



# Impax Asset Management Group plc

## Results for year ended 30 September 2016

# Agenda

- Part 1: Introduction to the company
- Part 2: Business update
- Part 3: Financial update



## **Part 1: Introduction to Impax Asset Management**

## Impax Asset Management: summary

**Acknowledged global leader investing in high growth markets**

**Business model designed to build shareholder value**

**Excellent investment and corporate track record**

**Strong catalysts for 2017 and the longer term**

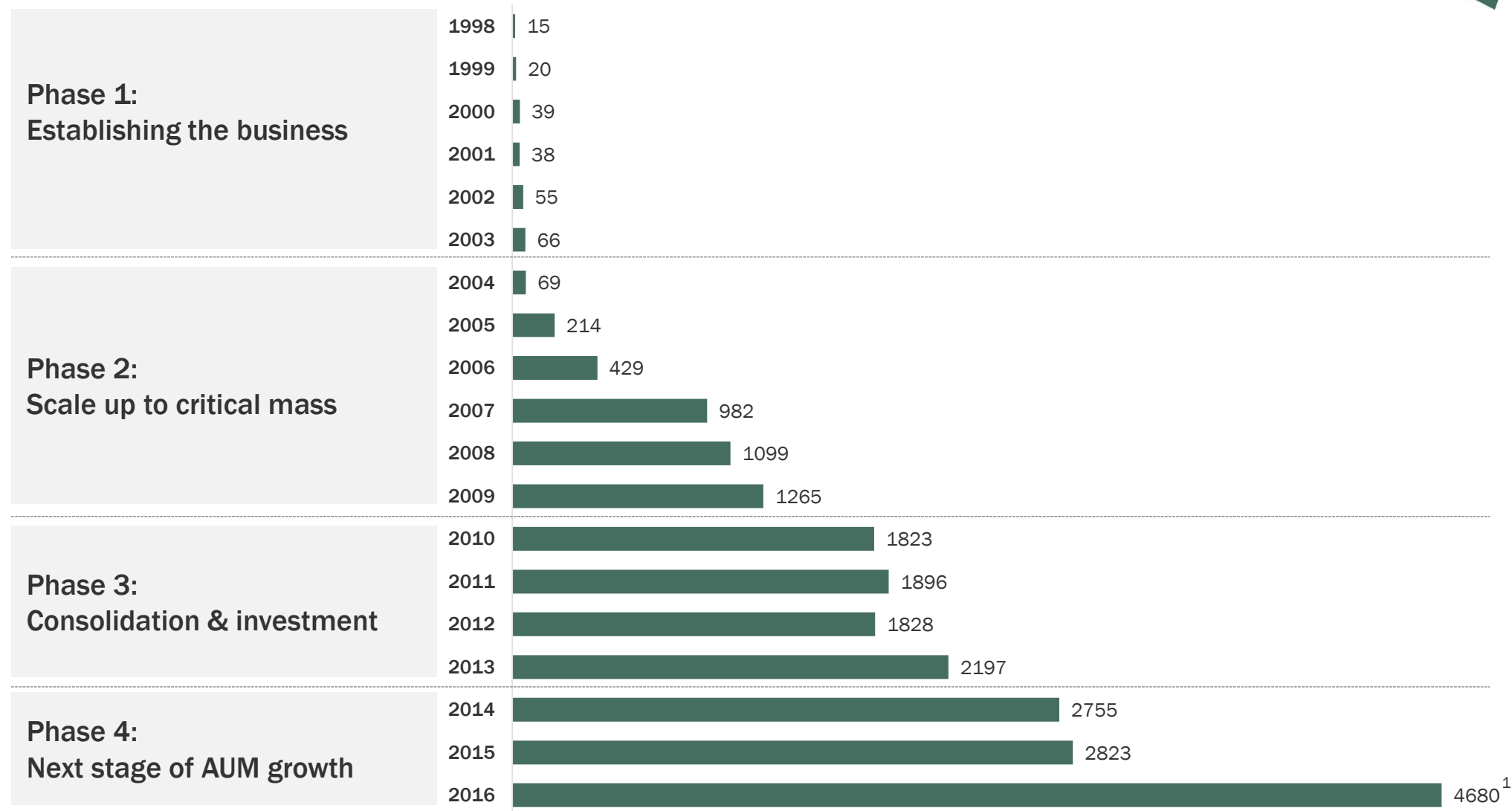


2016 UNPRI assessment:  
**A rating:** Policies, Processes,  
Practices, and Governance



# Solid track record of growth

AUM at FYE (£m)



<sup>1</sup>As at 31 October 2016. £4.5bn as at 30 September 2016.

# The rapidly changing landscape for investment managers

## MAINSTREAM TRENDS

- Pressure on generalists
- Increasingly complex regulatory environment
- Growing fee pressure on generic products
- Survival of the fittest
- Consolidation to continue

## A FORMULA FOR WINNERS

“Specialist” approach

Differentiated strategies

Diversified income

Scalable business model

Institutional scale/quality

## IMPAX WELL POSITIONED



# Environmental Markets: highly attractive for an active manager

## POWERFUL DRIVERS

Increasing population


Rising living standards

Infrastructure deficit

Finite natural resources

Pollution

## ENVIRONMENTAL MARKETS RAPIDLY EXPANDING



**Energy**

- Energy Efficiency
- Alternative Energy



**Water**

- Water infrastructure/ Technologies
- Pollution Control



**Food, Agriculture & Forestry**

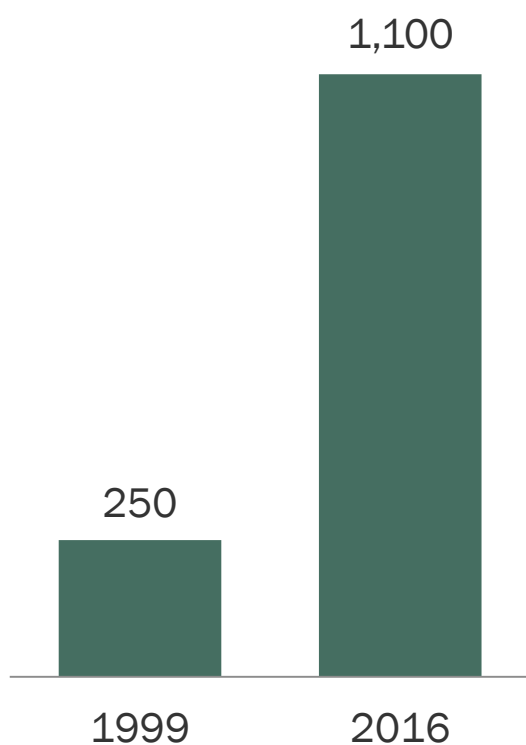


**Waste**

- Waste Management & Technologies
- Environmental Support Services

# Rapidly expanding universe of under-researched stocks

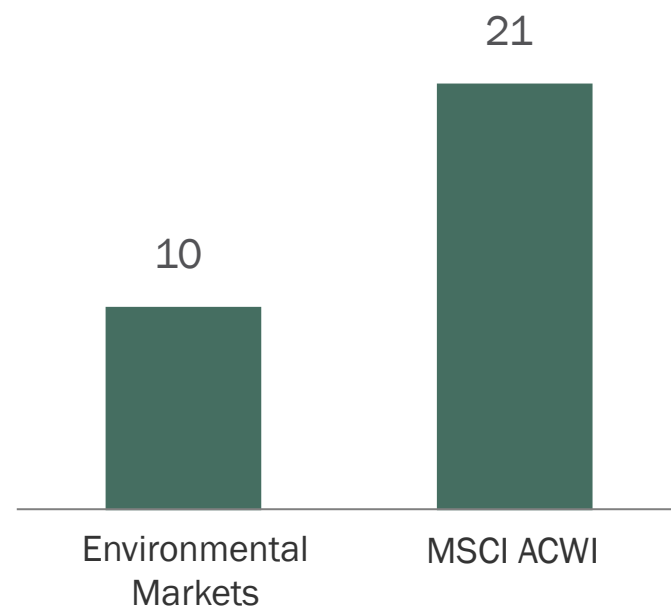
## RAPIDLY EXPANDING UNIVERSE OF STOCKS<sup>1</sup>



## PREVALENCE FOR MIS-PRICING



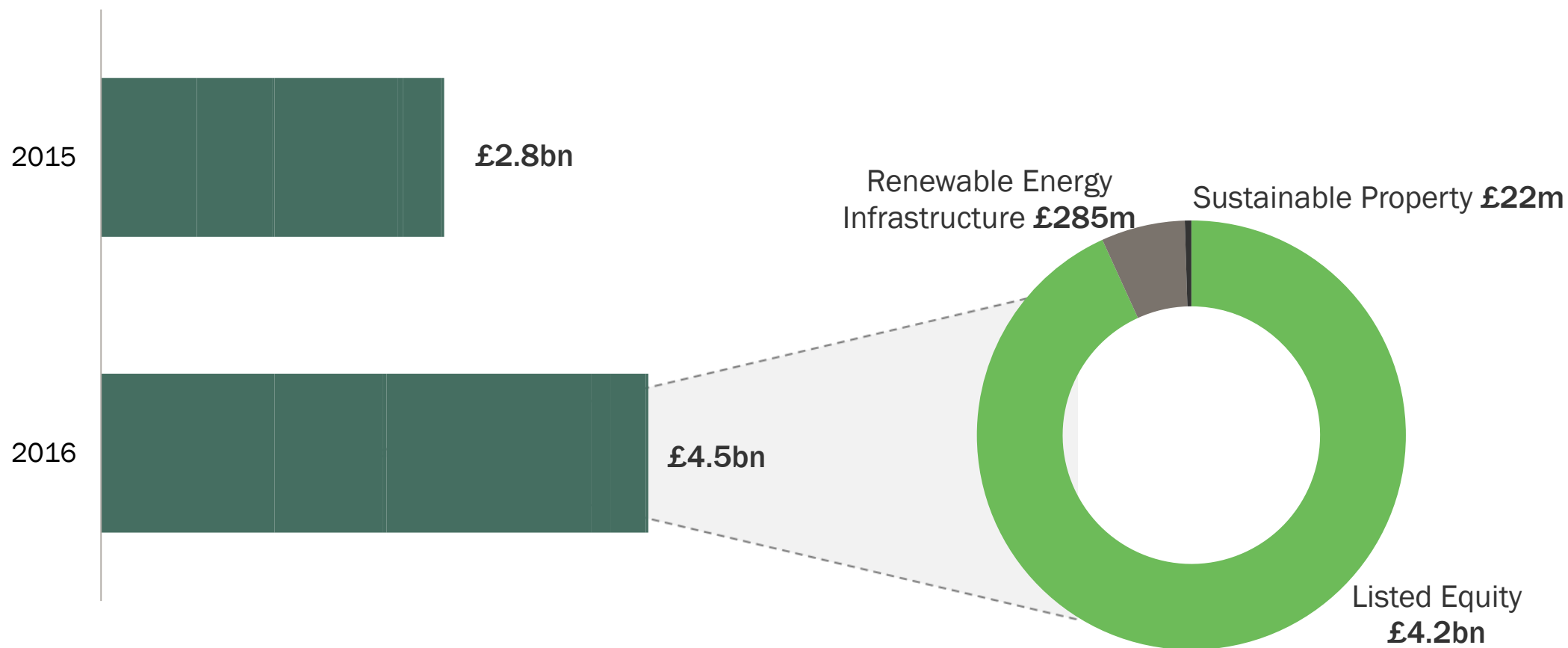
## LACK OF RESEARCH # Analysts per stock



<sup>1</sup>"Specialists strategy" universe for which companies have at least 50% of group revenue in Environmental Markets.



# Assets under management and advice<sup>1</sup>



<sup>1</sup>As at 30 September 2016. Assets under advice represent ~3% of total AUM.

# Broad range of strategies with significant capacity

LISTED EQUITIES	INCEPTION DATE	AUM <sup>1</sup>	
Specialists	Mar 2002	£1.4bn	Established
Leaders	Mar 2008	£893m	
Water	Jan 2009	£1.7bn	
Total £4.2bn			
	INCEPTION DATE	AUM <sup>1</sup>	
Food and Agriculture	Dec 2012	£165m	Earlier stage
Asia- Pacific	Nov 2009	£28m	
Global Equity	Jan 2015	£2m	

REAL ASSETS	INCEPTION DATE	AUM <sup>1</sup>
Impax New Energy Investors LP	2005	£83m
Impax New Energy Investors II LP	2010	£201m
Impax Climate Property Fund <sup>2</sup>	2009	£22m
Total £306m		

Total capacity of Listed Equities strategies today is ca. £10 billion

<sup>1</sup>As at 30 September 2016. <sup>2</sup>Acquired by Impax 2014.

## Part 2: Business highlights

## 2016 business update

**AUM<sup>1</sup> increased 59% to new peak of £4.5bn**

**Record net inflows of £496m  
Encouraging mandate pipeline**

**All listed equity strategies outperformed MSCI ACWI**

**First close of our third private equity infrastructure fund at €149m<sup>2</sup>**

**Strong growth of North American business**

**Expansion of product offering for the UK market**

<sup>1</sup>As of 30 September 2016. Assets under advice represent ~3% of total AUM. <sup>2</sup>On 30 November 2016.

# Financial performance for the Period

FINANCIAL PERFORMANCE	2016	2015
AUM at period end <sup>1</sup>	<b>£4.5bn</b>	<i>£2.8bn</i>
Revenue	<b>£21.1m</b>	<i>£19.7m</i>
Operating earnings <sup>2</sup>	<b>£4.2m</b>	<i>£3.1m</i>
Profit/(loss) before tax	<b>£5.2m</b>	<i>£5.1m</i>
Diluted earnings per share	<b>3.62p</b>	<i>3.13p</i>
Shareholders' equity	<b>£26.7m</b>	<i>£25.9m</i>
Interim dividend per share	0.5p	0.4p
Proposed full dividend per share	<b>1.6p</b>	<i>1.2p<sup>3</sup></i>

<sup>1</sup>Assets under management and advice. <sup>2</sup>Revenue less operating costs. <sup>3</sup>Plus special dividend of 0.5p per share.

# Powerful catalysts for investment

MOSCOW HEATWAVE 2010



QUEENSLAND FLOODS JAN 2011



UN CLIMATE CHANGE CONFERENCE



POLLUTION



VOLKSWAGEN EMISSIONS SCANDAL



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





# Environmental Markets: Brexit, Trump and COP-22



Impax listed equity and private equity funds have limited UK exposure



US has ratified the Paris Climate Agreement

Infrastructure spend likely to rise

Domestic environmental regulation may weaken



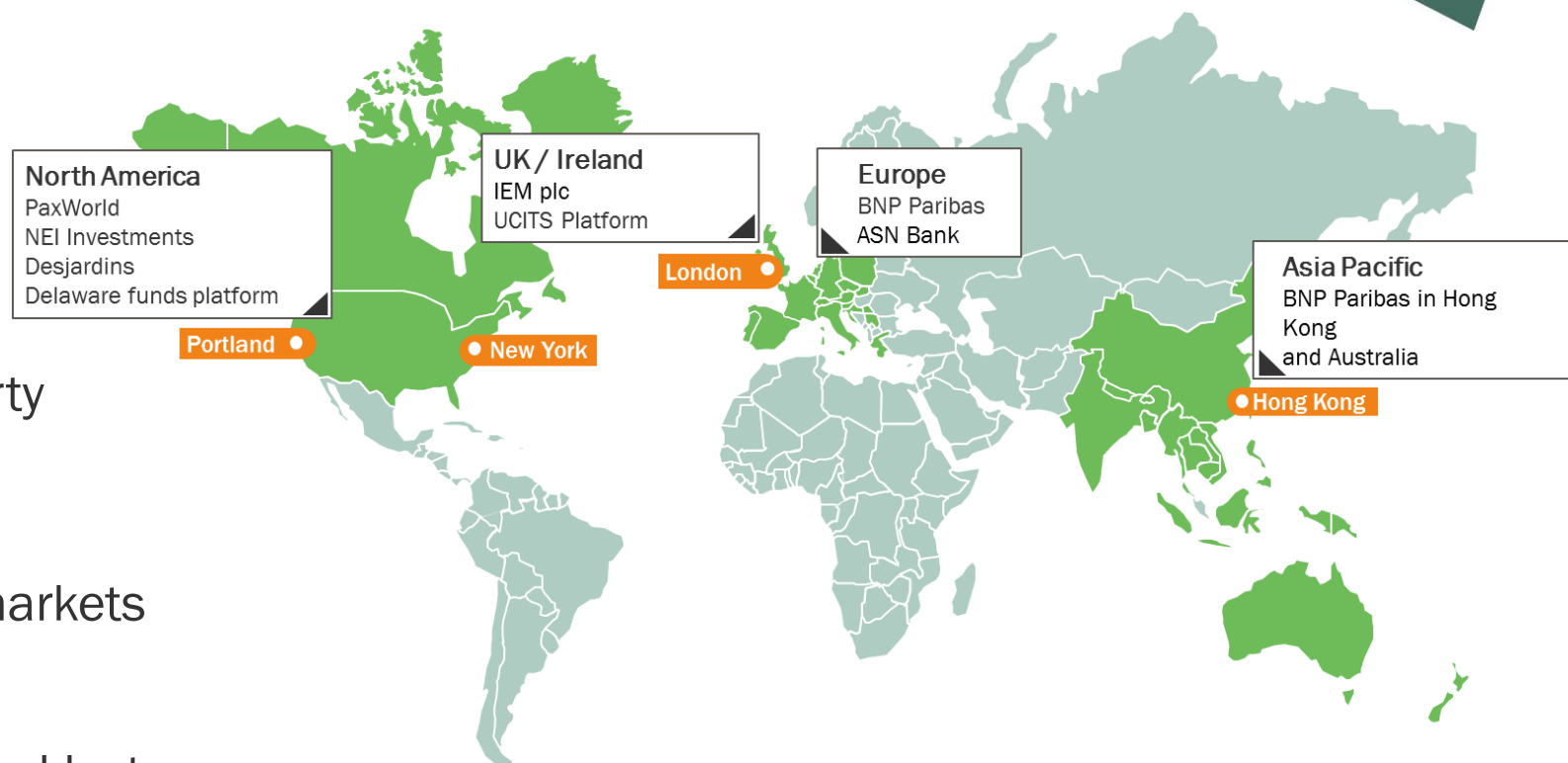
**MARRAKECH 2016**  
COP22 | CMP12 | CMA1  
UN CLIMATE CHANGE CONFERENCE

Defiant and optimistic mood at COP-22: strong commitments from China, India, Saudi Arabia

Catalysts for change and opportunities in environmental markets remain compelling

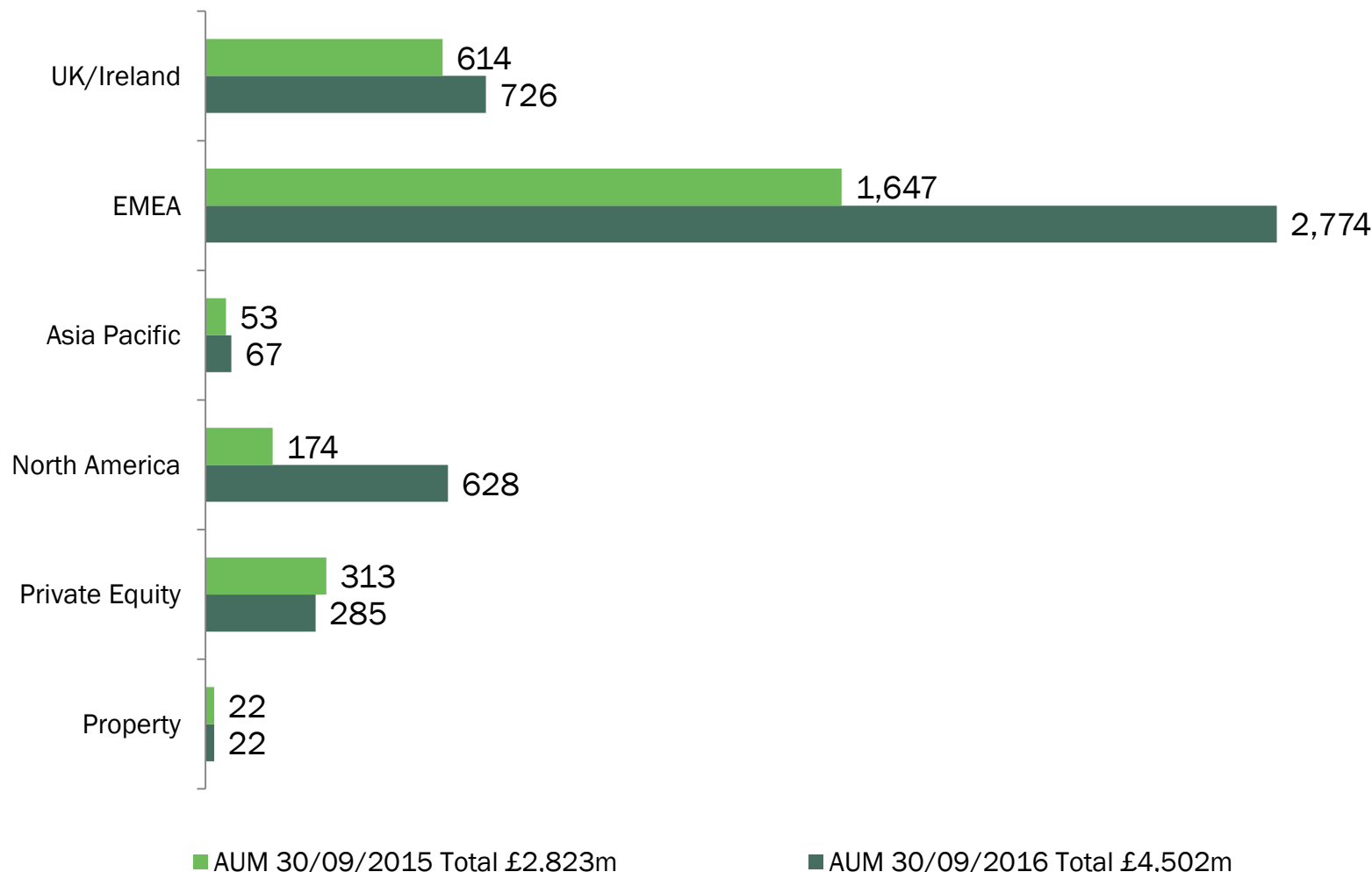
# Our global distribution capabilities

- In house sales
- Committed third-party distributors
- Access to over 20 markets
- Client base diversified by type and geography



# AUM growth in Europe and North America

Breakdown by client domicile (£m)



## Principal funds/partners

Impax Environmental Markets plc  
Irish UCITS Platform

BNP Paribas Investment Partners  
ASN Bank

BNP Paribas Investment Partners  
DIAM

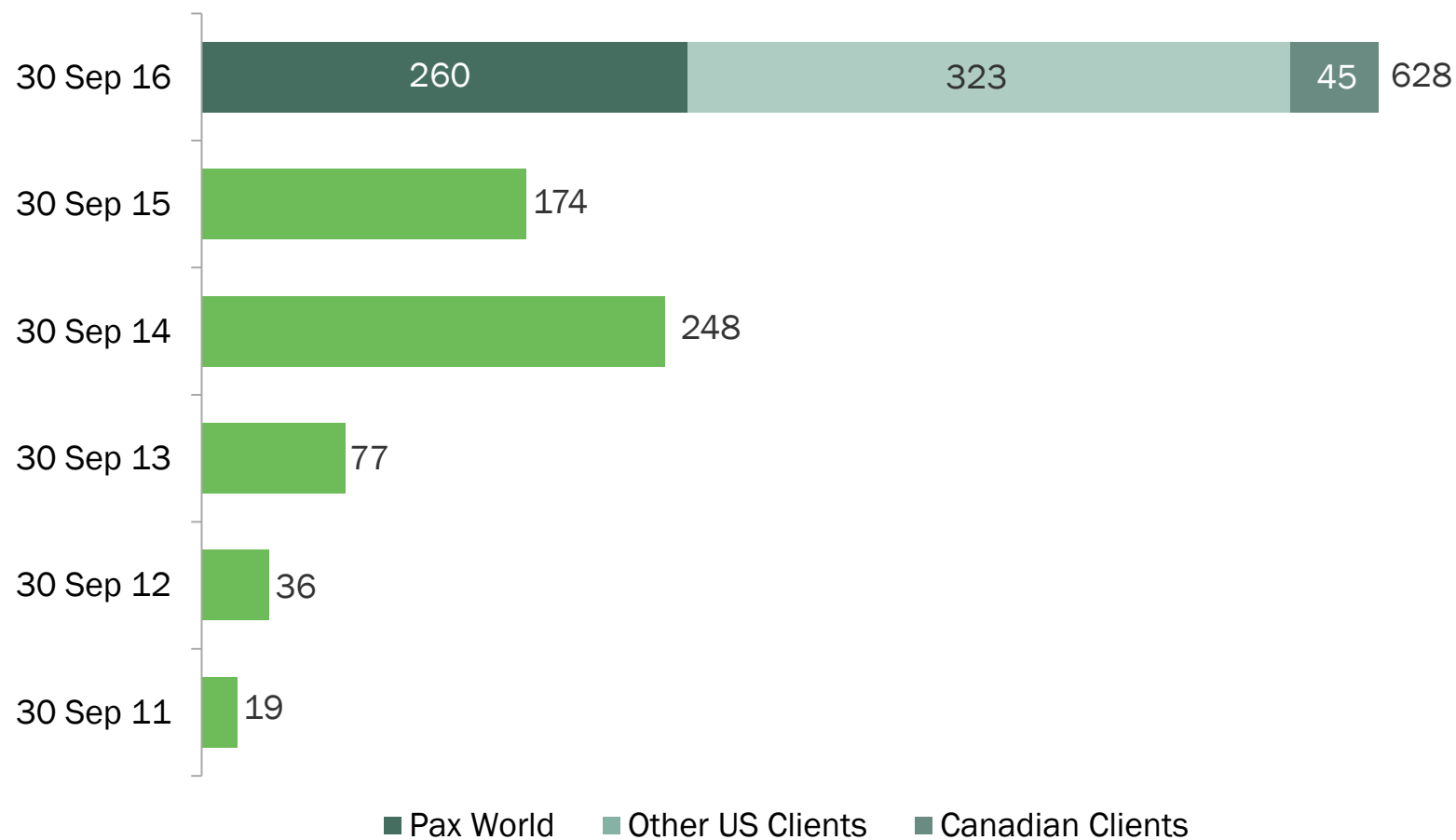
Delaware private fund  
PAX World  
NEI Investments  
Desjardins

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

Impax Climate Property Fund

# AUM growth in North America

£ million



## Listed Equities

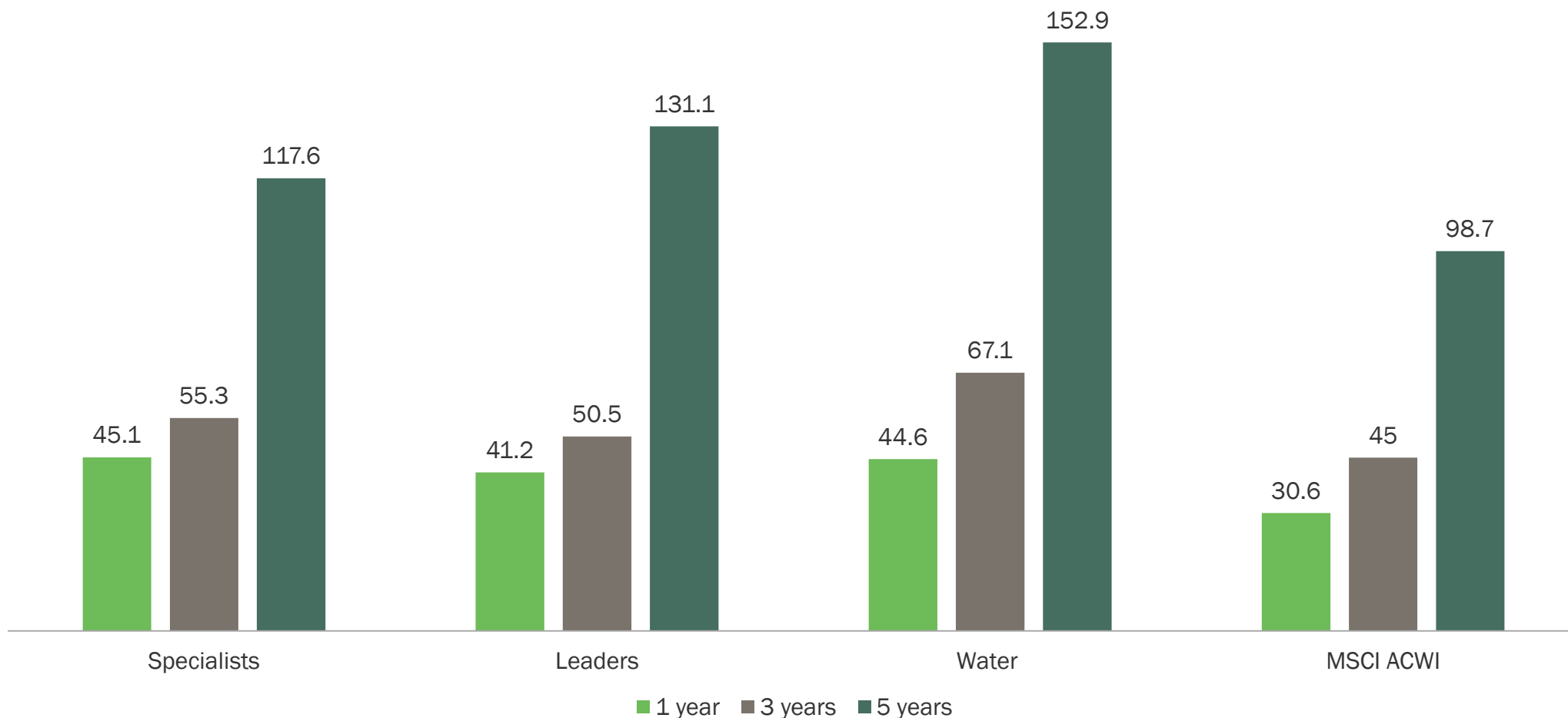


- **Leaders:** now available to UK investors
- **Specialists:** strong global demand
- **Food & Agriculture:** BNPP SMaRT Food reached AUM of £162m<sup>1</sup>
- **Water:** BNPP launched GBP share class of Aqua in response to UK investor demand
- **Global Opportunities:** seeded, building track record and significant investor interest

<sup>1</sup>As of 30 September 2016.

# Listed Equities: strong performance record

Percentage increase to 30 September 2016

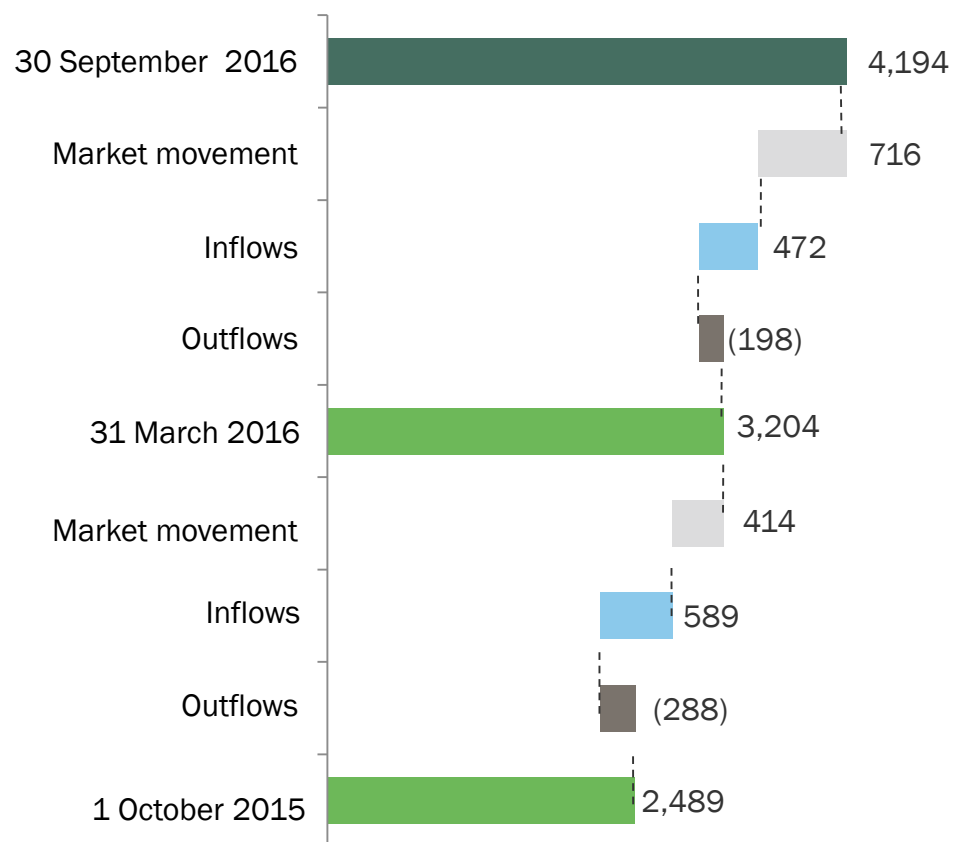


Source: Factset. Gross cumulative performance in Sterling.

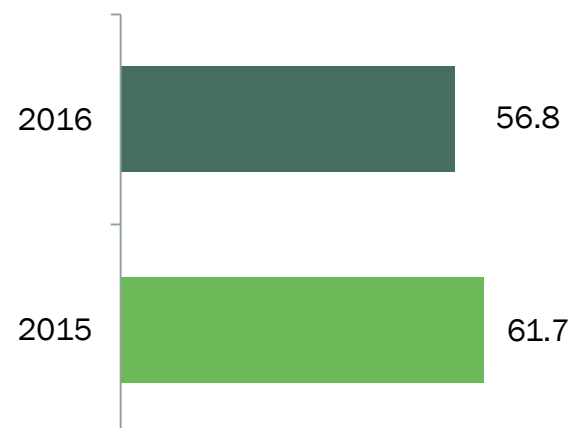


# Breakdown of AUM increase

## LISTED EQUITY FUNDS (£m)



## WEIGHTED AVERAGE REVENUE MARGIN<sup>1</sup> (bps)



<sup>1</sup>All funds.

# Real Assets

## Private Equity Infrastructure

### NEF II: successful planned realisation of operating assets

- Distributions to investors represent 116% of amounts paid in<sup>1</sup>
- 371 MW of operating assets sold and 60% of capital invested realised<sup>2</sup>

### NEF III: first close

- First close on 30 November at €149m
- On-going discussions with numerous institutional investors around the world

## Sustainable Property

- EU referendum created challenging market conditions; many investors delaying decisions
- Advanced discussions with cornerstone investors

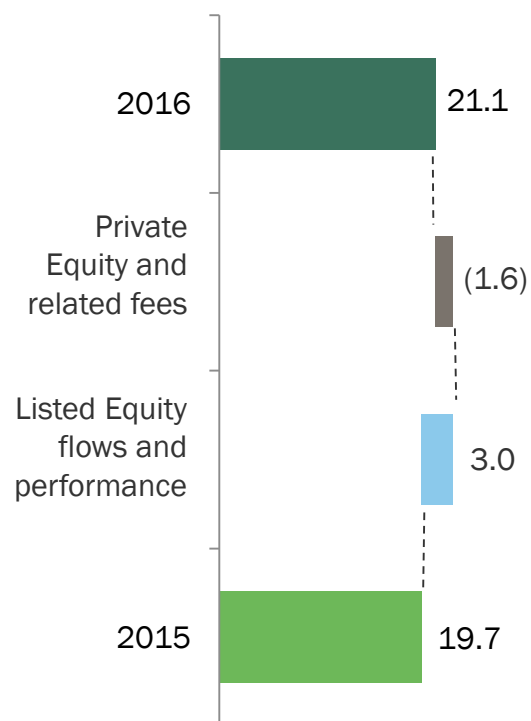
<sup>1</sup>Gross of Fund cost and carried interest. <sup>2</sup>As of 30 September 2016.

## Part 3: Financial highlights

# Financial highlights (1)

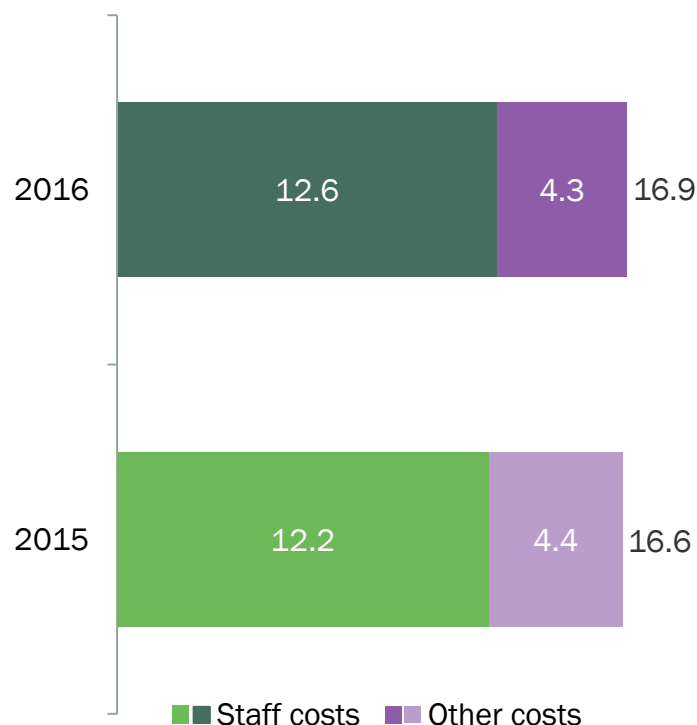
## Operating performance

### REVENUE (£m)

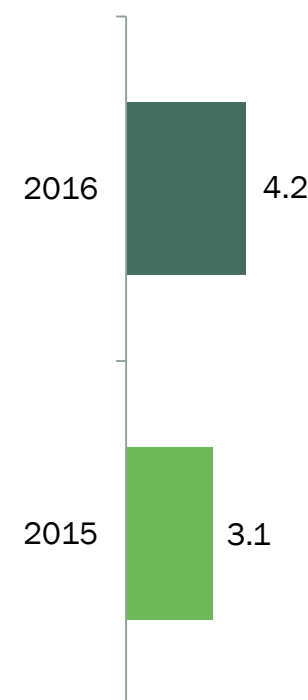


- LE revenue up: strong performance and inflows
- PE revenue down: assets sold successfully
- September 2016 run-rate revenue £23.7m

### OPERATING COSTS (£m)



### OPERATING EARNINGS (£m)

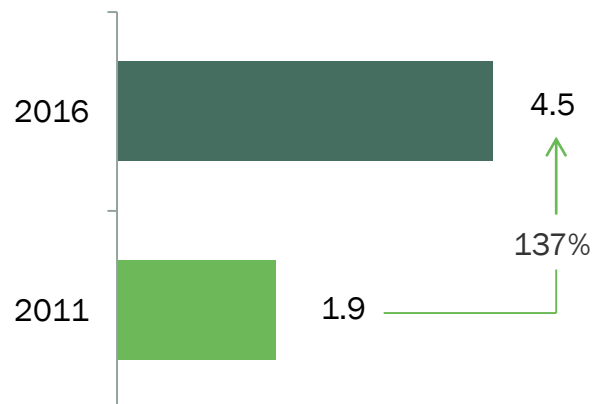


- Operating margin 20% (FY 15: 16%)
- September 2016 run-rate margin 23%

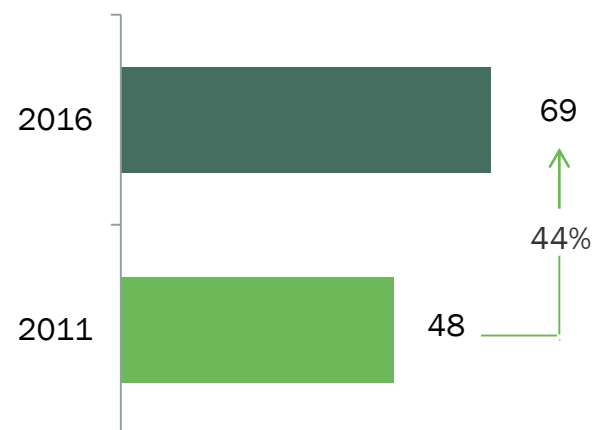
# Financial highlights (2)

## Long term trends

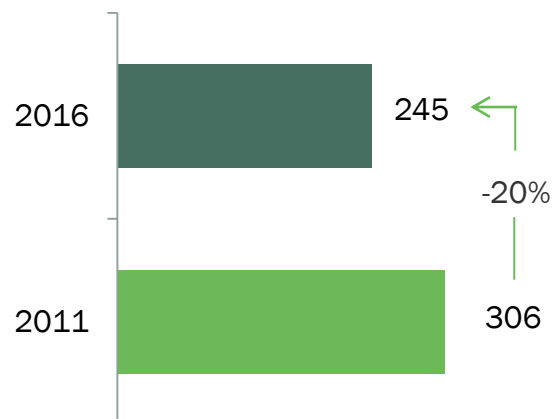
### AUM (£bn)



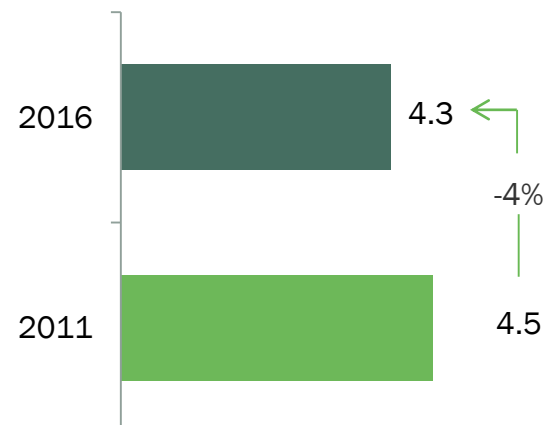
### AVERAGE NUMBER OF EMPLOYEES



### TOTAL OPERATING COSTS PER EMPLOYEE (£'000)



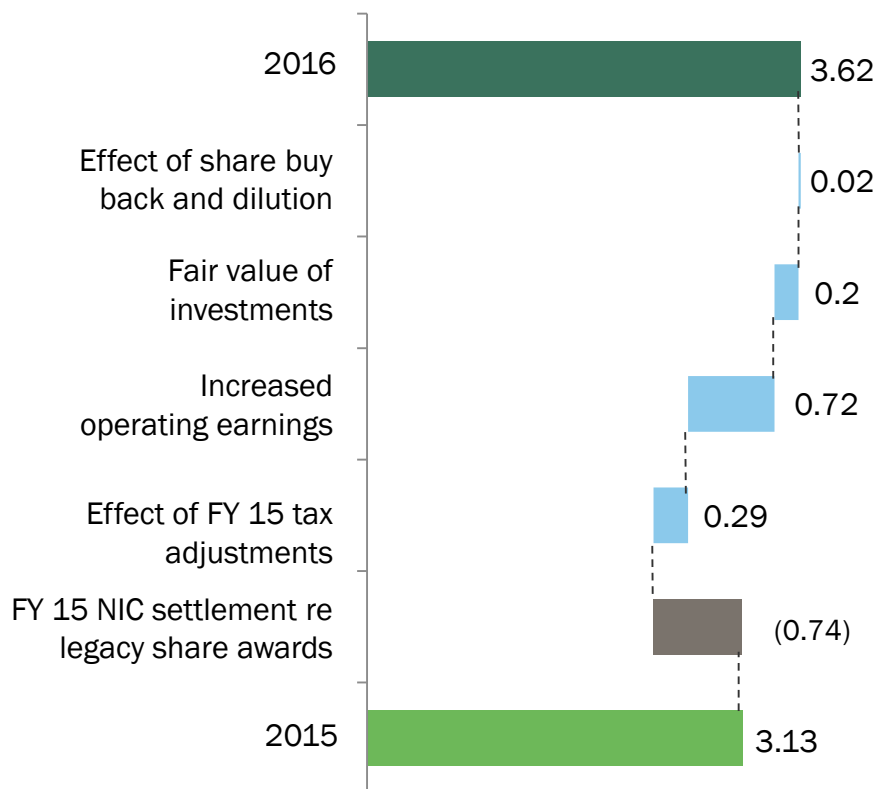
### NON STAFF COSTS (£m)



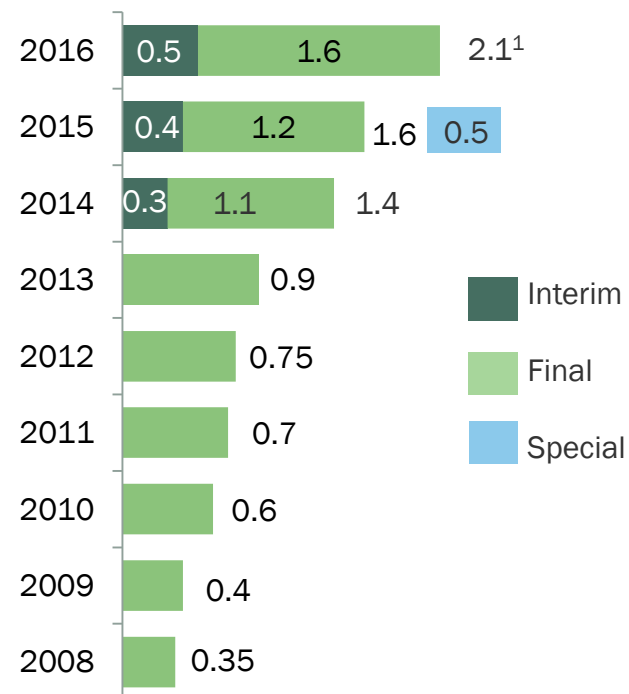
# Financial highlights (3)

## Earnings

### DILUTED EPS (p)



### DIVIDEND (p)



- 31% rise
- Increased every year since inception in 2008
- Dividend cover of 1.8 x
- 2015 2x covered (excluding special)
- Scope to continue to increase

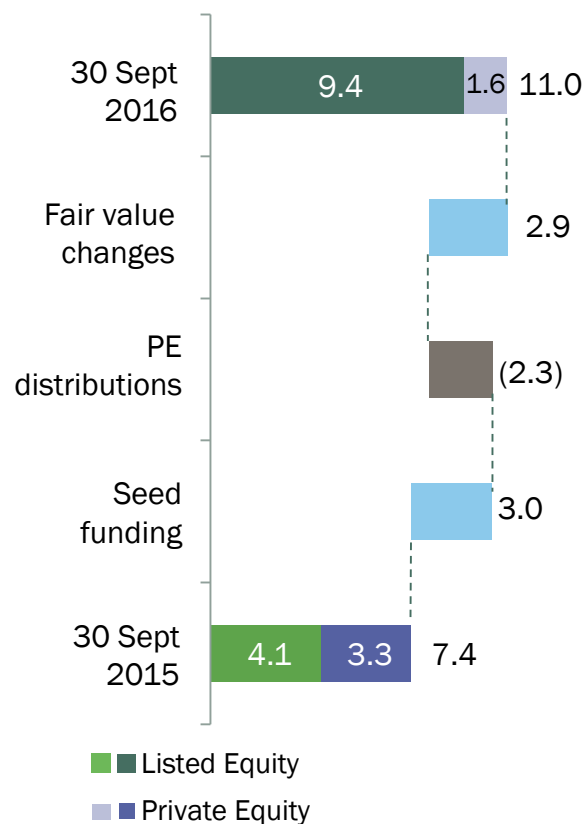
<sup>1</sup>Proposed.



# Financial highlights (4)

## Cash and investments

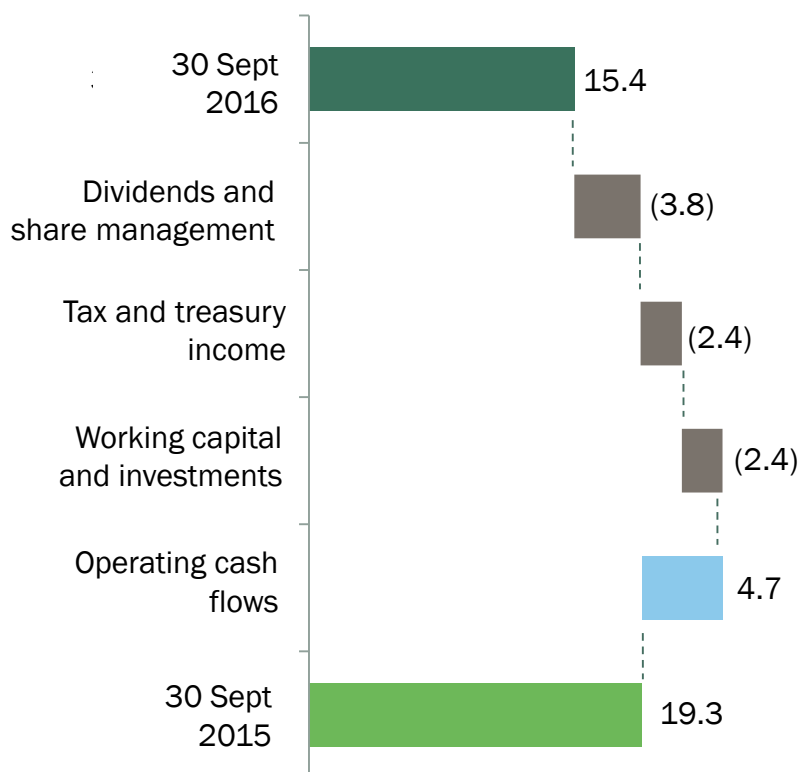
### INVESTMENTS<sup>1</sup> (£m)



- Distributions: £2.3m from successful Private Equity exits
- Seed funding: £3m Impax Environmental Leaders fund

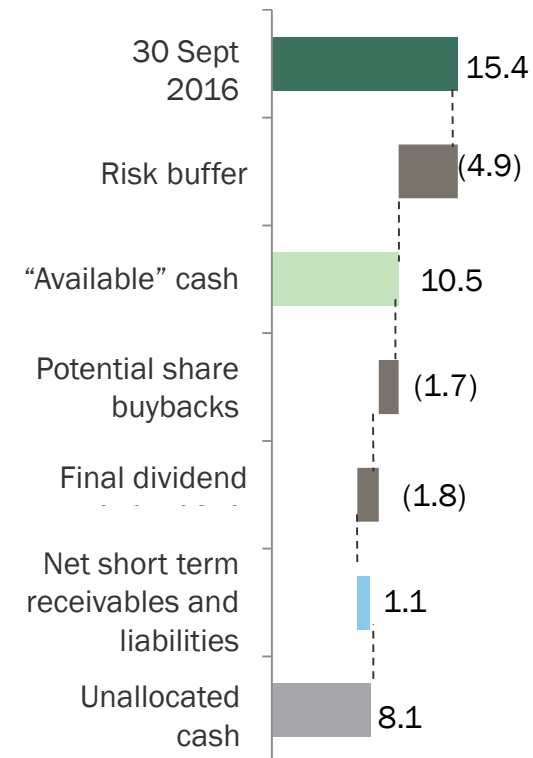
<sup>1</sup>Excluding third party interest on consolidated funds.

### CASH RESERVES (£m)



- 3.6m IPX shares bought back during the Period

### CASH RESERVES ANALYSIS (£m)



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

# Financial highlights (5)

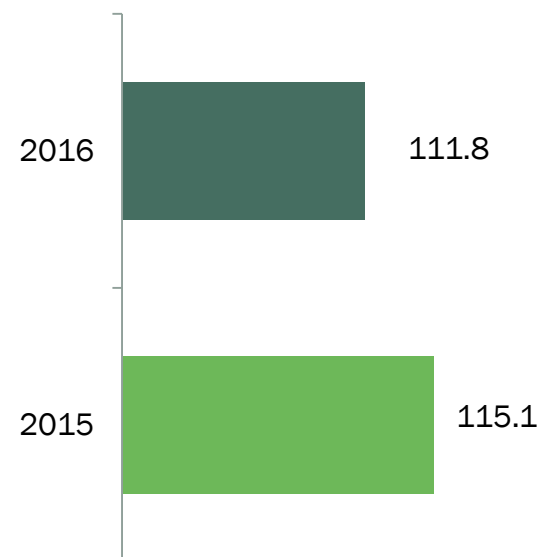
## Balance sheet

### CURRENT ASSETS (£m)



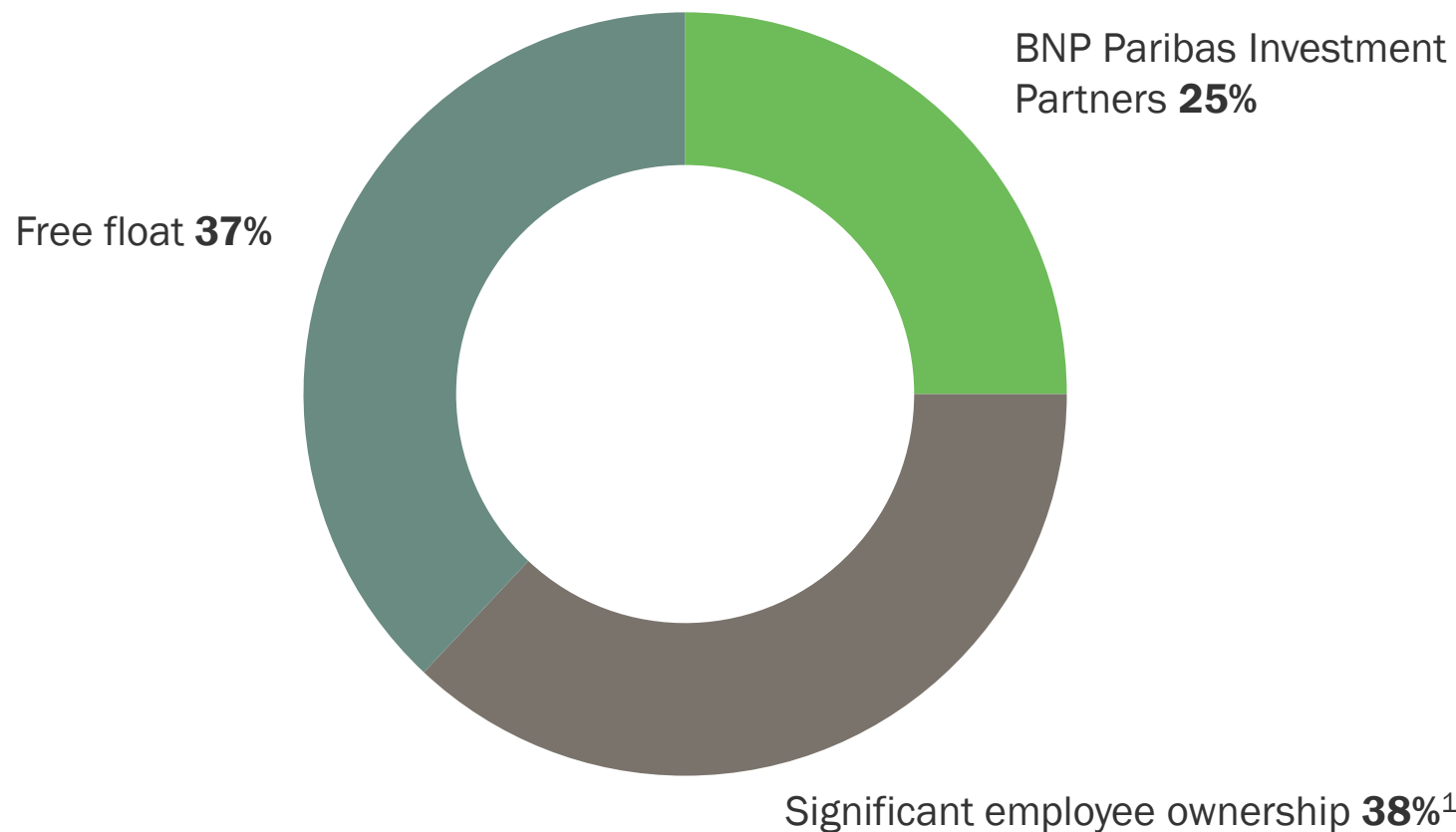
- “Available Assets” per share around 19.2p

### BASIC SHARES (m)



- 3.6m shares bought back during the Period
- 12.9m ESOP awards and 4.9m RSS granted and unexercised
- PRP pool reduced by staff equity award costs
- 111.3m shares qualifying for a dividend

## Our ownership structure



- Total IPX ordinary shares 127.7m
- Employee and Trust holdings 48.5m (38%)
- 17.8m ESOP and RSS awards granted and unexercised (equivalent to 14% IPX shares) of which 6.1m have vested and are unexercised

<sup>1</sup>Includes vested shares within sub-funds of the Employee Benefit Trusts (EBTs) from which the individuals and their families may benefit and other shares held by EBTs in respect of vested LTIP option awards and other employee incentive schemes.

## Our remuneration policy aligns incentives

- Policy of median salary and profit-related bonus
  - variable performance-related reward
  - Profit related pay (PRP) pool typically capped at 45% of EBIT before bonus
- Restricted Share Scheme
  - launched 2014
  - aligns interest of staff and shareholders
  - fully vested after 5 years
  - expensed from PRP pool
  - dilution impact being offset by share buyback programme

# Milestones/Prospects

## Attractive investment skills/strategies

- High growth global equities
- An acknowledged leader internationally
- Strong investment performance

## Potential for further scaling

- Stable, expert team
- 4 scalable strategies at critical mass; 3 more to be scaled
- Infrastructure/team in place for significantly larger AUM

## Strong distribution

- Strengthened UK coverage
- Expanded platform in North America
- Proven use of third party partners

## Building shareholder value

- Commitment to progressive dividend policy
- Earnings rising on AUM growth

# Important information

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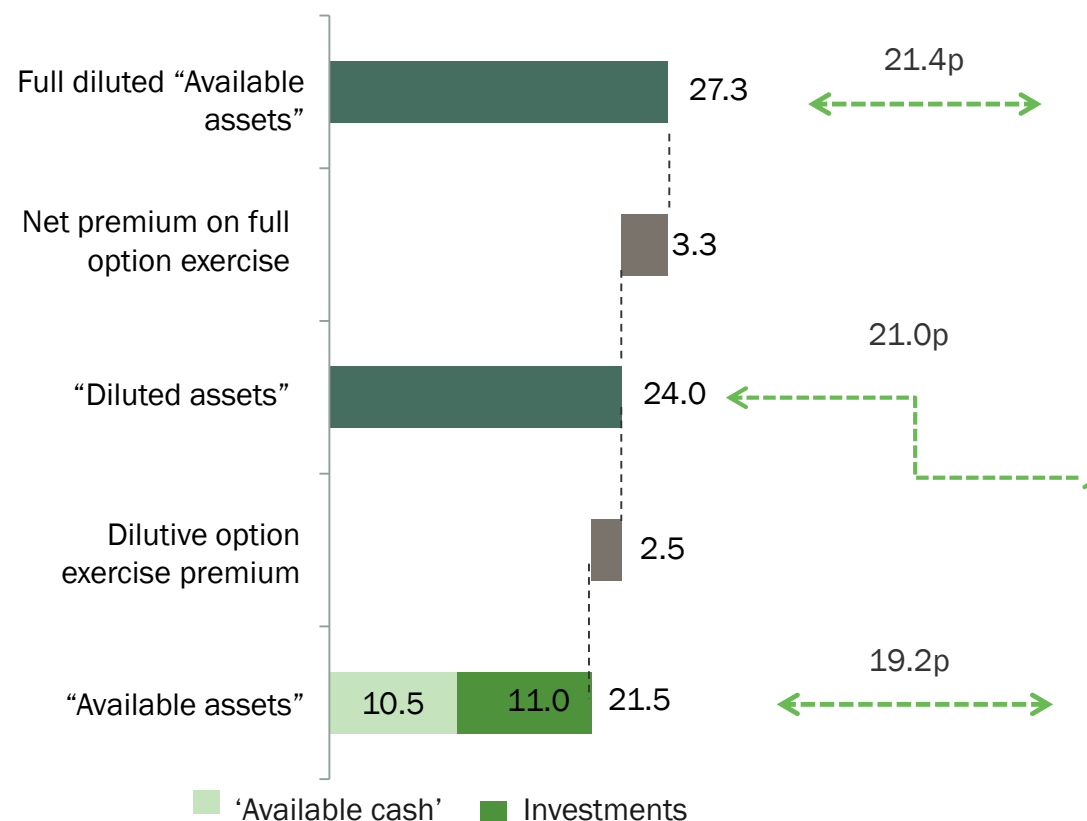


## Appendix

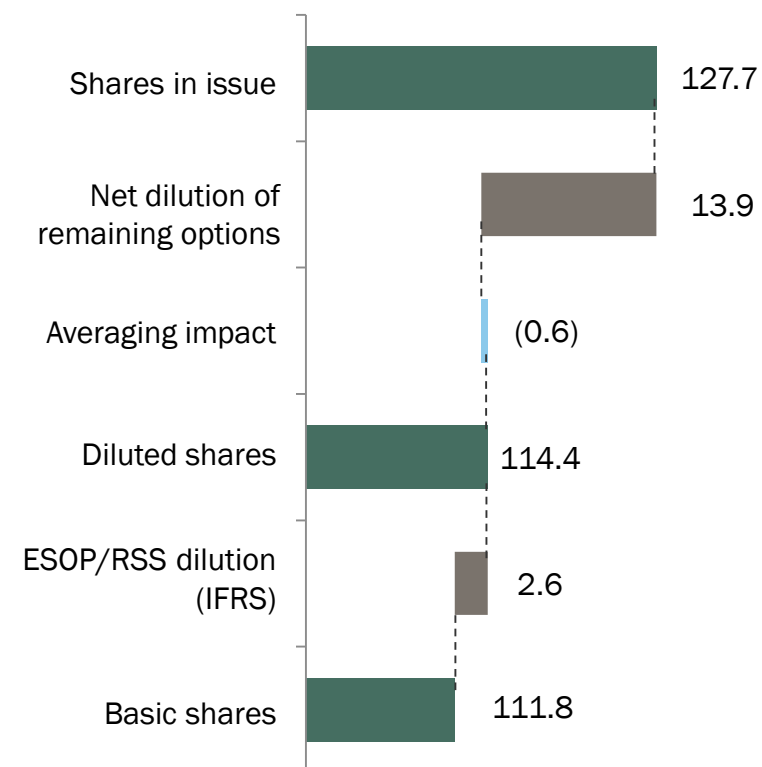
# Appendix

## Balance sheet

### AVAILABLE ASSETS & SHARE ANALYSIS (£m)



### SHARE ANALYSIS (m)



- 3.6m shares bought back during the Period
- 12.9m ESOP awards and 4.9m RSS granted and unexercised
- PRP pool reduced by staff equity award costs
- 111.3m shares qualifying for a dividend

<sup>1</sup>Assume all ESOP options exercised

# Income statement

	Year ended 2016 £'000	Year ended 2015 £'000
Revenue	21,067	19,726
Operating costs	(16,915)	(16,616)
Operating earnings	4,152	3,110
<b>Operating margin</b>	<b>20%</b>	<b>16%</b>
Credits/(charges) related to legacy long term incentive schemes	27	1,285
Fair value (losses)/gains	989	615
Change in third party interest in consolidated funds	(288)	(101)
Investment income	319	228
<b>Profit before taxation</b>	<b>5,199</b>	<b>5,137</b>
Taxation	(1,022)	(1,504)
<b>Profit for the period</b>	<b>4,177</b>	<b>3,633</b>

# Balance sheet

	30 Sep 2016	30 Sep 2015
	£'000	£'000
Goodwill and intangibles	1,742	1,754
Other non-current assets	122	201
	<b>1,864</b>	<b>1,955</b>
Cash and cash equivalents	15,695	19,517
Current asset investments	12,811	7,419
Other current assets	7,309	4,980
<b>Total assets</b>	<b>37,679</b>	<b>33,871</b>
Current liabilities	9,998	5,510
Non current liabilities	936	2,434
<b>Net assets</b>	<b>26,745</b>	<b>25,927</b>
<b>Shareholders' equity</b>	<b>26,745</b>	<b>25,927</b>

Note: The Balance Sheet includes effects due to the consolidation of investments  
Cash reserves not including consolidated funds are £15.4m (Sep 2015: £19.3m)

# Impax investments

Theme	Principal funds/investee	Investments <sup>1</sup> (£m)	% of Fund AUM	Comments
Food and Agriculture	Impax Food and Agriculture Fund	3.0	95%	
Leaders	Impax Environmental Leaders (Ireland) fund	4.0	67%	
Global equities	Impax Global Equity Opportunities Fund	2.4	99%	
Private Equity	Impax New Energy Investors LP	0.6	4%	Commitment: €3.8m, €0.2m outstanding
	Impax New Energy Investors II LP	0.5	1%	Commitment: €3.3m, €1.1m outstanding
	Impax New Energy Investors III LP	-	-	Commitment: €4m
Legacy	Ensyn	0.5		
		11.0		

<sup>1</sup>Fair value at 30 September 2016