



Impax Asset Management Group plc

Final results for the year ended 30 September 2014

Agenda

- Business update
- Final results
- Q&A



The leading investment boutique in resource efficiency

Scalable

- Attractive investment themes
- Scalable investment strategies
- Proven, rigorous investment process

Experienced team

- 61 staff, 30 investment team members¹
- Specialist expertise
- Significant staff share ownership

Well-established distribution

- In-house and third party
- Activity in 20 countries

Strong balance sheet

- Shareholders' equity £24.3 million
- Cash reserves £17.2 million

We seek to provide attractive and rising levels of dividends to investors

¹ Permanent staff

Performance (for year ended 30 September 2014)

Commentary

- AUM up 25%
 - Encouraging business development in the United States
 - High level of inflows into the Water strategy continue
- Operating earnings up 23%
- Strong balance sheet maintained
 - Dividend increased 56%

Financial performance

	2014	2013
Assets under management	£2.8bn	£2.2bn
Revenue	£20.4m	£18.5m
Operating earnings ¹	£5.3m	£4.3m
Profit/(Loss) before tax ²	£3.5m	£3.4m
Shareholders' equity	£24.9m	£22.9m
Cash reserves	£17.2m	£16.5m
Seed investments	£10.2m	£8.5m
Final dividend	1.10p ³	0.90p
Interim dividend	0.30p	-

¹ Revenue less operating costs excluding £0.5 million (2013 £0.2 million) charges due to EIA share schemes

² Adjusted to exclude the IFRS2 charge for share schemes satisfied by primary shares, and to include the full effect of share buybacks and the dilutive effect of option schemes

³ Proposed

The investment opportunity: high growth markets

Illustrative themes

New developments

Catalysts for Impax



Water Scarcity

- Worst US drought since 1950s¹

- Fracking water treatment investments
- Disaster relief/flood defence funding



Urbanisation

- China: \$450bn investment in water/waste infrastructure by 2015²
- China city gas: supply to double by 2015³

- China 12th 5-year plan implementation
- Resource market reform



Energy Security

- Germany: €300bn to replace nuclear⁴
- Japan: \$1.6trn by 2030 to replace nuclear⁵
- US vehicle efficiency standards

- German power grid investments
- Regulations re efficient lighting



Climate Change

- Lowest coverage of summer ice in Arctic
- Hurricane Sandy and Typhoon Haiyan

- UN's IPCC fifth report
- 350.org and Carbon Tracker reports
- US EPA Clean Power Plan

Sources: see appendix. Images sourced from iStock

Discernible change in investor sentiment

- Search for growth
- Analysis of investment beliefs
- Review of fiduciary duty
- Concerns re climate risk and stranded assets

The Washington Post

Wonkblog

Stanford becomes the most prominent university yet to divest from coal

Stanford University has announced that [its rich endowment will not make any direct investment](#) in coal companies, becoming the twelfth and most prestigious university to divest under pressure from foes of fossil fuels.

THE WALL STREET JOURNAL. U.S.

POLITICS AND POLICY

'Risky Business' Report Aims to Frame Climate Change as Economic Issue

Paulson, Bloomberg and Steyer Team Up on Study Arguing U.S. Companies Should Treat Climate Change as Any Other Business Threat

Former Treasury Secretary Henry Paulson, ex-New York Mayor Michael Bloomberg and Tom Steyer, a hedge-fund billionaire and major Democratic donor, are linking arms Tuesday to release a report, Risky Business, that argues U.S. companies should treat climate change as any other business threat.

THE WALL STREET JOURNAL. U.S.

MARKETS

Fossil Fuels Stir Debate at Endowments

Showdown Between Activists and Schools Over Investments in Coal, Oil and Gas Intensifies, With California in Spotlight

A nationwide showdown between activists and universities over investments in coal, oil and gas intensified Tuesday after a University of California task force abruptly pulled back a draft recommendation not to sell its fossil-fuel holdings.

FINANCIAL TIMES

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Energy Financials Health Industrials Luxury 360 Media Retail & Consumer

September 22, 2014 7:02 pm

Rockefellers join anti-fossil fuel drive

By Ed Crooks and Pilita Clark in New York [Author alerts](#)

A grass-roots movement against fossil fuels has secured its highest profile convert, as the family foundation built on the riches of John D Rockefeller's Standard Oil announced plans to cut its oil and coal investments.

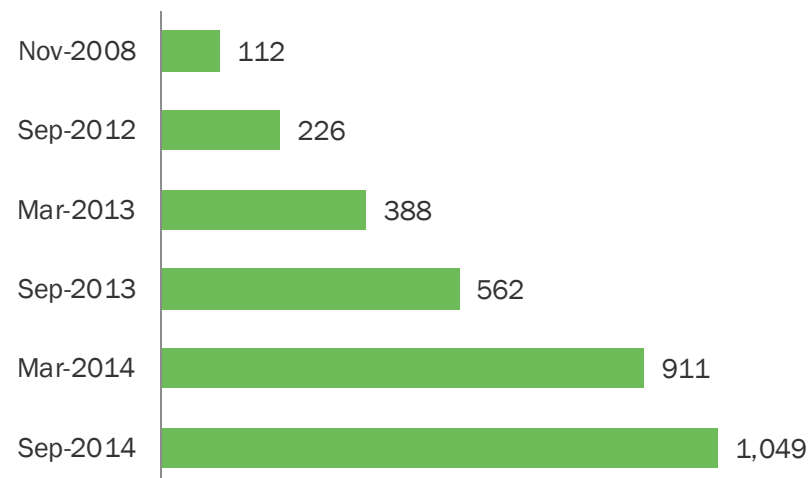
Investment strategies

	Global	All cap	AUM	Inception date
Specialists Universe: 1100 companies Universe Size: \$1.6 T market cap	✓	Small-Mid	£790m	Mar 2002
Leaders Universe: 1500 companies Universe Size: \$4.2 T market cap	✓	✓	£514m	Mar 2008
Water Universe: 250 companies Universe Size: \$0.8 T market cap	✓	✓	£1.0bn	Jan 2009
Asia-Pacific Universe: 630 companies Universe Size: \$1.4 T market cap	Asia-Pacific	✓	£22m	Nov 2009
Food and Agriculture Universe: 1200 companies Universe Size: \$4.9 T market cap	✓	✓	£3m	Dec 2012
Private Equity Infrastructure	IMPAX NEW ENERGY INVESTORS I LP		£ 97m	2005
	IMPAX NEW ENERGY INVESTORS II LP		£ 257m	2009
Sustainable Property	CLIMATE PROPERTY FUND		£22m	2009

Water strategy – strong inflows and performance

- Continuing strong signals for long-term investment
- Wider European distribution
- BNPP structured product in France & Italy based on Aqua portfolio
- BNP Paribas Aqua now third largest water fund in the market*

Water strategy AUM (£m)



Investment performance (%)



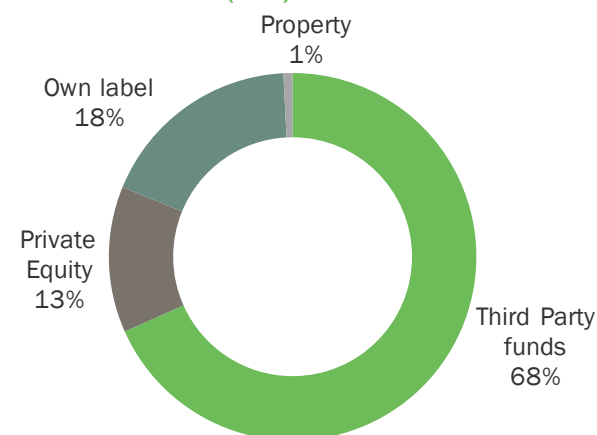
Source: FactSet, WM Reuters. Strategy performance is shown gross, MSCI index is net calculated including dividends reinvested, net of withholding taxes. Past performance is no guarantee as to future performance. *Source: FactSet and Impax estimates

Significant growth in Water and Leaders strategies

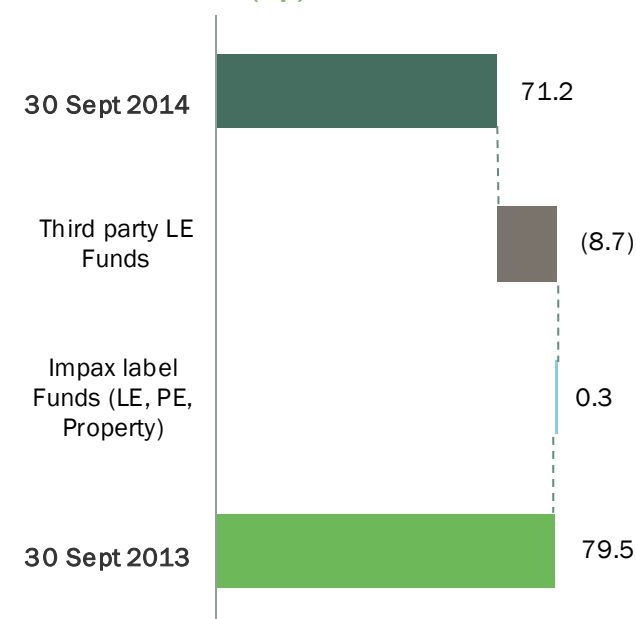
AUM BREAKDOWN (1): BY STRATEGY

Investment strategy	AUM (£) 30 Sep'14	AUM (£) 30 Sep'13
Specialists	790m	819m
- Impax Environmental Markets plc	358m	363m
- Impax Environmental Markets (Ireland)	114m	104m
- Third Party funds/accounts	317m	352m
Leaders	514m	409m
- Third Party funds/accounts	514m	409m
Water	1,049m	562m
- Third Party funds/accounts	1,049m	562m
Asia-Pacific	22m	23m
- Impax Asian Environmental Markets (Ireland)	21m	22m
- Third Party funds/accounts	1m	1m
Food and Agriculture	3m	3m
- Impax Food and Agriculture Fund	3m	3m
Private Equity	354m	380m
Property	22m	-
Blended fee (weighted average)	71.2 Bp	79.5 Bp
TOTAL	£2,755m	£2,197m

AUM breakdown (£m)

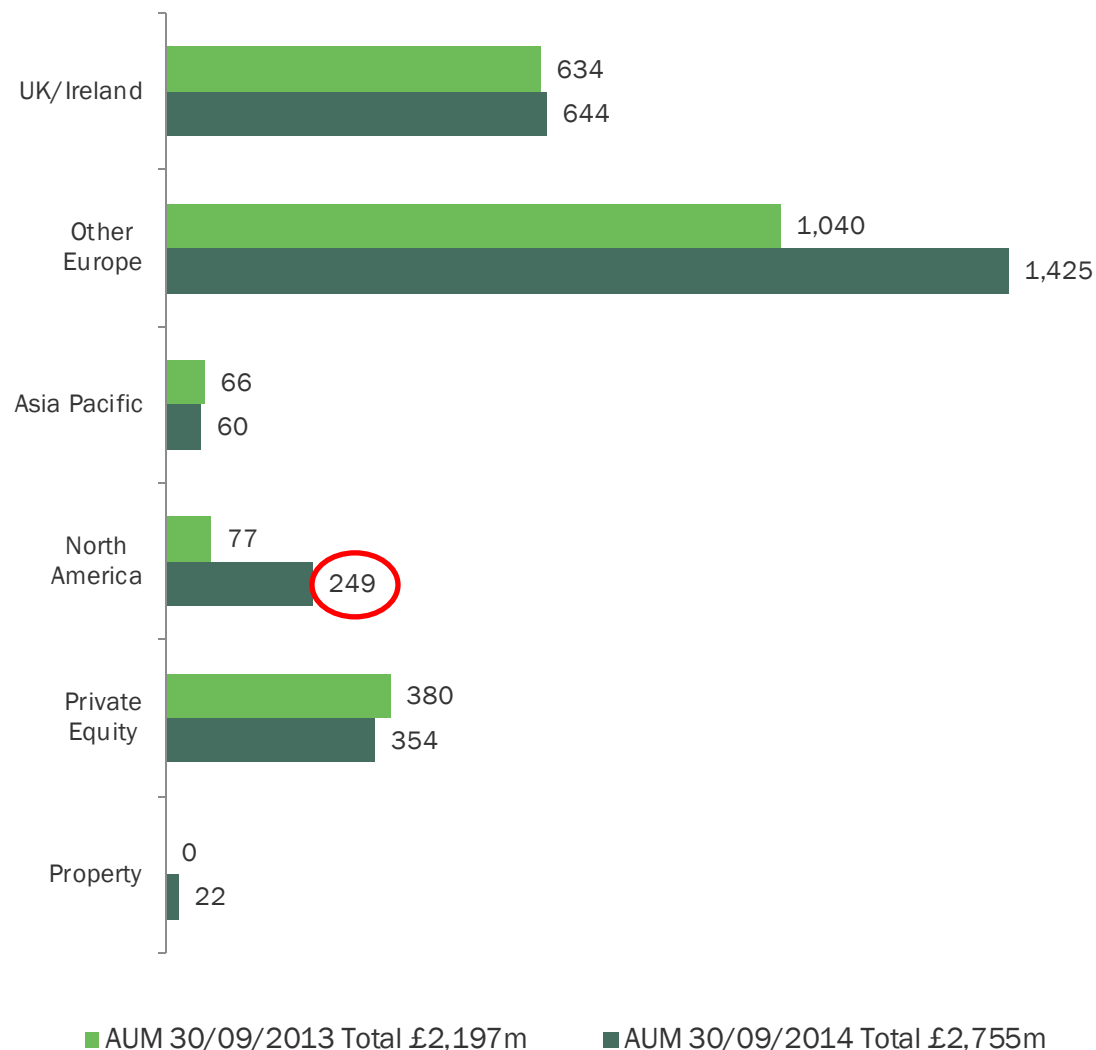


Blended fee rate (Bp)



Strong AUM growth in Europe and North America

AUM BREAKDOWN (2): BY CLIENT DOMICILE (£M)



Principal funds/partners

Impax Environmental Markets plc
 Impax Environmental Markets (Ireland) Fund
 Impax Asian Environmental Markets (Ireland) Fund
 Impax Food and Agriculture Fund

BNP Paribas Investment Partners
 ASN Bank

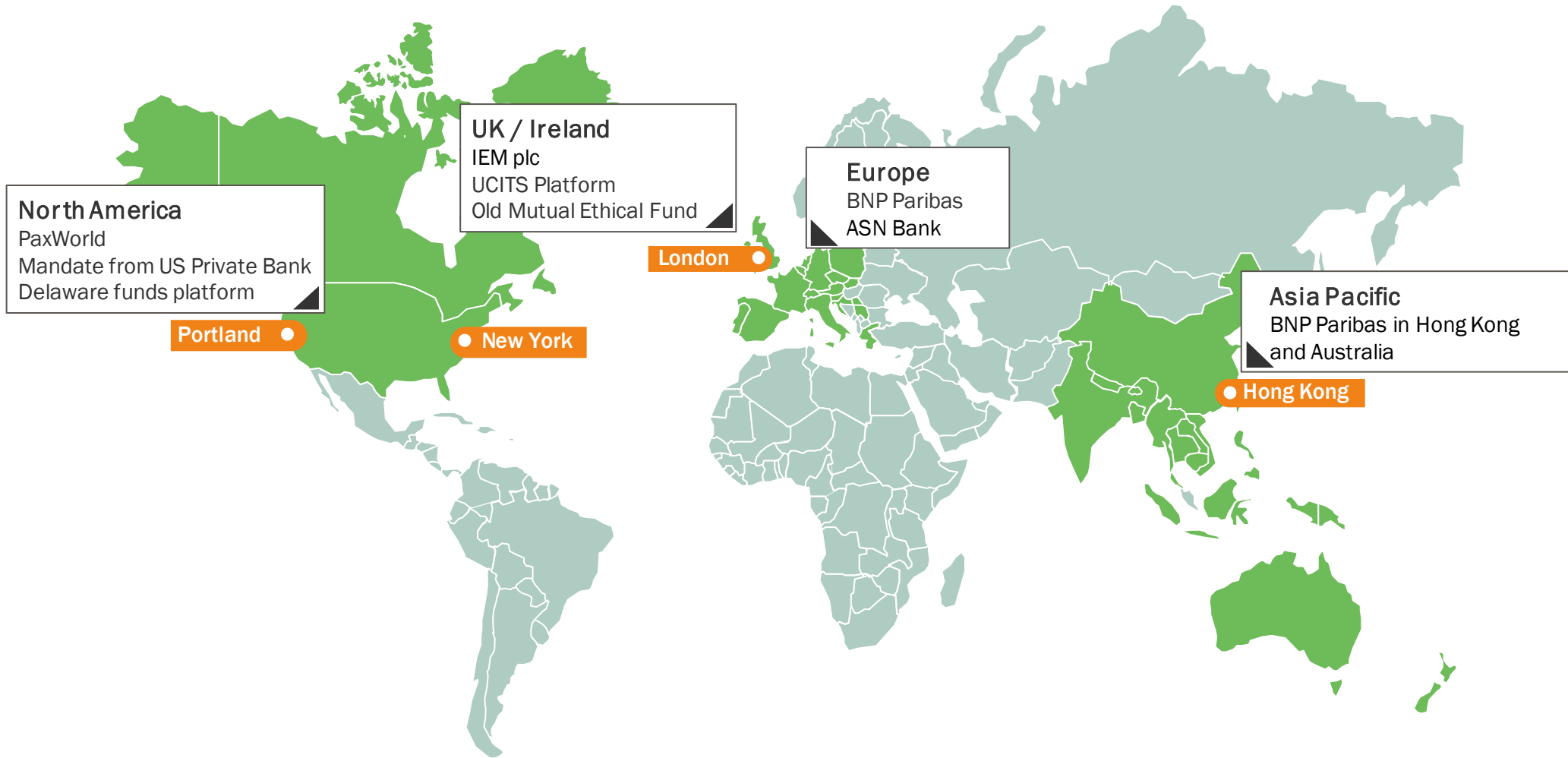
BNP Paribas Investment Partners
 DIAM

Impax GRO Fund LP
 Impax FLOW Fund LP
 PAX World
 Private Bank Mandate

Impax New Energy Investors Fund I
 Impax New Energy Investors Fund II

Climate Property Fund

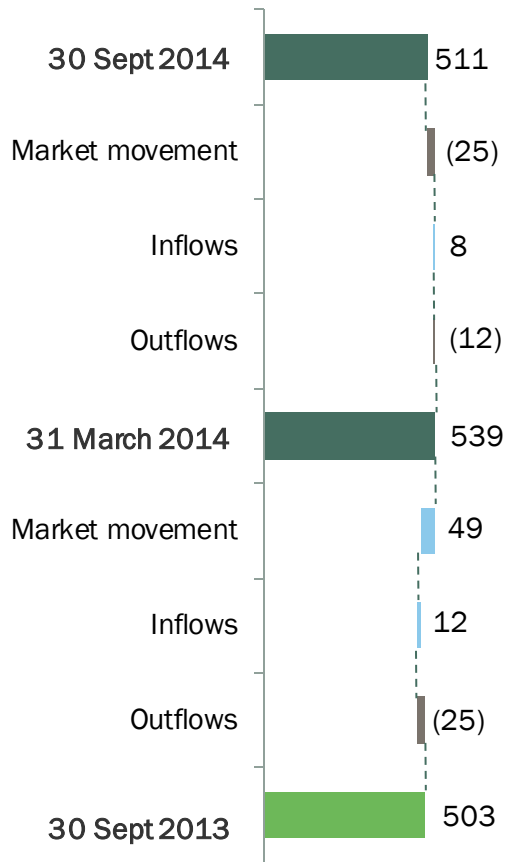
Our offices and distribution partners



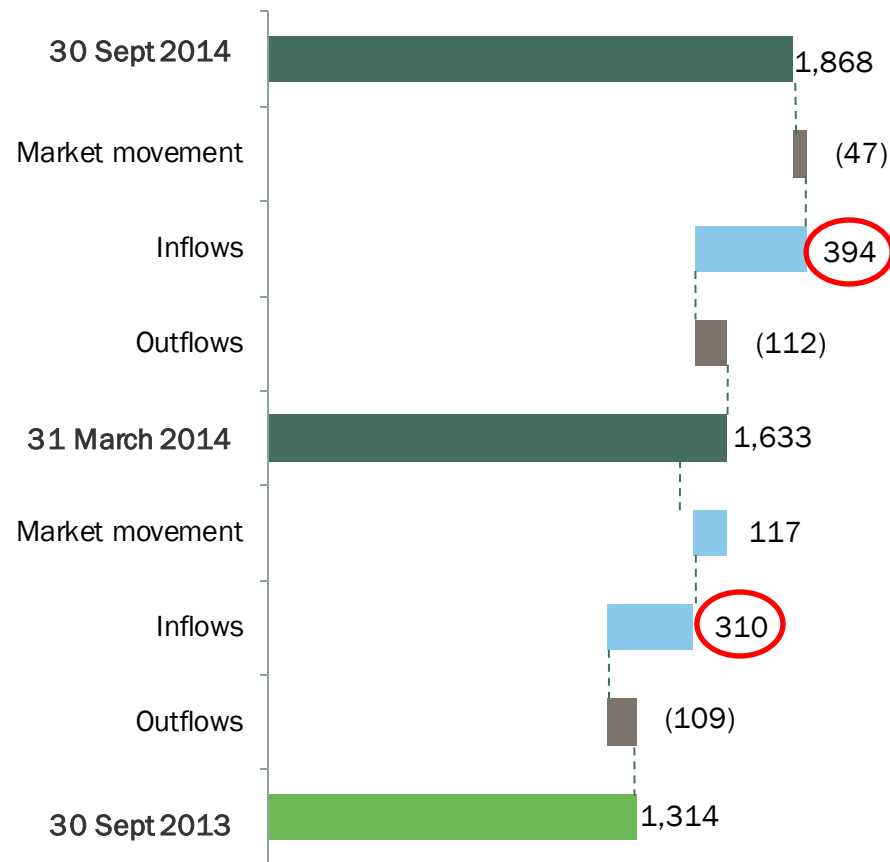
Strong inflows into third party funds/accounts

FLOWS FOR "IMPAX LABEL" AND THIRD PARTY FUNDS/ACCOUNTS

"Impax label" funds (£m)



Third party funds/accounts (£m)

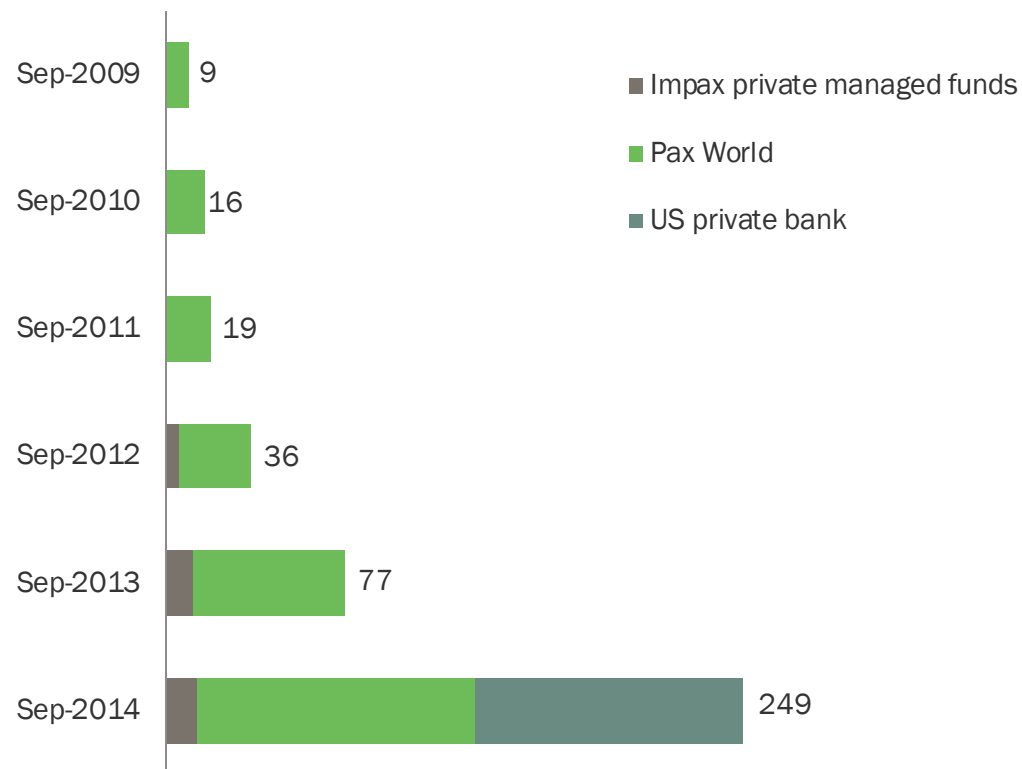


Note: the data above refers to Listed Equity funds and accounts only

US: rapid expansion and good prospects

- Business development since 2006
- Strong latent demand with limited competition
 - New interest in “resource optimization”
 - Major consultants recommending Impax
- Four person team
 - Second sales person hired
 - Second office opened (Portland, Oregon)
- Principal strategies available to US investors
 - Specialists (IGRO)
 - Leaders (Pax World GEM Fund)
 - Water (IFLOW)
- Healthy pipeline
 - Follow on meetings
 - Due diligence visits

AUM from US investors (£m)

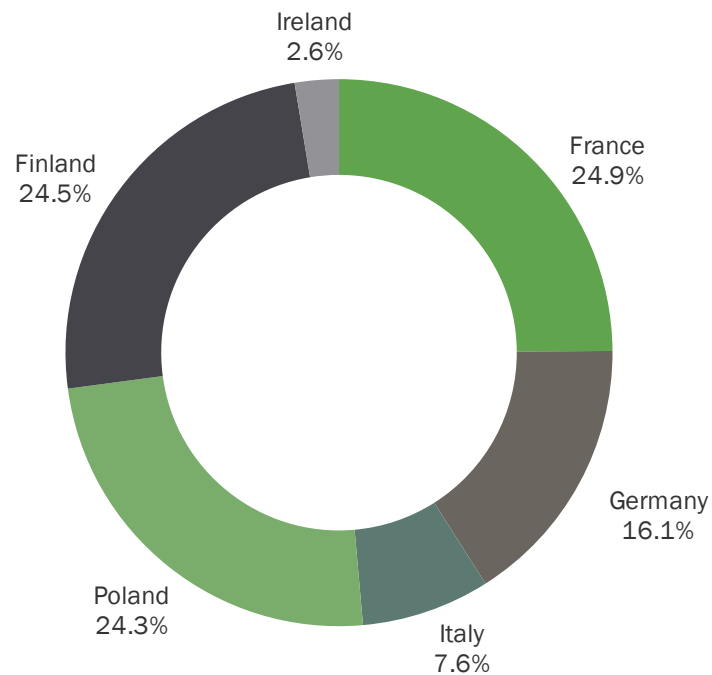


Private Equity update

NEF I

- Strong portfolio operating performance
- Focus on cost cutting and debt restructuring
- Continue complex arbitration against Spanish government
- Write down of £0.5 million of IPX investment

NEF II: Geographical distribution of assets



NEF II

- 370MW European wind projects in operation / construction
- Investment commitments now 73% of Fund capital
- Further acquisitions in Ireland, Finland, Germany and Italy



Platform for further asset raising

Property (with a sustainability focus)

FUND I: STRONG TRACK RECORD

£138.8m Purchase

4 assets

£111.2m Exits¹ (x3)

1.26x ROE¹

18.1% IRR¹

£59.0m Total Return²
(£43.8m capital, £15.2m income)

c. 6% pa Distributions³



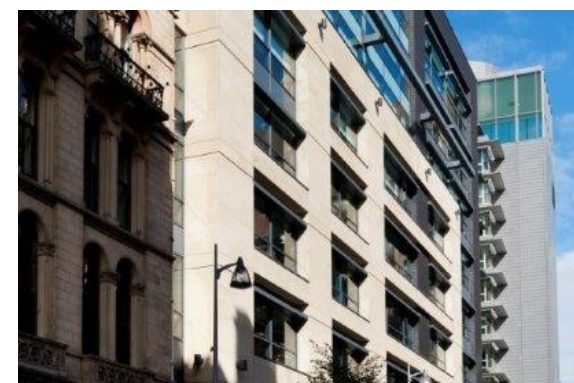
5 St Philip's Place, Birmingham B3 2PW	
Purchase 2009:	£31.5m
Sale 2014:	£38.0m
IRR / ROE:	11.6% / 1.25x



3-5 Morrison St, Edinburgh EH3 8BH	
Purchase 2009:	£23.9m
Sale 2013:	£29.7m
IRR / ROE:	14.5% / 1.33x



77 Gracechurch St, City of London, EC3V 0AS	
Purchase 2010:	£35.9m
Sale 2011:	£43.5m
IRR / ROE:	26.2% / 1.23x

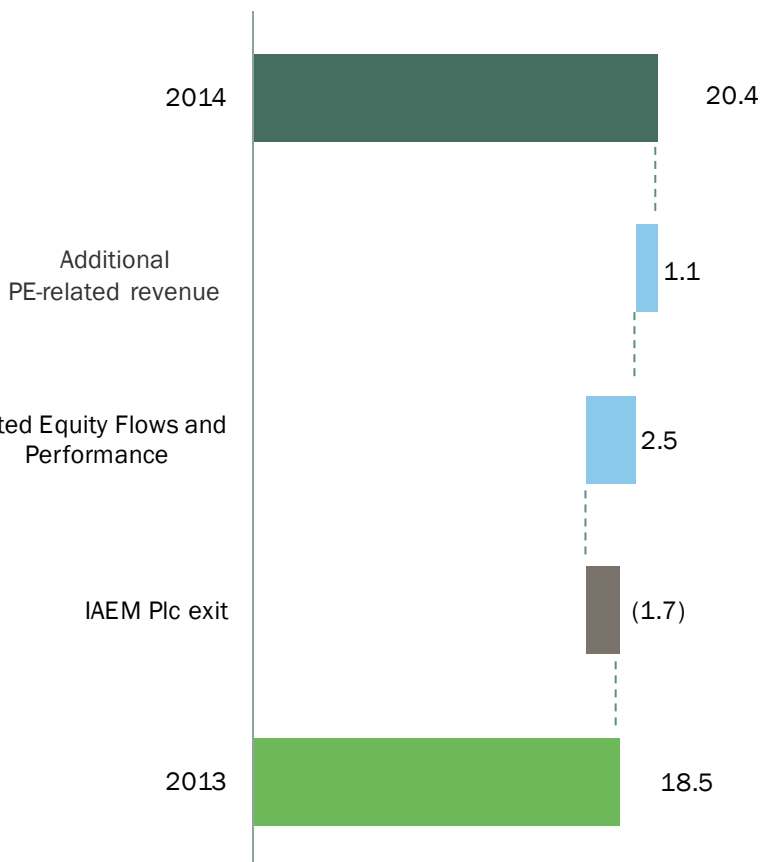


40 Spring Gardens, Manchester, M2 1EN	
Purchase 2010:	£47.5m
Sale:	Expected 2015
IRR / ROE:	n/a

Notes: Purchase and sale £'s quoted gross, excluding costs;
¹ Gross realised at property level on an equity weighted basis as at 30 June 2014;
² Income and capital, fund life to date, as at Q3'14, original equity £69m
³ When fund fully invested.

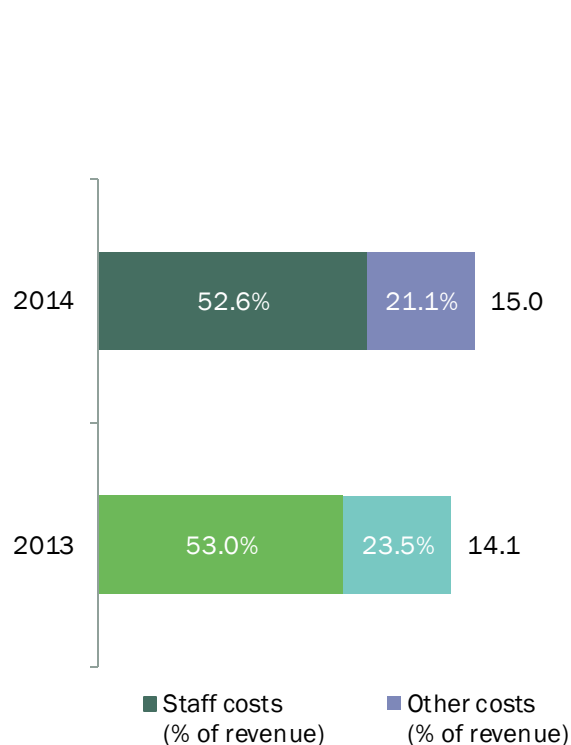
Financial highlights (1)

Revenue (£m)



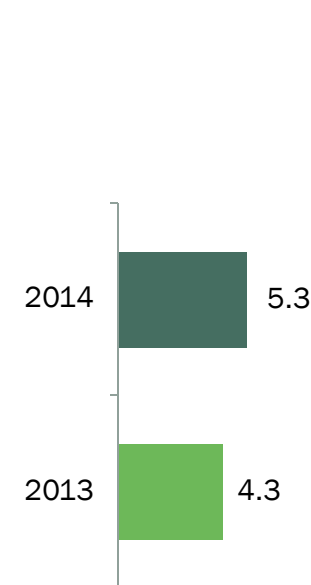
- Significant LE inflows

Operating costs (£m)



- Variable remuneration rise in line with operating earnings
- Other costs stable

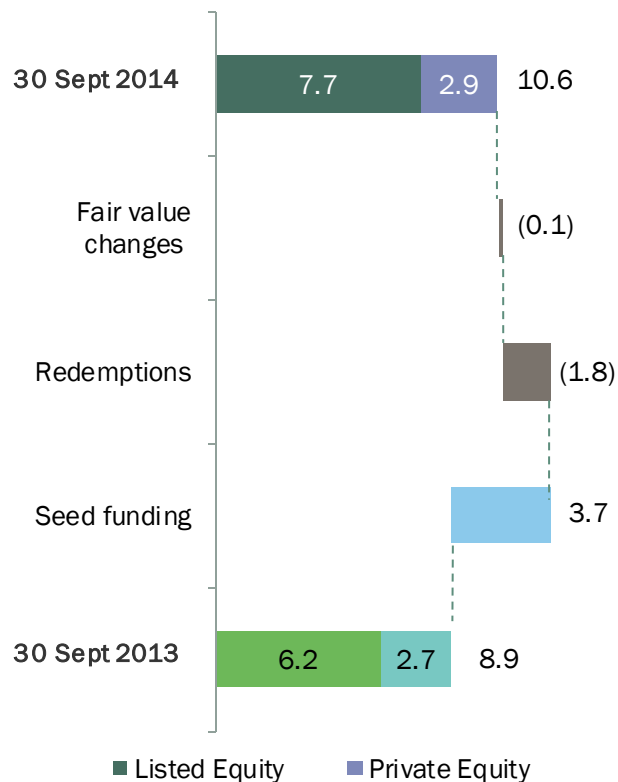
Operating earnings (£m)



- Increase in operating earnings of 23%
- Operating margin 26.1% (2013: 23.5%)

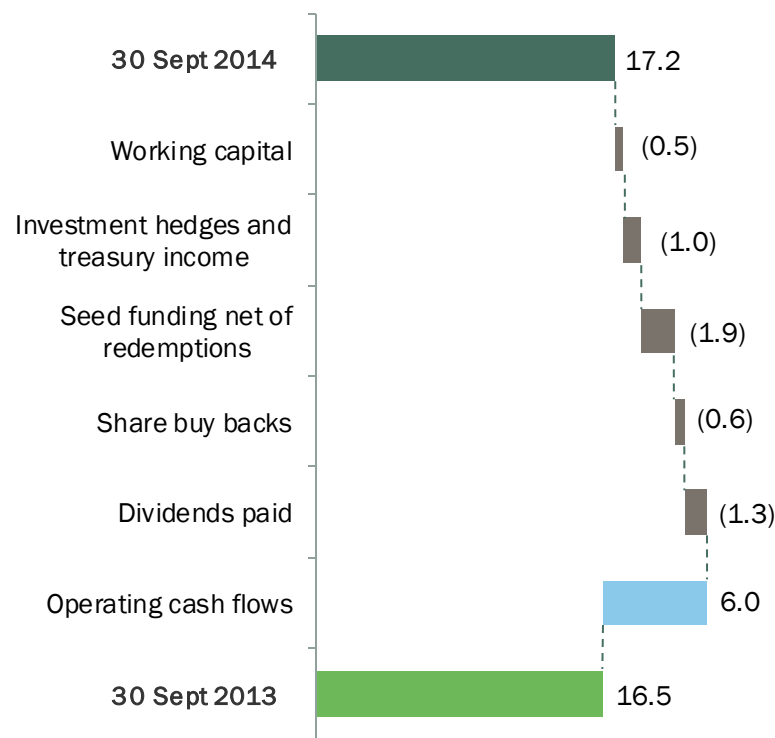
Financial highlights (2)

Investments¹ (£m)



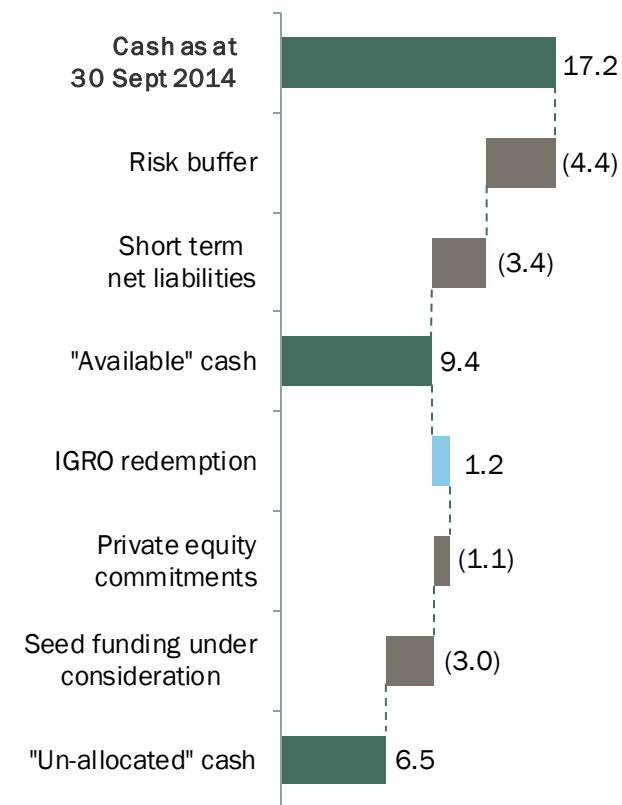
- Seed funding: IFLOW, NEF2
- IGRO: partly redeemed in year, further \$2m redeemed Oct 2014
- NEF 1: £0.5m fair value write-down

Cash reserves (£m)



- Continued strong cash generation
- Final 2013 dividends and Interim 2014 dividends paid
- 1.3m shares bought back

Cash reserve analysis (£m)

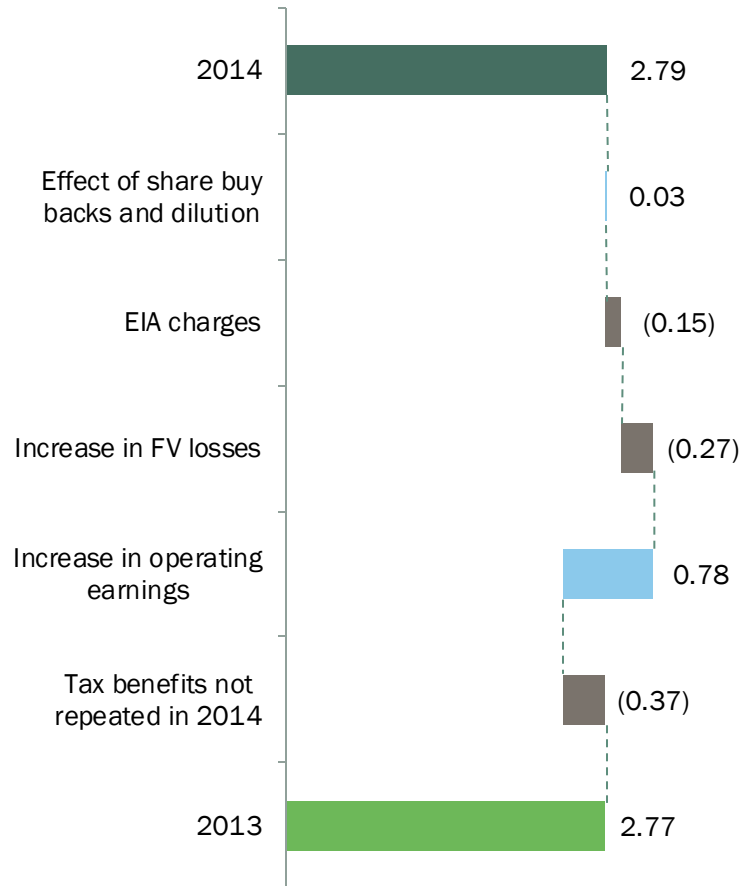


- "Un-allocated cash" held for further share buy-backs, seed investments, business development etc.

¹ Excluding third party interest on consolidated funds

Financial highlights (3)

Diluted adjusted¹ EPS (p)



Dividend (p)



¹ Excluding share based payment charges for EIA scheme & including the full effect of share buy backs

² Proposed

Remuneration policy

- Reviewed by the Board in Summer 2014
- **Salaries:** aiming to pay market median
- **Performance related pay (“PRP”):** target remains 45% of operating earnings before PRP¹
- PRP will continue to comprises cash bonuses and Fair Value charge of equity incentive schemes
- Employee Share Option Plan: successful **PRP deferral programme** since 2011
 - 14m options priced at “10% out of the money” granted in four tranches²
 - Board continues to buy back shares to offset dilution³
- New equity incentive scheme established;
 - Defers PRP (Fair Value of shares to be deducted from the PRP pot)
 - Restricted shares to vest over 3-5 years
 - Limited programme: 1.25m awards in respect of FY2014
 - Board intends to continue with buy-back programme
- Directors and management currently hold, on a fully diluted basis, 36.6% of share interests (after buy-backs and 2014 awards)

¹ 45% level inclusive of employer’s National Insurance

² inclusive of final tranche of 3.7m options which will be awarded in Jan 2015

³ 11.6m bought back to date

Attractive prospects for target markets to sustain “superior growth”

- Major overhaul in energy policies worldwide
- Demographics, weak asset base and weather risk driving investment in infrastructure
- Secular expansion of food/agriculture value chain
- Strong catalysts in 2015

Active investment management ideal for exploiting inefficient prices

- Rapidly changing market drivers
- Expert team can add value
- Valuation anomalies across regions

“Platform” well positioned for further expansion

- Established distribution model
- Potential for new products
- Stable investment team with global coverage

Scope for increase in operating margin

- Scalable products with strong track records
- Healthy pipeline
- Infrastructure in place

Appendix

Goals and strategy for growth

We are in business to . . .

- Be the leading specialist boutique investing in the rapidly expanding resource efficiency and environmental markets
- Offer our clients differentiated products with superior, long-term, risk adjusted returns, and deliver a high level of customer service
- Provide attractive and rising levels of dividends to investors and maintain a strong balance sheet

Our strategy is based on . . .

- Recruiting and retaining specialist investment expertise
- Managing a small number of scalable investment strategies
- Developing profitable routes to market around the world

Powerful drivers behind resource efficiency and environmental markets

Economic growth is unsustainable...

Consumers

- Population pressure
- Higher living standards

Weak infrastructure

- Power grids
- Water sewerage
- Waste processing

Resource scarcity

- Fossil fuel prices
- Commodity prices
- Water shortage
- Limited landfill

Pollution

- Local air pollution
- Water quality
- Contaminated land
- Global climate change

...while market dislocations provide investment opportunities

Technology

- New solutions
- Corporate R&D
- Government support
- Economies of scale

Legislation

- Target market sizes
- Mandatory capex
- Emission limits

Corporate Strategy

- New business lines
- Capex refocus
- M&A

The investment opportunity

- **Strong fundamental drivers**

An expanding global population and rising living standards are driving demand for resource supply and resource efficiency.

- **New risks of holding resource supply assets**

Core resource assets such as fossil fuels, timber, etc are exposed to systemic financial risk from new environmental regulations, changing weather patterns and climate change.

- **Rapidly expanding markets**

Portfolios of investments in companies providing solutions in energy efficiency, renewable energy, resource recovery, water, food and agriculture can mitigate these risks while also offering the prospect of superior growth.

- **Compelling rationale for active management**

Many of these companies are complex and not well covered by investment analysts, providing opportunities for Impax to add value.

Resource efficiency and environmental markets:

Diverse listed equity opportunities (FTSE classification)



Energy

- Energy Efficiency**
 - Power Network
 - Industrials
 - Buildings
 - Transport
 - Consumer
- Alternative Energy**
 - Developers & IPPs
 - Solar
 - Wind
 - Biofuels
 - Other



Water

- Water Infrastructure & Technologies**
 - Infrastructure
 - Treatment
 - Utilities
- Pollution Control**
 - Pollution Control Solutions
 - Testing & Gas Sensing



Food, Agriculture & Forestry

- Sustainable & Efficient Agriculture
- Logistics, Food Safety & Packaging
- Sustainable Forestry & Plantations



Waste/Resource Recovery

- Waste Management & Technologies**
 - Tech Equipment
 - Recycling & Processing
 - Hazardous
 - General
- Environmental Support Services**
 - Consultancies
 - Carbon & Asset Trading
 - Diversified Environmental

Some sub-sectors have an additional 'diversified' category not shown above for the sake of clarity.

Impax investment universe is growing rapidly

Large universe of growing companies

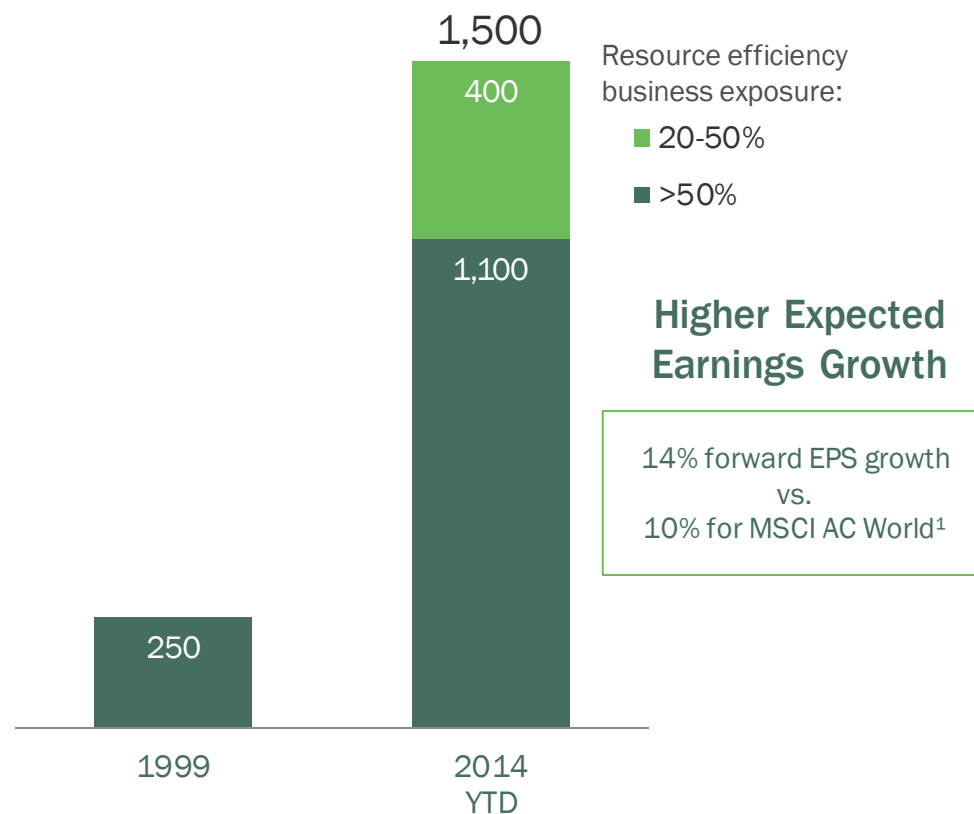
- ca \$4 T in Market Cap

Diverse range of opportunities

- Cyclical
- Defensive
- Special Situations

OUR MARKETS ARE NOT WELL UNDERSTOOD AND ARE FREQUENTLY MISPRICED

NUMBER OF COMPANIES



Based on Impax's proprietary environmental markets database. This database is used to help construct the FTSE Environmental Markets Index Series.

¹ Source: FactSet. Forward EPS growth data for FTSE EOAS as a proxy for the resource efficiency sector.

Competitors

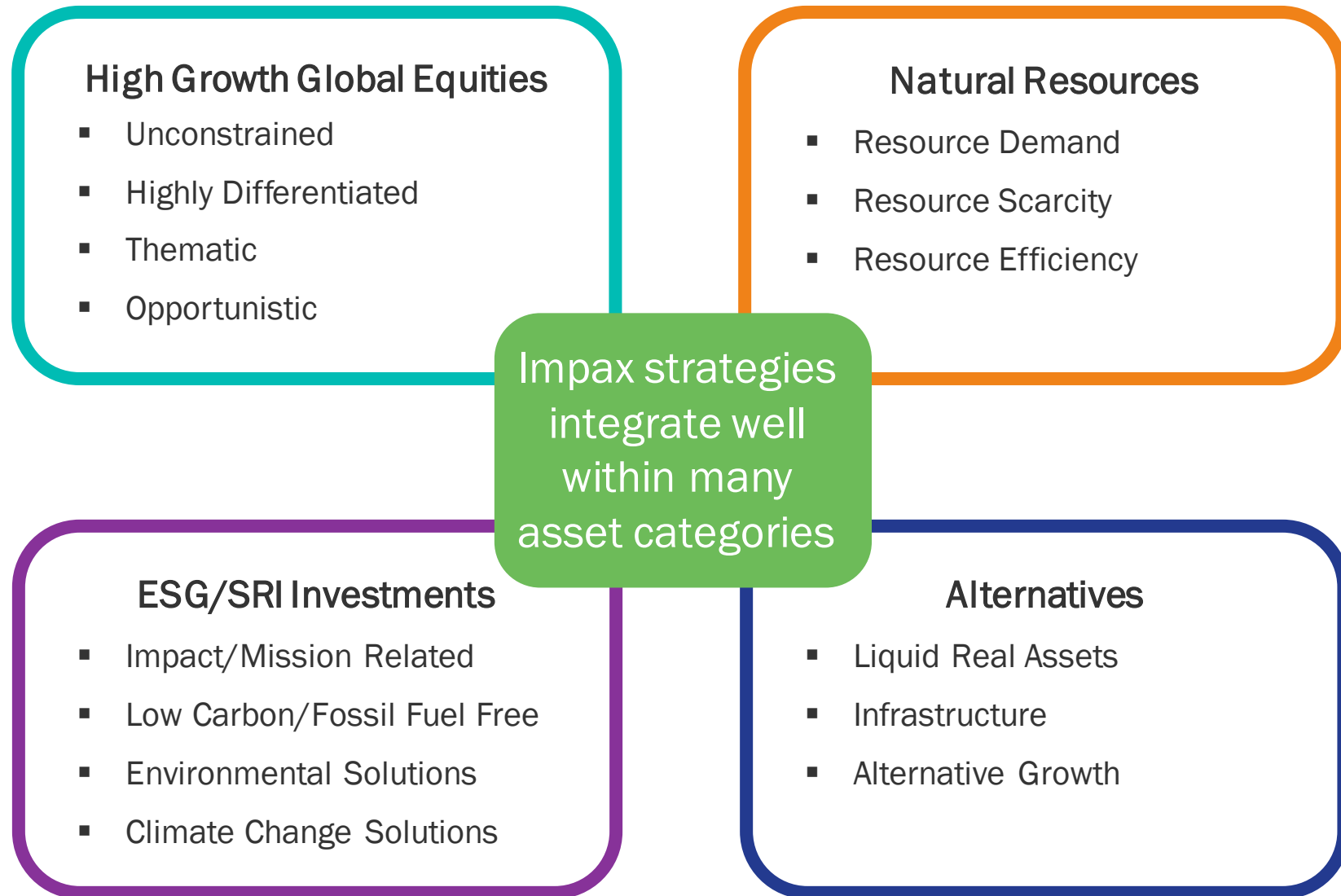
Listed Equities

- 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 and Asia

Private Equity

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

Where does a resource efficiency allocation belong in a portfolio?



Extensive expertise




Keith Falconer
Chairman since 2004
34 years



Ian Simm
Chief Executive
25 years



Charlie Ridge
CFO
28 years



Bruce Jenkyn-Jones
Head of Listed Equities
24 years



Peter Rossbach
MD, Private Equity
34 years



Ominder Dhillon
Head of Distribution
24 years



David Richardson
MD, US Institutional Business
32 years



Kaye Forrest
Non-Executive Adviser
28 years

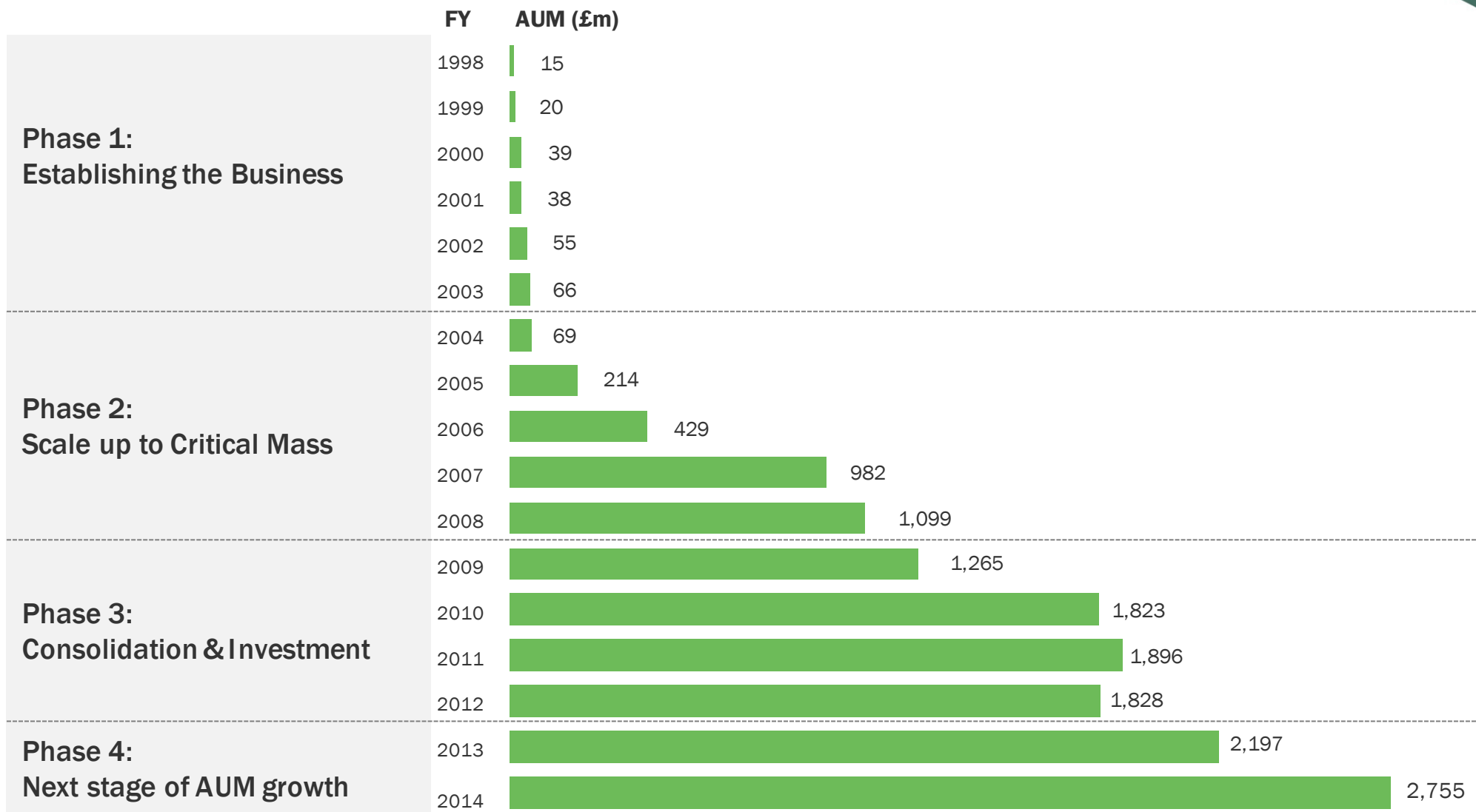


Roz Reid
Director of HR
24 years

Strong investor relationships

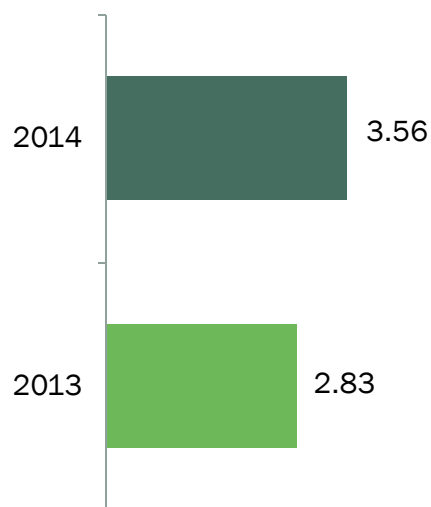


Investing since 1998 (financial year)

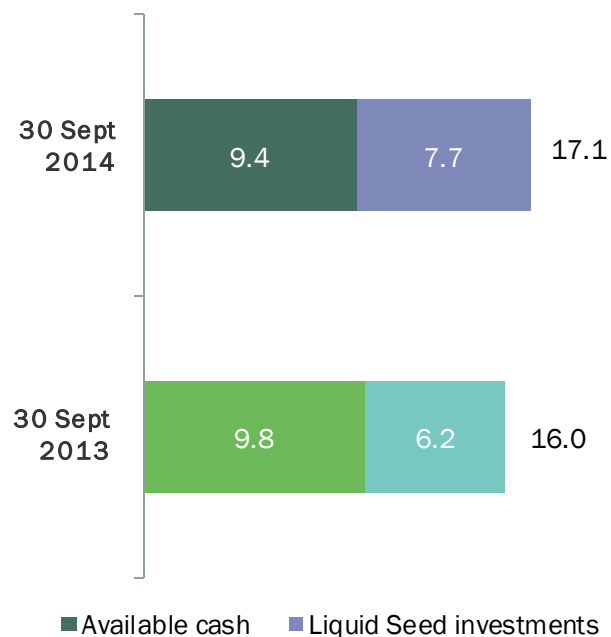


Valuation indicators

Operating earnings after tax¹ per share (p)

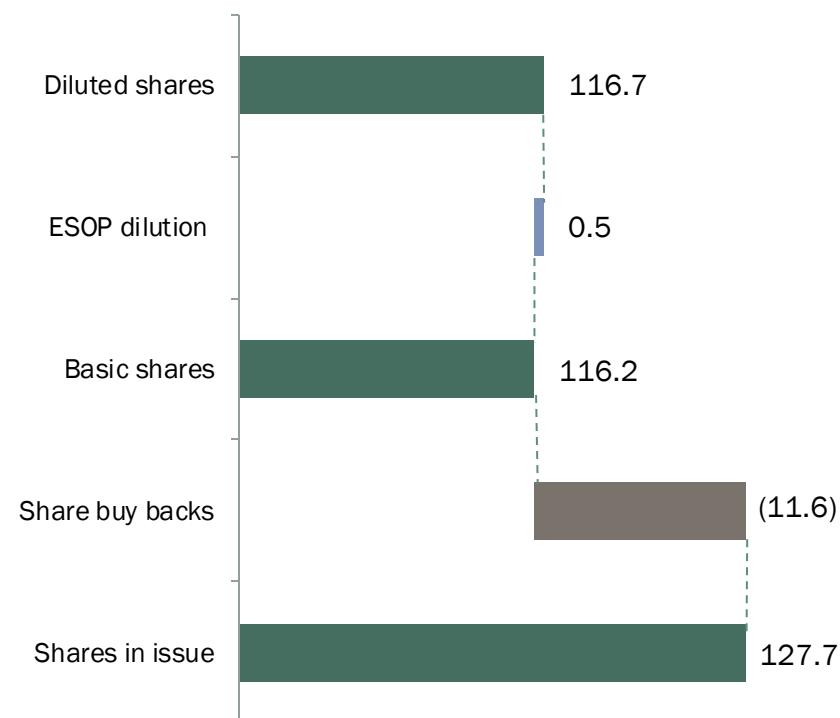


Liquid assets (£m)



- Liquid Assets represent 14.7p/share

Shares reconciliation² (m)



- 14m ESOP options allocated to date (including ESOP 2014 awards)
- 1.25m RSS awards allocated for 2014
- 111.6m shares eligible for dividend

¹ Average UK Corporation tax rate used 22% (2013: 23.5%)

² Share quantities as of 30 September 2014

Income statement

	Year Ended 2014 £'000	Year Ended 2013 £'000
Revenue	20,359	18,463
Bonuses Pool	(4,377)	(3,558)
Other operating costs	(10,661)	(10,566)
Operating costs	<u>(15,039)</u>	<u>(14,124)</u>
Operating earnings	5,320	4,339
Share-based payment charge for EIA extension scheme ¹	-	(280)
Other charges related to EIA schemes	(539)	111
Fair value (losses)/gains	(1,460)	(947)
Change in third party interest in consolidated funds	7	(32)
Investment income	207	163
Profit before taxation	3,535	3,354
Taxation	(279)	(397)
(Loss) / Profit for the period	<u>3,256</u>	<u>2,957</u>

¹ The prior period charge relates a legacy share based payment charge for shares awarded to 2 individuals whose vesting period extended to 2013.

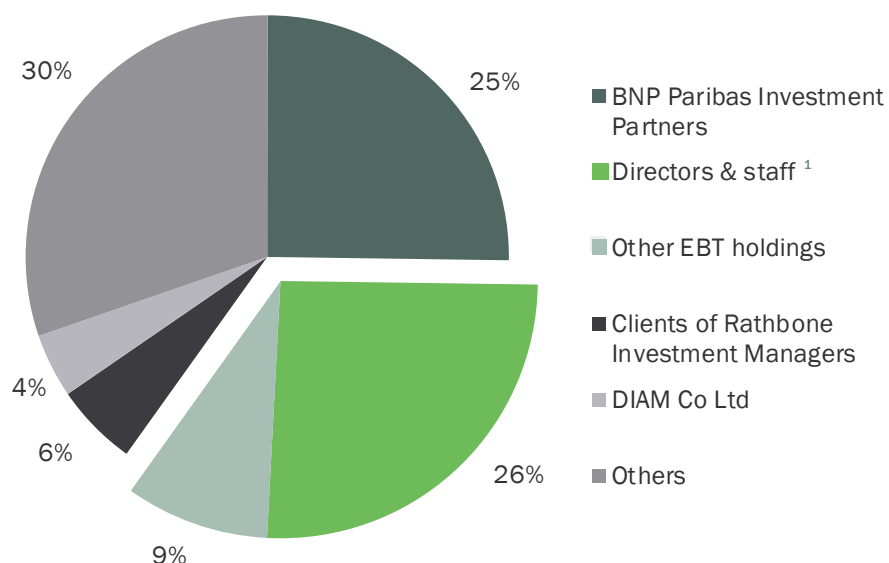
Balance sheet

	30 Sept 2014	30 Sept 2013
	£'000	£'000
Goodwill and intangibles	1,772	1,724
Other non-current assets	262	473
	2,034	2,197
Cash and cash equivalents	17,249	16,553
Current asset investments	11,640	9,336
Other current assets	3,568	3,509
	34,491	31,595
Total assets		
Current liabilities	7,728	6,999
Non current liabilities	1,904	1,652
	24,859	22,944
Net assets		
	24,859	22,944
Shareholder's equity		
	24,859	22,944

Note: The Balance sheet includes effects due to the consolidation of investments.
Cash reserves not including consolidated funds are £17.2m (Mar 2014: £12.7m, Sep 2013: £16.5m)

Impax equity interests

IPX ordinary shares (Total 127.7m) %



- Directors, staff and EBT holdings 44m (34.7%) (9.0% relates to shares held for un-vested Employee Incentive Scheme awards)
- Directors and staff fully diluted equity interests 36.6%

¹ Includes vested shares within sub-funds of the Employee Benefit Trust 2004 ("2004 EBT") from which the individuals and their families may benefit, and other shares held by EBTs in respect of vested option awards

Employee Incentive Schemes

Impax share/ option scheme	Strike price	Exercise period	Awards outstanding
<u>Granted</u>			
FY11 ESOP	49.6p	1 Jan 2015 - 31 Dec 2017	4,540,000
FY12 ESOP	37.6p	1 Jan 2016 - 31 Dec 2018	2,800,000
FY13 ESOP	47.9p/54p	1 Jan 2017 - 31 Dec 2019	2,706,000
Others	0/37.6p	Various	395,455
			<u>10,441,455</u>
<u>To be granted</u>			
FY14 ESOP ²	TBD ¹	1 Jan 2018 - 31 Dec 2020	3,704,000
FY14 RSS ²	0p	15 Dec 2017 - 15 Dec 2019 ³	1,250,000
			<u>15,395,455</u>

- 11.6m shares bought back and held by 2012 EBT

¹ The strike price of the options will be set at a 10% premium to the average market price of the Company's shares for the 30 business days following the announcement of the results for the year ended 30 September 2014.

² To be allocated

³ To be determined

Impax seed investments

Theme	Principal funds / Investee	Investments ¹ (£m)	% of Fund AUM	Initial investment date	Comments
Specialists	Impax Global Resource Optimization Fund	2.4	24%	Nov-11	Withdrawals to 30 Sept 2014 \$3m; further \$2m withdrawn Oct 2014
Food & Agriculture	Impax Food and Agriculture Fund	2.2	81%	Dec-12	2 year anniversary - Dec 2014
Water	Impax Fundamental Long-Only Opportunities in Water	3.1	84%	Jan-14	Seed investment of \$5m
Private equity	Impax New Energy Investors LP "INEI LP"	0.7	4%	Aug-05	Commitment: €3.8m
	Impax New Energy Investors II LP "INEI II LP"	1.8	1%	Mar-10	Commitment: €3.3m, 57% drawdown
		10.2			

¹ Fair value at 30 September 2014

Sources

¹ <http://www.cbc.ca/news/world/story/2012/07/25/f-drought-usa-faq.html>, 26 July 2012, referencing report by National Climatic Data Centre
 Source: CBC News

² <http://tilt.ft.com/posts/2011-04/17831/china-water-2>
 Source: FT Tilt Pro, 11 April 2011

³ Foreign & Commonwealth Office report
http://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&ved=0CEcQFjAA&url=http%3A%2F%2Fwww.ukti.gov.uk%2Fexport%2Fcountries%2Fasiapacific%2Ffareast%2Fchina%2Fpremiumcontent%2F360200.html&ei=TSm2UJWMNofBhAfn_oDwBg&usg=AFQjCNG5hHIJ7Lr3s66Jx2uD9xedc6Ypog
 Source: British Embassy Beijing, “China Energy: Monthly Report for August”, page 2 and 5

[https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/376463/China - Energy Monthly August to October 2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/376463/China_-_Energy_Monthly_August_to_October_2014.pdf)
 Source: British Embassy Beijing, “China Energy: Monthly Report – August to October 2014”, page 2

⁴ <http://spectrum.ieee.org/energywise/energy/nuclear/siemens-says-germany-nuclear-phase-out-to-cost-trillions>
 Source: IEEE Spectrum, 17 January 2012

⁵ <http://www.bloomberg.com/news/2012-09-14/japan-draws-curtain-on-nuclear-energy-following-germany.html>
 Source: Bloomberg

Important information

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