercise of the employees' LTIP options
 - Accounting impact
 - H1 2011 – no impact on earnings
 - H2 2011 and 2012 – impact on adjusted profit after tax is largely neutral

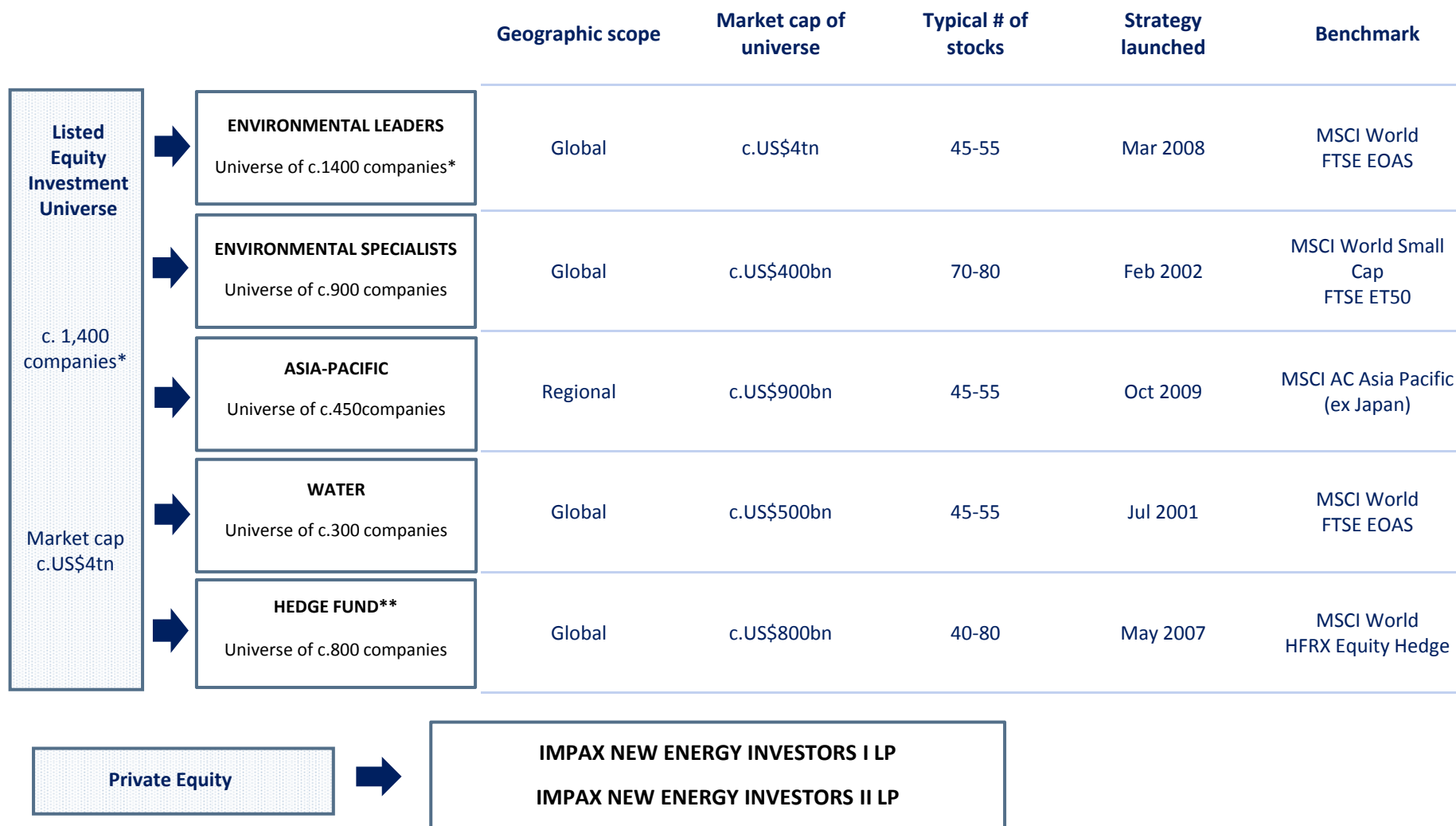
Remuneration (2) - New Remuneration Policy (FY 2011+)

- Employee Share Option Plan (“ESOP”)
 - Designed to incentivise management and key senior staff to deliver strong personal performance that contributes to increasing shareholder value
 - Strike price for “10% out-of-the-money” options to be based upon average of IPX price for 30 trading days following release of final results
 - 4.5m options to be awarded in respect of FY2011. Up to 9.5m options to be awarded in respect of 2012-14 financial years at the Board’s discretion
 - Options will be awarded as soon after final results release as practical, and vest on the 3rd anniversary of the award subject to continuing employment
 - Options must be exercised within 3 years of vesting

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 sector
 - Understanding technology & regulation key to identifying mis-priced assets
- **Impax has a well proven business model**
 - Founded in 1998. Highly qualified, stable management team with significant equity stake
 - £1.9 billion assets under management/advisory (30 September 2011)
 - Carefully selected 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

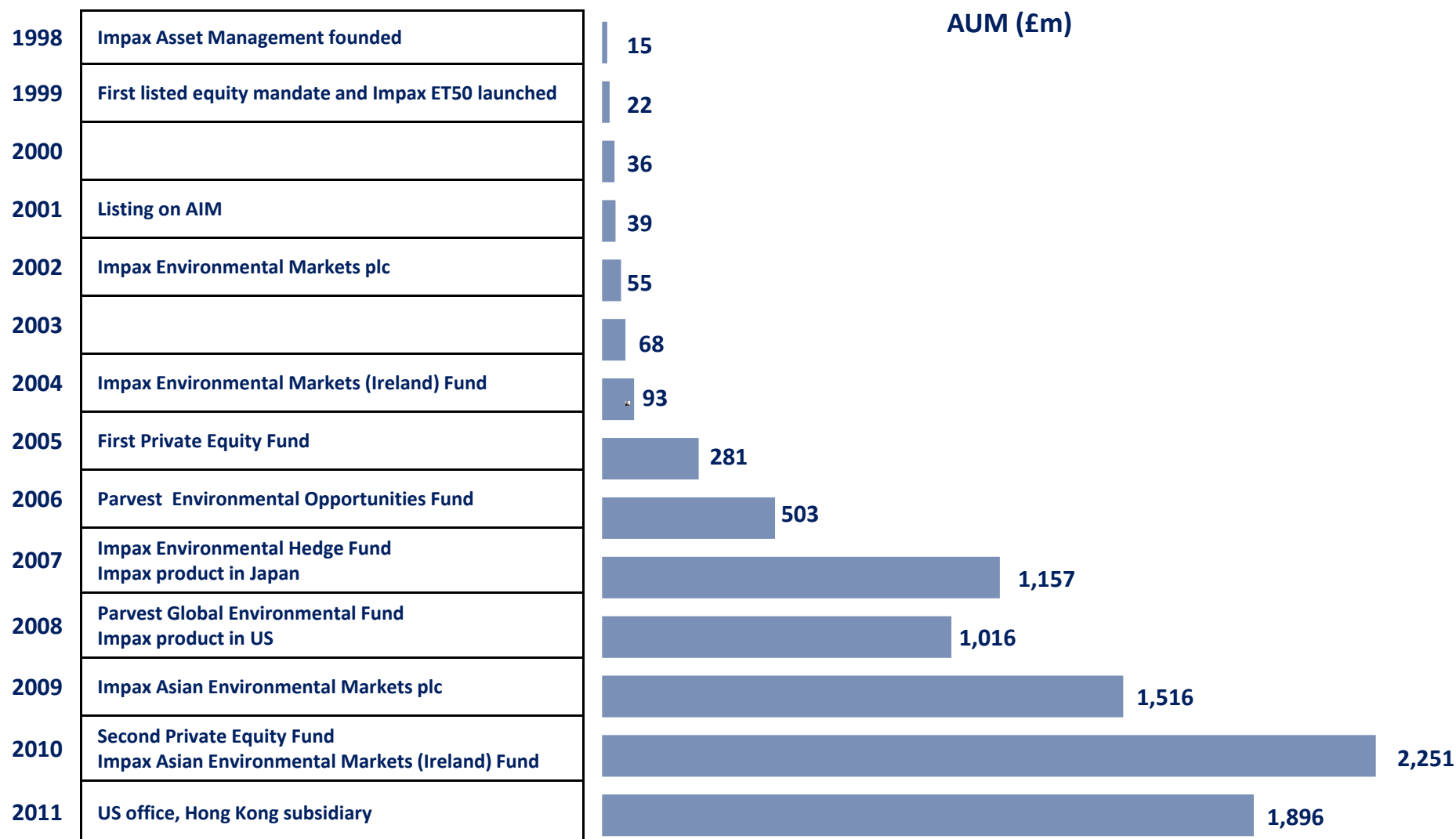
Investment Strategies



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

** Includes utilities

Impax Asset Management: Investing Since 1998













*As at 30 September 2011









FTSE Environmental Markets Classification: 21 Sub-Sectors

Energy

Renewable & Alternative Energy







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

Energy Efficiency





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

Water

Water Infrastructure & Technologies

Water Infrastructure	Water Treatment Equipment	Water Utilities
 	 	 

Pollution Control

Pollution Control Solutions	Environmental Testing & Gas Sensing
 	 

Waste

Waste Management & Technologies

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

Environmental Support Services

Environmental Consultancies	Carbon & Other Environmental Assets Trading	General Environmental
 	 	 

The above stock examples are for illustrative purposes only. These do not represent a recommendation to invest by Impax, nor are they representative of stocks currently held in Impax portfolios.

FTSE's Partner for Environmental Indices

The screenshot shows the FTSE website page for the FTSE Environmental Markets Index Series. The page includes the FTSE logo, navigation links (Home, Indices, FTSE Environmental Markets Index Series), and a sidebar with links to various index-related documents. The main content area features the title "FTSE Environmental Markets Index Series" and a detailed description of the index series, including the FTSE Environmental Technology Index Series and the FTSE Environmental Opportunities Index Series. The IMPAX logo is prominently displayed on the right side of the page, along with a "Further Information" section containing links to factsheets, classification systems, research reports, attribution requirements, and the IMPAX website.

Contact Us | FAQs | Site Map | Search | DDS

FTSE Environmental Markets Index Series

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

- [Factsheets](#)
- [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

Competitors

Listed Equities

- Products from large, branded asset managers not typically “consultant quality”
- Limited number of boutiques
- Sub-sector products, e.g. alternative energy, tend to underperform broader strategies
- Little direct competition in North America, Asia

Private Equity

- Established peer group validates investment hypothesis
 - “Renewable energy only” funds
 - Hybrid funds, including renewables alongside infrastructure, energy
- Several funds raising capital, but NEF II fund-raising complete

Extensive Sector Expertise

Keith Falconer



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

Ian Simm



- Chief Executive
- 21 years sector expertise (15 at Impax)
- Physicist, ex McKinsey

Charlie Ridge



- CFO
- 20 years finance expertise (3 at Impax)
- Accountant, ex Deutsche Bank

Bruce Jenkyn-Jones



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

Peter Rossbach



- MD, Private Equity
- 30 years in sector (8 at Impax)
- Banker & fund manager (Lazard, EBRD)

Ken Locklin



- MD, US
- 30 years financial experience/ 20 years in sector
- Ex Clean Energy Group

Ominder Dhillon



- Head of Distribution
- 20 years financial experience
- Ex Fidelity International

Strong Institutional Investor Relationships

Consultants



Investors in Impax pooled vehicles



White label funds



Investors in segregated accounts



Well-Placed Distribution Partners



Disclaimer

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