



# Impax Asset Management Group plc

## Final results for the year ended 30 September 2015

# Agenda

- Business update
- Financial results
- Q&A



# On track to meet our growth targets

## Key developments

- AUM and advice increased to £2.8bn at year end, £3.0bn at 31 October 2015
- Net inflows for the year
- Investment for continued growth has led to higher staff costs
- Strong listed equities performance and progress with product development
- Fund raising for renewable power infrastructure and sustainable property funds on track
- Sally Bridgeland and Lindsey Brace Martinez appointed Non-Executive Directors in July 2015
- Investors showing strong interest in climate change; COP21 an important catalyst
- Recent awards<sup>1</sup>: Best Environmental Fund Management Group and Best Specialist Fund Management Group

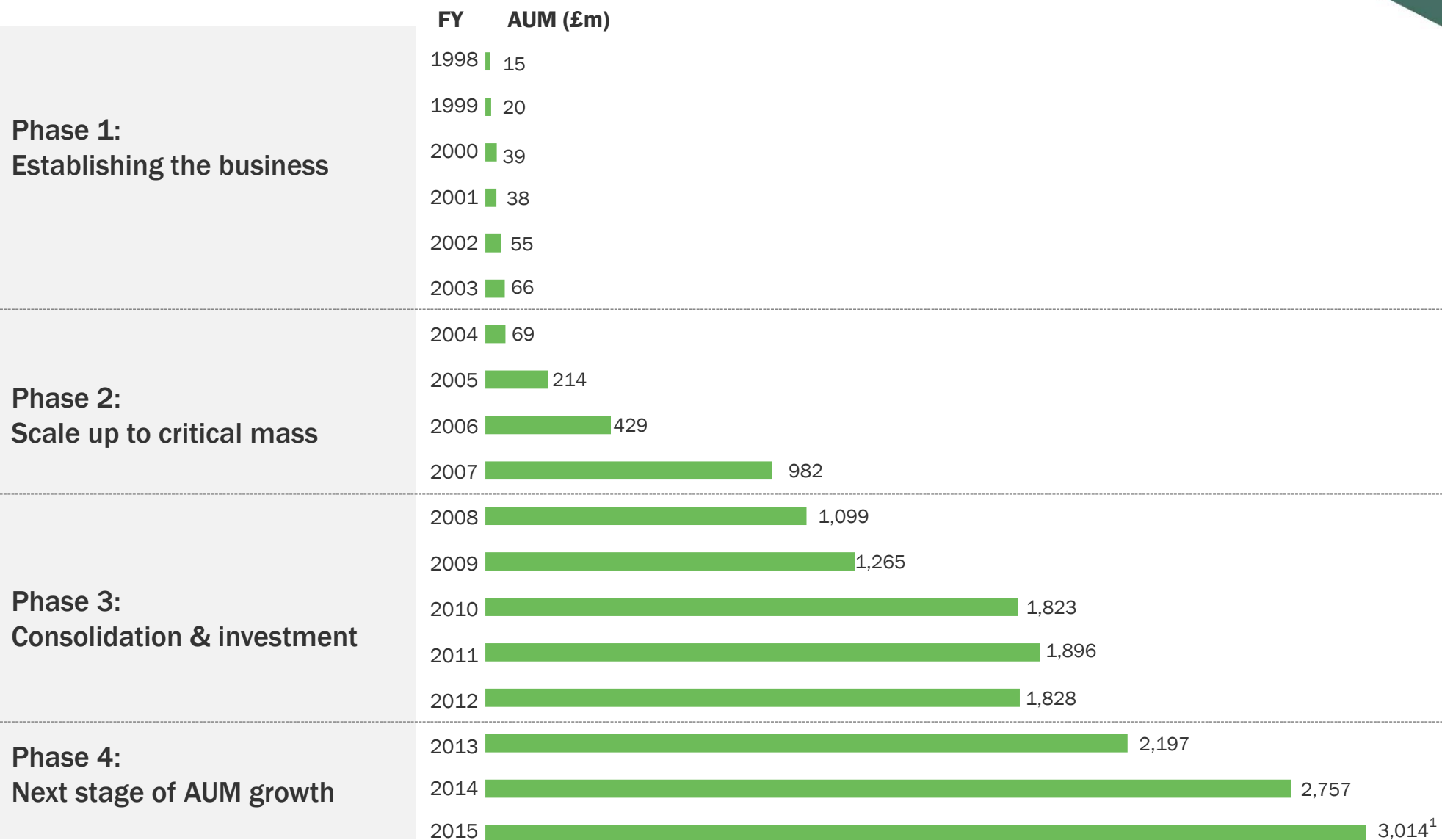
<sup>1</sup>Investment Week Specialist Awards 2015

# Financial performance (year to 30 September 2015)

	2015	2014
Assets under management and advice	<b>£2,823m<sup>1</sup></b>	£2,757m
Revenue	<b>£19.7m</b>	£20.4m
Operating earnings <sup>2</sup>	<b>£3.1m</b>	£5.3m
Profit/(Loss) before tax	<b>£5.1m</b>	£3.5m
Shareholders' equity	<b>£25.9m</b>	£24.9m
Cash reserves	<b>£19.3m</b>	£17.2m
Final dividend (full year)	<b>1.2p (1.6p)<sup>3</sup></b>	1.1p (1.4p)
Special dividend	<b>0.5p<sup>3</sup></b>	-

<sup>1</sup> Increased to £3,014 by 31 October 2015. <sup>2</sup> Revenue less operating costs, excluding credits/charges related to legacy long-term incentive schemes. <sup>3</sup> Proposed.

# Investing since 1998 (financial year)



<sup>1</sup> As at 31 October 2015

# Successful history of innovation

LISTED EQUITIES	INCEPTION DATE	AUM <sup>1</sup>	
Specialists	Mar 2002	£789m	Established
Leaders	Mar 2008	£617m	
Water	Jan 2009	£1.0bn	
<b>Total £2.5bn</b>			
	INCEPTION DATE	AUM <sup>1</sup>	
Food and Agriculture	Dec 2012	£48m	Growth opportunity
Asia- Pacific	Nov 2009	£21m	
Global Equity	Jan 2015	£2m	

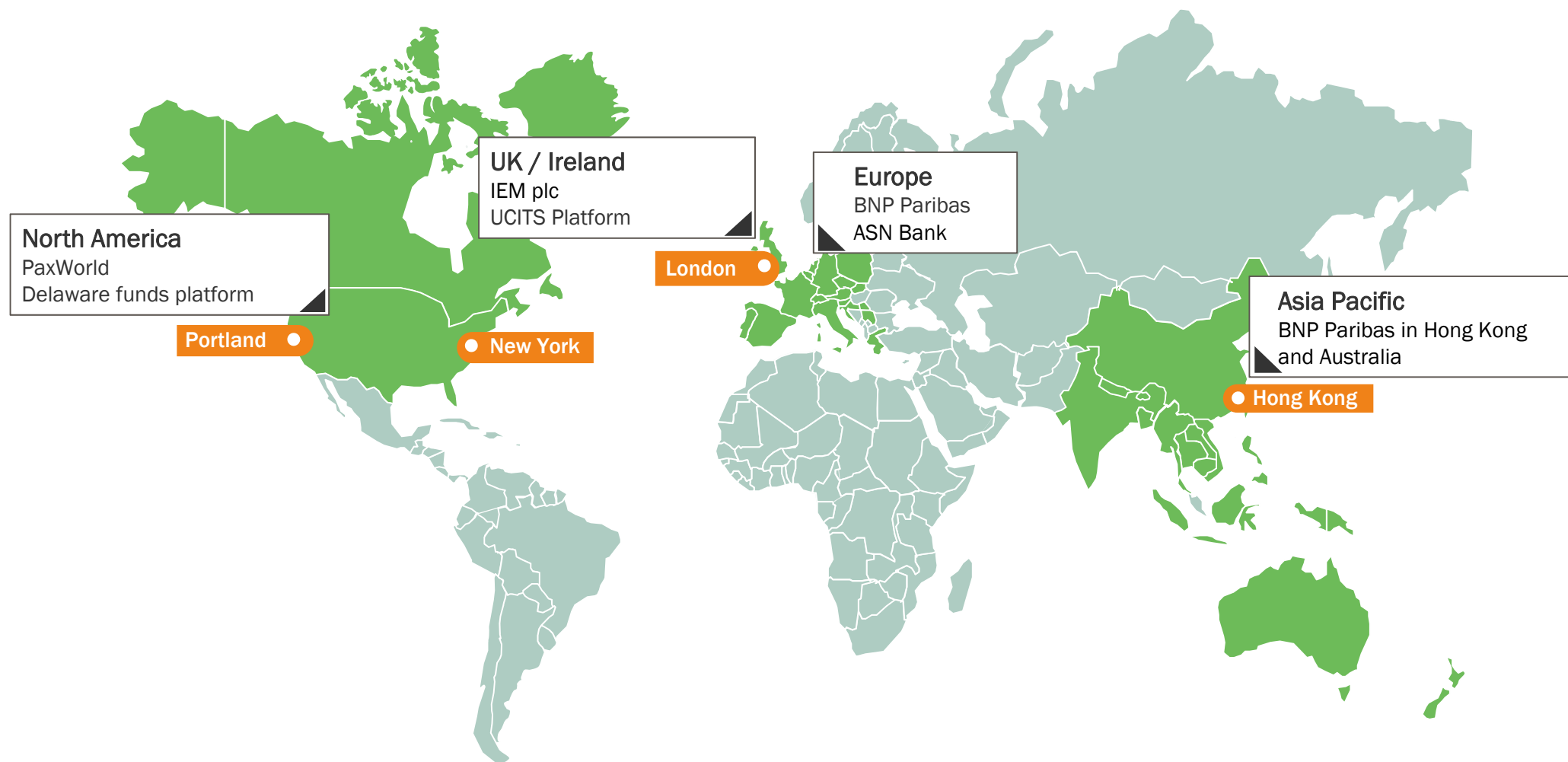
REAL ASSETS	INCEPTION DATE	AUM <sup>1</sup>
Impax New Energy Investors I LP	2005	£71m
Impax New Energy Investors II LP	2010	£242m
Impax Climate Property Fund	2009	£22m
<b>Total £335m</b>		

- Developing new listed equity products
- Plans for additional real asset vehicles on track

<sup>1</sup> As at 30 September 2015

# Global distribution capabilities

Combination of direct and third party sales



# Listed Equities update



- Strong performance from three major strategies: Leaders, Water and Specialists outperformed MSCI ACWI
- Robust flows into Leaders and Water from Continental European investors
- New segregated account for Specialists
- Food & Agriculture strategy, approaching 3 year track record, well positioned vs peers
- BNPP launched sustainable food fund (SMaRT Food); encouraging investor interest and €70 million AUM at Period end
- Added resource to manage new strategy to compete with unconstrained global equity funds, now seeded



# Sustainable food: the opportunity

Investing across the value chain



**Growers & Inputs**



**Technology & Logistics**



**Basic Foods & Ingredients**



**Food Safety**



**Sustainable Packaging**



**Value Added Foods**



**Distributors**

# Private Equity Infrastructure update

NEF II investment performance underpins future fund raising opportunities



## NEF I

- Further progress with exits
- Progress with arbitration on retroactive tariffs in Spain

## NEF II: planned realisation of operating assets

- Sale of 220MW wind assets in France and Germany
- More than 40% of drawn capital exited

## Fundraising plans well advanced

- EIB announced proposed investment of €50m
- BNP Paribas appointed European placement agent

# Sustainable Property update



- Exciting opportunity to create value through energy efficiency improvements; demand increasingly driven by stricter regulation
- On track to let and sell remaining asset in Fund I
- Progress on fundraising plans
- Advisory Board appointed and placement agent engaged

# Powerful catalysts in Resource Efficiency and Environmental Markets

## CALIFORNIA DROUGHT



## VOLKSWAGEN EMISSIONS SCANDAL



## CHINA 13<sup>TH</sup> FIVE YEAR PLAN

### China's Leaner and Greener 5-Year Plan

Leadership in Beijing is set to consolidate a new model of economic development for China that could curb energy use and emissions even earlier than expected.

BY KEITH JOHNSON | OCTOBER 30, 2015 | @KEITHJOHNSON | @XFLFP



## UN CLIMATE CHANGE CONFERENCE





# Notable rise in investor interest in all our strategies

## FINANCIAL TIMES

### Mark Carney warns investors face 'huge' climate change losses

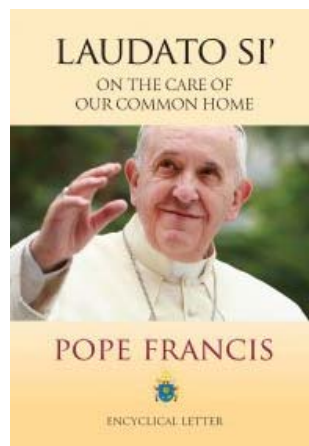
Pillita Clark in London



The governor of the Bank of England has thrown down the gauntlet to the fossil fuel industry with a blunt **warning** that investors face “potentially huge” losses from climate change action that could make vast reserves of oil, coal and gas “literally unburnable”.

## The Washington Post

### Release of encyclical reveals pope's deep dive into climate science



## FINANCIAL NEWS

### Europe's second-biggest pension fund goes low-carbon

By  
[Mark Cobley](#)

PFZW, the €161 billion pension fund for Dutch healthcare workers, has said it will sell out of high-polluting fossil-fuel companies, with the aim of slashing its carbon emissions by half in four years.



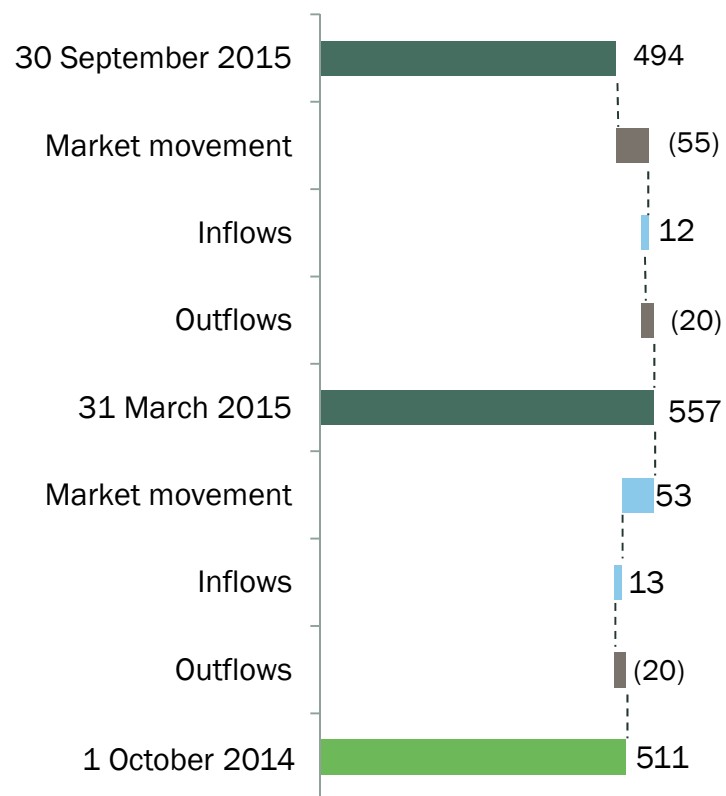
## Fiduciary duty & climate change disclosure



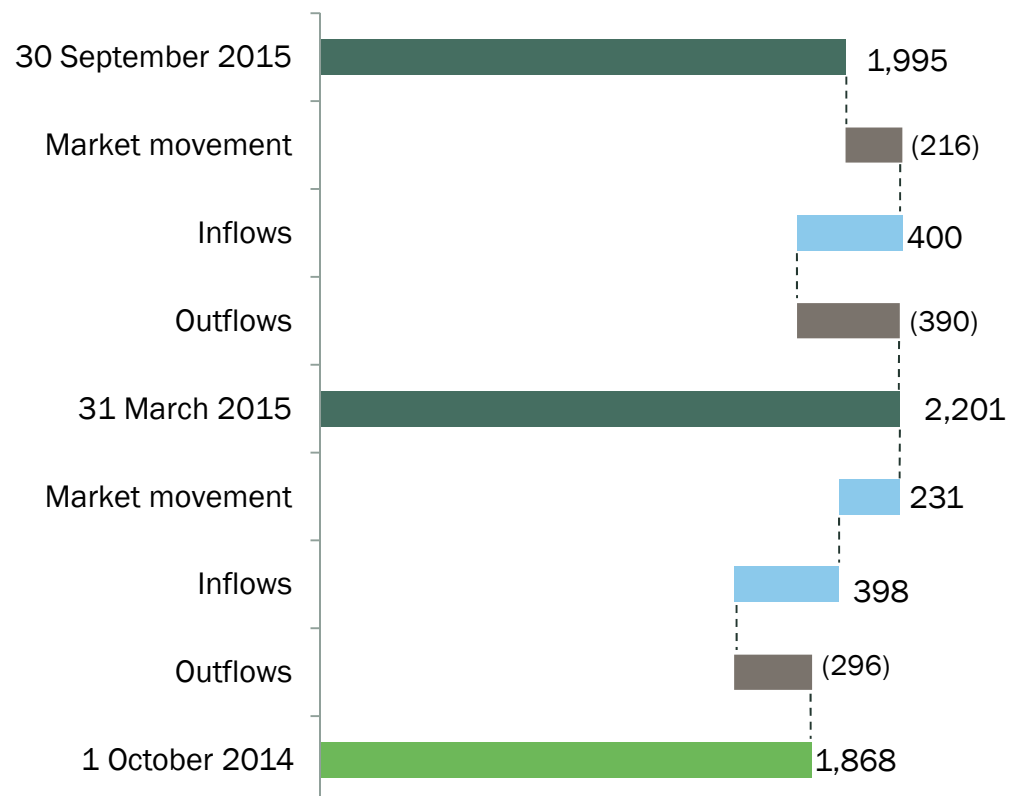
Climate change is occurring. It has important implications for economic activity and therefore corporate performance. The effects of climate change are beginning to play out within and among industries and regions. They are likely to grow in significance in the years to come, becoming an increasingly important factor in the relative performance of firms, industries and investment portfolios.

# Breakdown of AUM increase (listed equities)

## “IMPAX LABEL” FUNDS (£m)



## THIRD PARTY FUNDS/ACCOUNTS (£m)

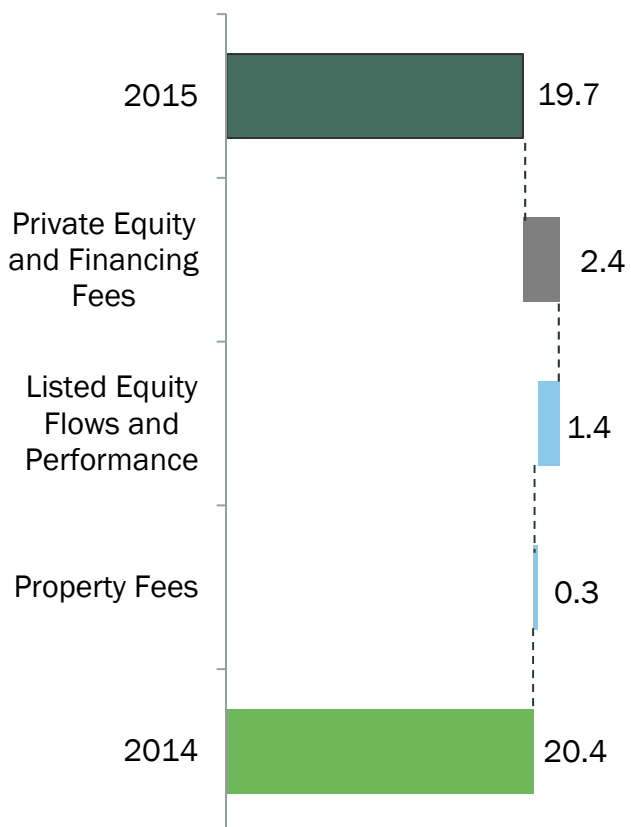


Note: the data above refers to Listed Equity funds and accounts only

# Financial highlights

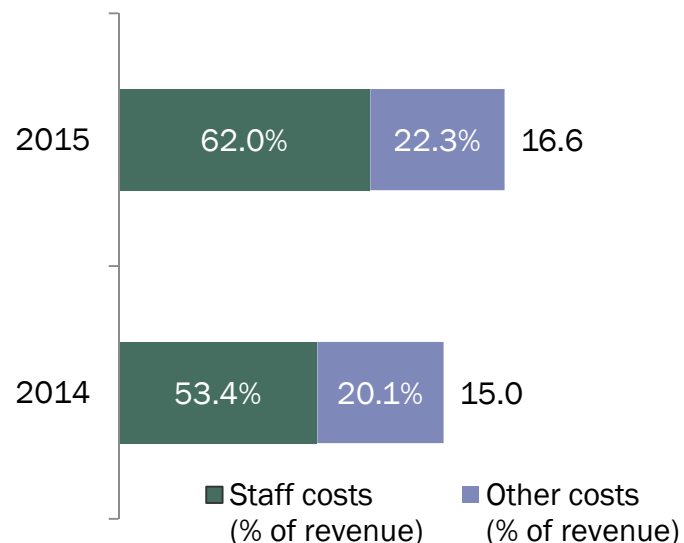
## Operating performance

### REVENUE (£m)



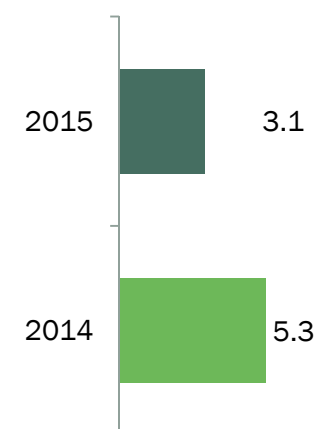
- End of NEF II investment period
- Fee reduction in NEF I PPS rate

### OPERATING COSTS (£m)



- Fixed remuneration increase due to new hires and pay rises
- Other operating costs include establishment fees for PE and Property funds (£0.2m)

### OPERATING EARNINGS (£m)

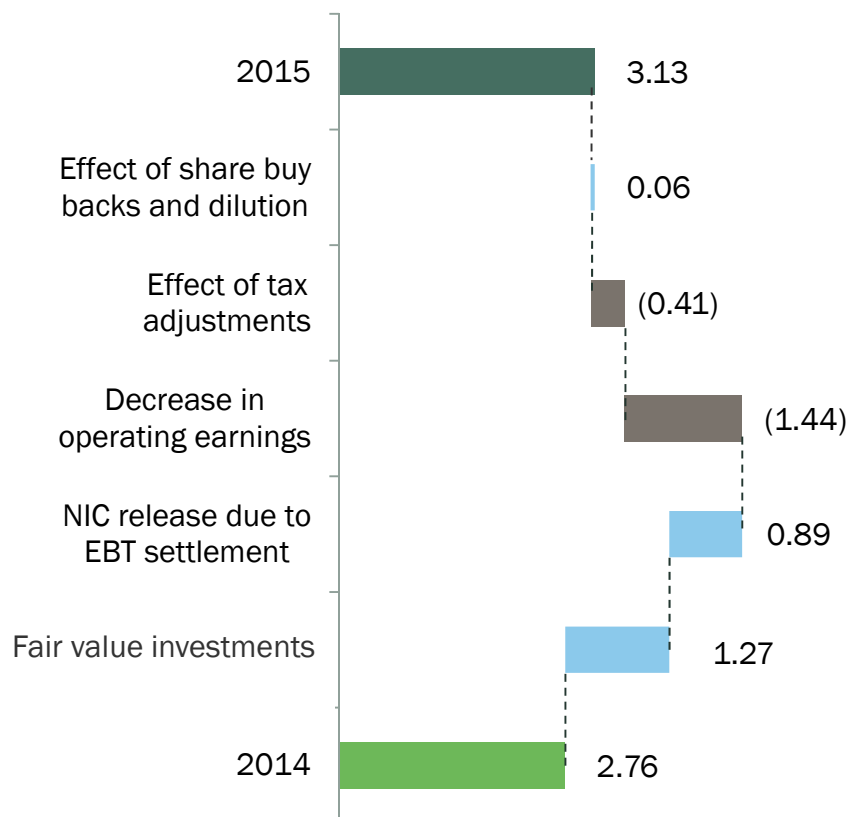


- Operating margin 16% (2014: 26 %)

# Financial highlights (2)

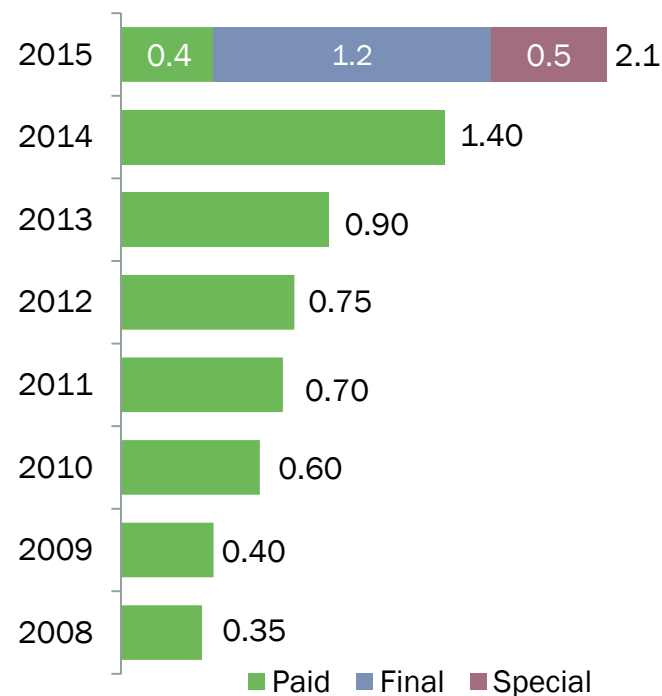
## Earnings and dividends

### DILUTED EPS (p)



- £0.6m investment gains (2014:£1.5m losses)

### DIVIDEND (p)



- 14% rise in full year dividend
- Special dividend payable following successful outcome of EBT settlement
- Interim and final dividend cover of 2.0

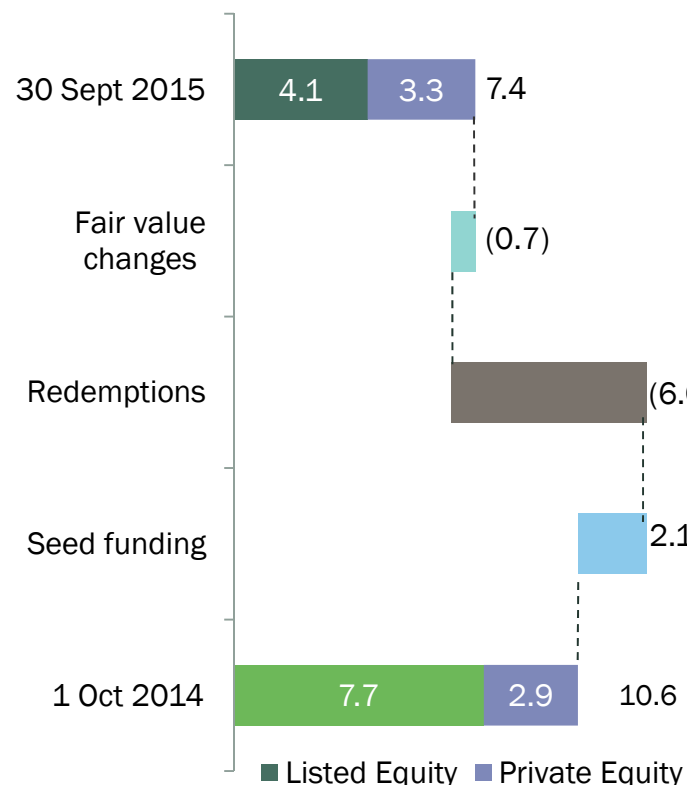
<sup>1</sup>Proposed



# Financial highlights (3)

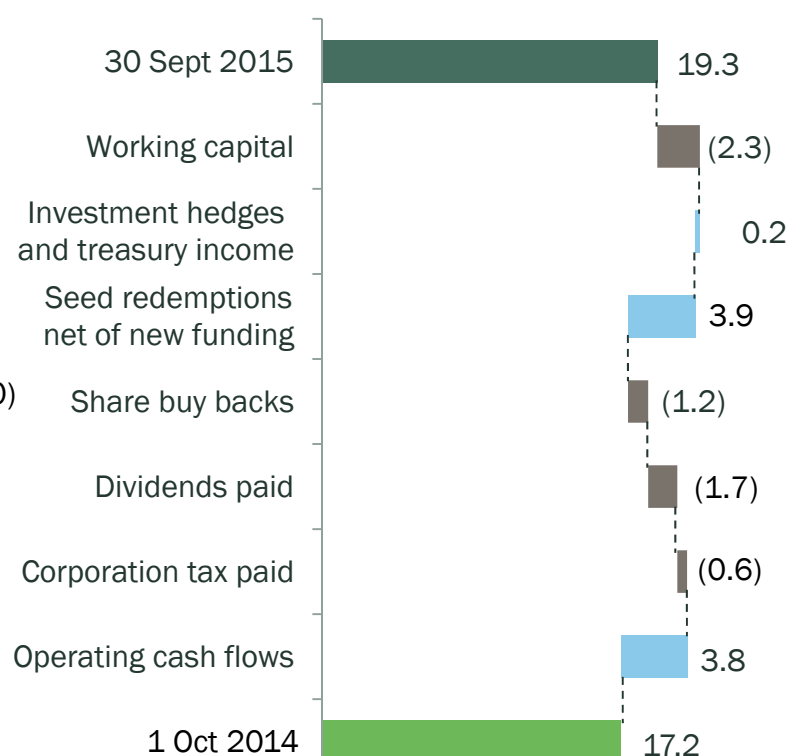
## Cash and investments

### INVESTMENTS<sup>1</sup> (£M)



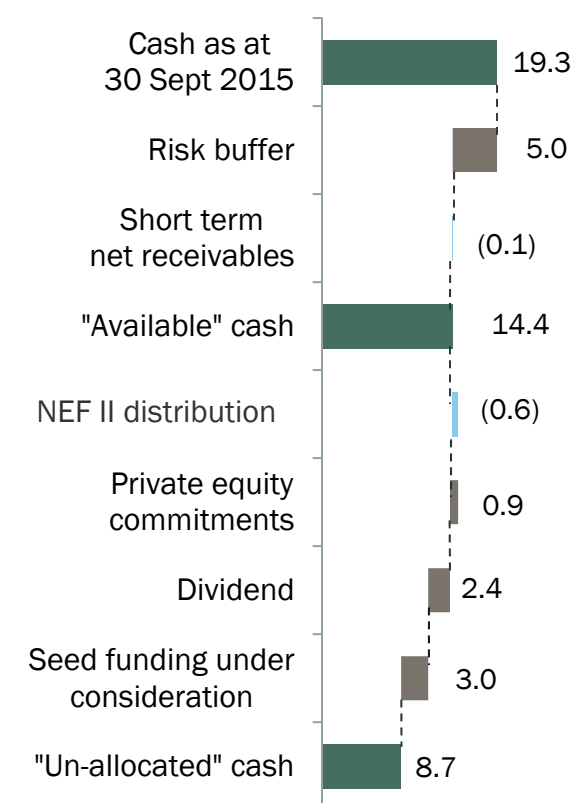
- Redemptions: IGRO £2.5m in Oct 2014 and IFLOW £3.5m in June 15
- Seed funding: £2m IGEO

### CASH RESERVES (£M)



- Continued strong cash generation
- Final 2014 and interim 2015 dividends paid
- 2.25m shares bought back during the year

### CASH RESERVE ANALYSIS (£M)



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

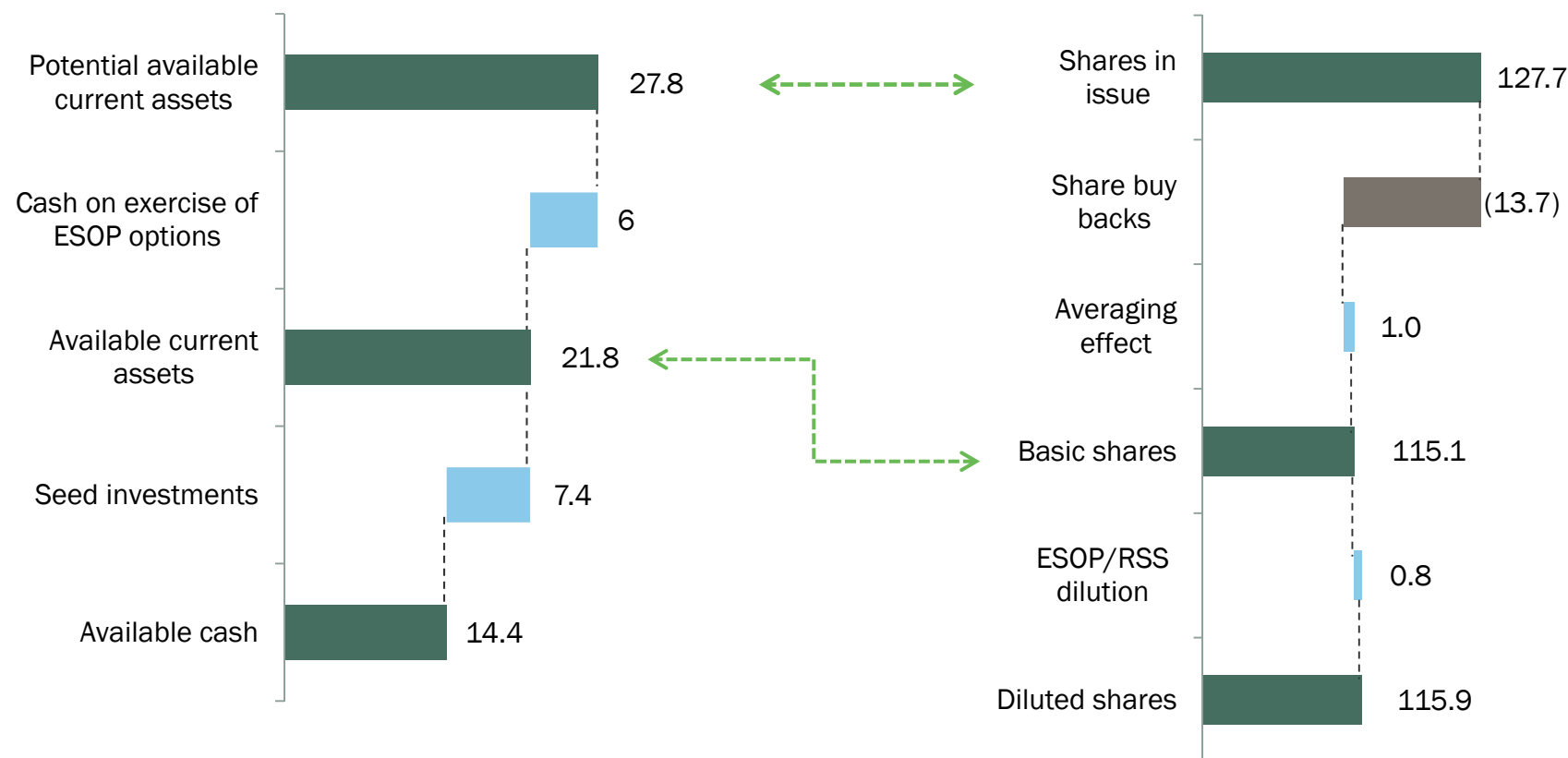
<sup>1</sup>Excluding third party interest on consolidated funds

# Financial highlights (4)

## Balance sheet

### CURRENT ASSETS (£m)

### SHARE MANAGEMENT (m)

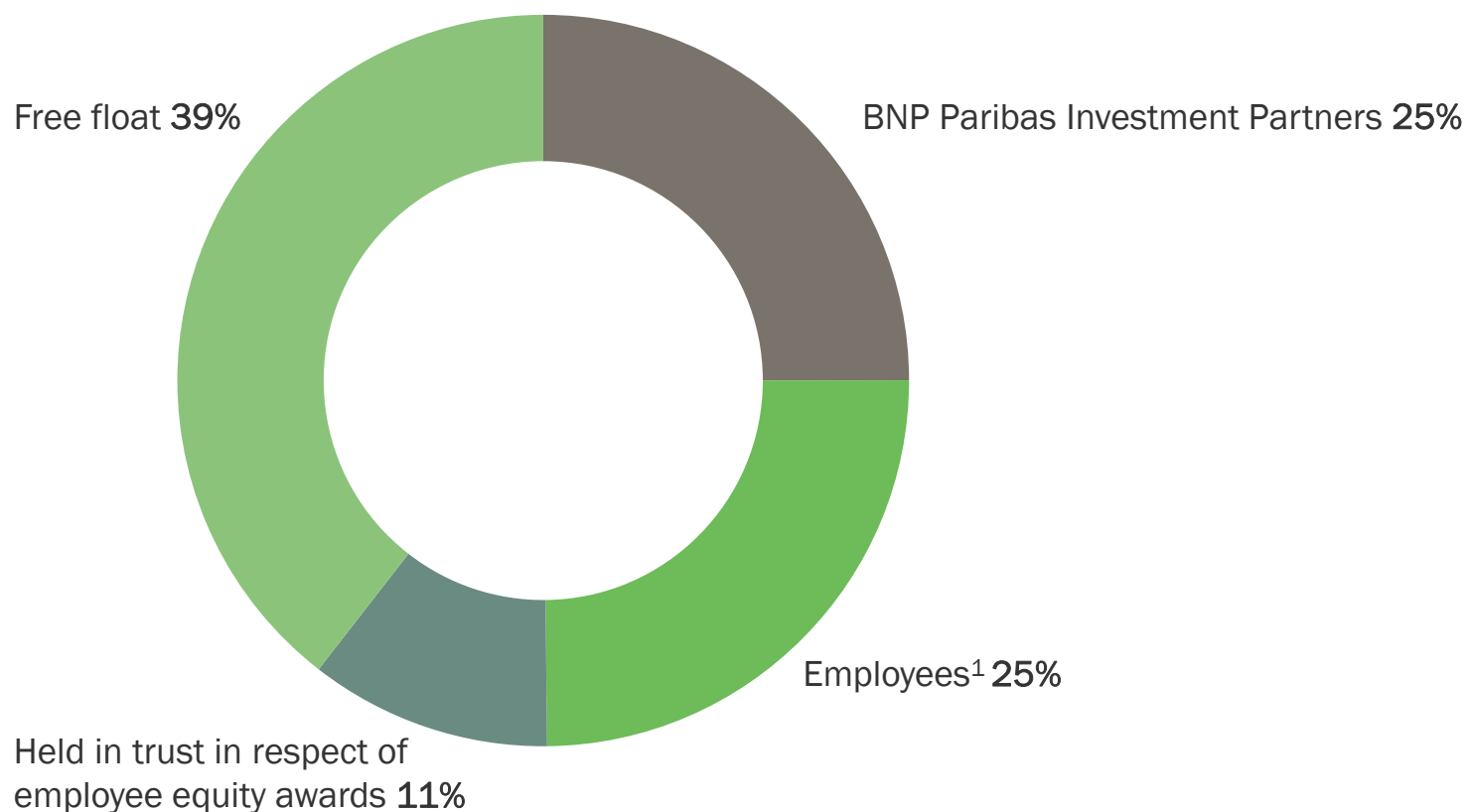


- Available current assets per share 19p (115.1m shares)

- 2.2m Impax shares bought back during the year
- 13.7m equity awards granted to date; 3.9m more to be granted re 2015
- PRP pool reduced by staff equity award costs
- 113.3m shares qualifying for a dividend

# IPX shareholder register

## Significant staff ownership



- IPX ordinary shares (total 127.7m)
- Employee and Trust holdings 45.4m (35.5%). 13.7m (10.7%) relates to shares held for Employee Incentive Scheme awards in Trust

<sup>1</sup>includes vested shares within sub-funds of the Employee Benefit Trust from which the individuals and their families may benefit, and other shares held by EBT s in respect of vested option awards

# Outlook

## Growth strategies

- High growth global equities
- An acknowledged leader globally
- Strong investment consultant endorsement

## Performance and capacity

- Stable expert team
- 4 scalable strategies at critical mass
- 3 more strategies to be scaled

## Strong distribution

- Strengthened UK coverage
- Established platform in the US
- Proven third party partners

## Operations

- Infrastructure in place for significantly larger AUM

## Dividend

- Commitment to progressive dividend policy
- Increased dividend reflects<sup>1</sup> our confidence in our future prospects
- Special dividend 0.5p<sup>1</sup>

<sup>1</sup>Proposed

# Important information

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# Appendix

# Extensive expertise



# Resource Efficiency and Environmental Markets:

Diverse listed equity opportunities (FTSE classification)



## Energy

<b>Energy Efficiency</b>	<b>Alternative Energy</b>
<ul style="list-style-type: none"> <li>■ Power Network</li> <li>■ Industrials</li> <li>■ Buildings</li> <li>■ Transport</li> <li>■ Consumer</li> </ul>	<ul style="list-style-type: none"> <li>■ Developers &amp; IPPs</li> <li>■ Solar</li> <li>■ Wind</li> <li>■ Biofuels</li> <li>■ Other</li> </ul>



## Water

<b>Water Infrastructure &amp; Technologies</b>	<b>Pollution Control</b>
<ul style="list-style-type: none"> <li>■ Infrastructure</li> <li>■ Treatment</li> <li>■ Utilities</li> </ul>	<ul style="list-style-type: none"> <li>■ Pollution Control Solutions</li> <li>■ Testing &amp; Gas Sensing</li> <li>■ Public Transportation</li> </ul>



## Food, Agriculture & Forestry

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



## Waste/Resource Recovery

<b>Waste Management &amp; Technologies</b>
<ul style="list-style-type: none"> <li>■ Tech Equipment</li> <li>■ Recycling &amp; Processing</li> <li>■ Hazardous</li> <li>■ General</li> </ul>
<b>Environmental Support Services</b>
<ul style="list-style-type: none"> <li>■ Consultancies</li> <li>■ Carbon &amp; Asset Trading</li> <li>■ Diversified Environmental</li> </ul>

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



# Climate change and investment risk

## Carbon risk and a rational approach to fossil fuel divestment



### The risk of stranded assets

Burning all carbon reserves valued on company balance sheets would lead to global temperature rises that would make the planet uninhabitable.

## Investment risk: climate change AND regulation



It's not just about our changing weather patterns. Governments will most likely intervene to limit CO<sub>2</sub> emissions e.g. through taxes.

## Impact of a carbon tax



Taxes on fossil fuels will make extraction of many fossil fuels uneconomic, rendering them stranded and of no financial value.

## Rational divestment and reallocation



Partial divestment and reallocation to renewables and energy efficiency allows investors to maintain energy exposure.

# Impax investment universe is growing rapidly

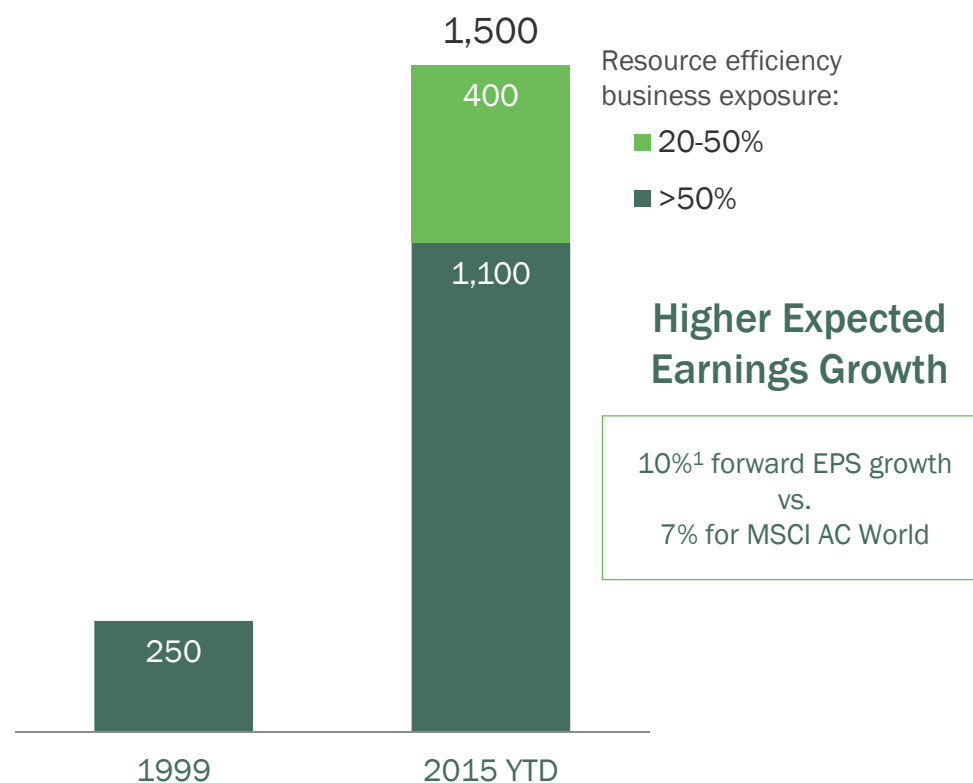
## Large universe of growing companies

## 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.

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

# Income statement

	Year Ended 2015 £'000	Year Ended 2014 £'000
Revenue	19,726	20,359
Bonuses pool	(3,952)	(4,377)
Other operating costs	(12,664)	(10,661)
Operating costs	(16,616)	(15,039)
<b>Operating earnings</b>	<b>3,110</b>	<b>5,320</b>
Other charges related to EIA schemes	1,285	(539)
Fair value (losses)/gains	615	(1,460)
Change in third party interest in consolidated funds	(101)	7
Investment income	228	207
<b>Profit before taxation</b>	<b>5,137</b>	<b>3,535</b>
Taxation	(1,504)	(279)
<b>(Loss) / Profit for the period</b>	<b>3,633</b>	<b>3,256</b>

# Balance sheet

	30 Sept 2015	30 Sept 2014
	£'000	£'000
Goodwill and intangibles	1,754	1,772
Other non-current assets	201	262
	<b>1,955</b>	<b>2,034</b>
Cash and cash equivalents	19,517	17,249
Current asset investments	7,419	11,640
Other current assets	4,980	3,568
<b>Total assets</b>	<b>33,871</b>	<b>34,491</b>
Current liabilities	5,510	7,728
Non current liabilities	2,434	1,904
<b>Net assets</b>	<b>25,927</b>	<b>24,859</b>
<b>Shareholder's equity</b>	<b>25,927</b>	<b>24,859</b>

Note: The Balance Sheet includes effects due to the consolidation of investments.

Cash reserves not including consolidated funds are £19.3m (Mar 2015: £12.8m Sept 2014: £17.2m Mar 2014: £12.7m, Sep 2013: £16.5m)

# Impax seed investments

Theme	Principal funds / Investee	Investments <sup>1</sup> (£m)	% of Fund AUM	Initial Investment Date
Food & Agriculture	Impax Food and Agriculture Fund	2.2	95%	Dec-12
Global Equities Opportunity fund	Impax Global Equity Opportunities fund	1.9	99%	Dec-14
Private equity	Impax New Energy Investors LP “NEFI”	0.6	4%	Aug-05
	Impax New Energy Investors II LP “NEFII”	2.3	1%	Mar-10
		7.0		

<sup>1</sup>Fair value at 30 September 2015