



Impax Asset Management Group plc

Interim results for the six months
to 31 March 2015

Agenda

- Business update
- Interim results
- Q&A



Financial performance (six months to 31 March 2015)

FINANCIAL PERFORMANCE	H1 2015	H1 2014	2014
Assets under management	£3.1bn	£2.6bn	£2.8bn
Revenue	£10.4m	£9.9m	£20.4m
Operating earnings ¹	£2.3m	£2.7m	£5.3m
Profit/(loss) before tax ²	£1.9m	£1.4m	£3.5m
Earnings per share ³	1.62p	1.20p	2.79p
Shareholders' equity	£25.2m	£23.5m	£24.9m
Dividend	0.40p	0.30p	1.40p

¹Revenue less operating costs

²Profit before tax in the Period was impacted inter alia by £0.16 million of charges (H1 2014: £0.71 million) associated with the Company's share-based incentive schemes.

³Adjusted to exclude IFRS2 charges for shares schemes intended to be satisfied by primary shares, and includes the related tax benefit reported in Other Comprehensive Income and the dilution effect of unvested share awards.

Key developments

- AUM up 13% since year end to new peak of £3.1bn
- Net inflows of £96m, predominantly from US and Continental Europe
- Strong balance sheet maintained
- Interim dividend increased by 33% to 0.4 pence per share
- Robust performance and new product development
- In discussions with investors on raising new monies in real asset strategies

Investors waking up to climate risk

- Climate change: now risk not uncertainty
- Growing concern around stranded assets
- Divestment intentions reached US\$50 billion
- Over 800 global investors now committed to divest

Glasgow becomes first university in Europe to divest from fossil fuels

University court votes to divest £18m from fossil fuel industry in what campaigners call 'dramatic beachhead'

[Glasgow](#) University has become the first academic institution in Europe to divest from the fossil fuel industry, in a turning point for the British arm of the student-led global divestment movement.

Guardian Media Group to divest its £800m fund from fossil fuels

GMG becomes largest fund yet known to pull out of coal, oil and gas companies in a move chair Neil Berkett calls a 'hard-nosed business decision' justified on ethical and financial grounds

ShareAction  formerly **FairPensions**
the movement for Responsible Investment

Investors challenge BP and Shell to disclose business risks associated with climate change

A coalition of more than 150 major investors including more than 40 clients of Rathbone Greenbank Investments, UK and US local authorities and the Church of England today filed a resolution requiring BP to disclose risks associated with climate change. Shareholders can vote for the resolutions at BP and Shell's annual general meetings, scheduled for April and May respectively.

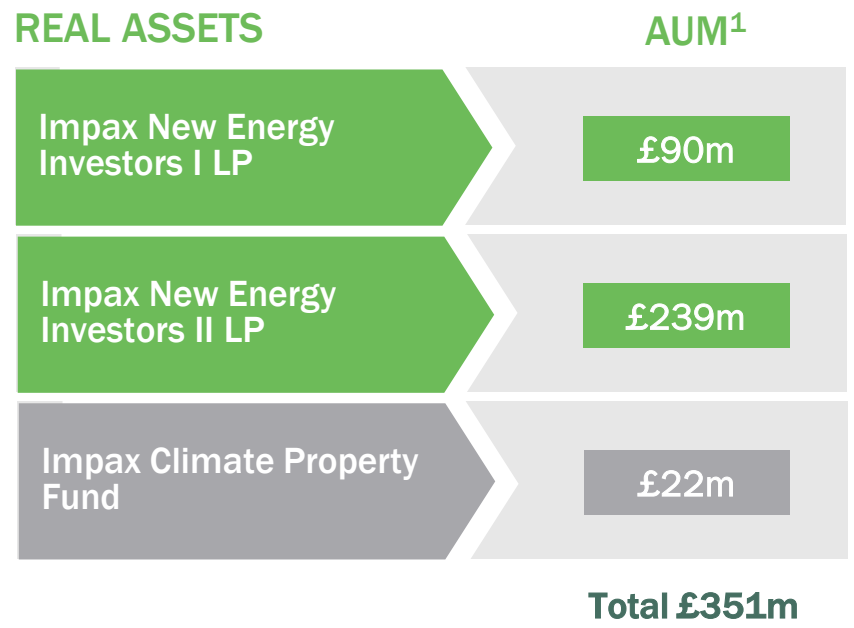
April 30, 2015 10:03 pm

Church of England blacklists coal and tar sands investments

Pilita Clark, Environment Correspondent [Author alerts](#) ▼



Impax strategies



¹ As at 31 March 2015

Listed Equities

- Impact of oil price on Resource Efficiency markets was limited
 - Proved positive for sectors exposed to consumer spending
 - Perception initially negative for renewables, strong Q1 recovery for solar
 - Prospects for target markets in Asia continue to strengthen
 - Extended stock research and seeded new strategy to compete with unconstrained global equity funds
-
- Success of Food & Agriculture strategy
 - Experienced team joined April 2012
 - Strategy seeded December 2012
 - Expanded the range of funds managed for BNP Paribas with launch of sustainable food strategy May 2015



Private Equity infrastructure

- Fund II investment period ended 31 March 2015
 - ~400MW European wind projects + 78MW under construction
 - Material construction pipeline in Finland, Ireland and France
 - Strong interest from potential asset purchasers
- Discussions with investors on appetite for new allocations to the strategy



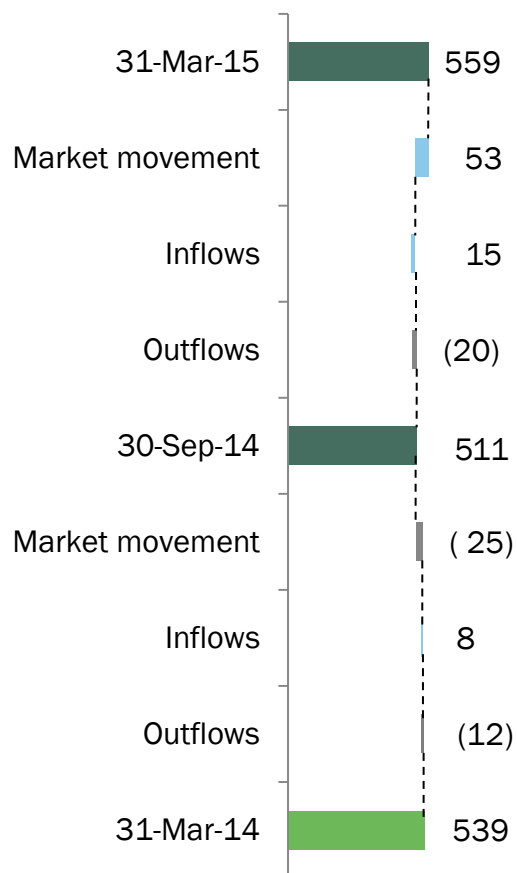
Property (with a sustainability focus)

- Strong track record
- Sale of final asset in Impax Climate Property Fund pending
- Attractive market for investment
- Discussions with investors on raising new monies

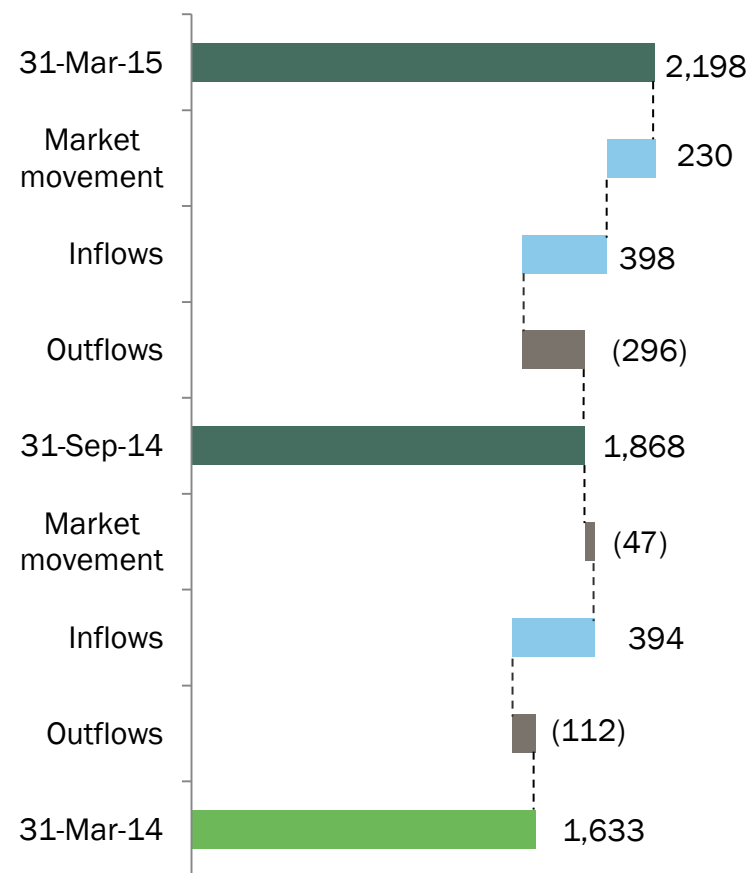


Strong inflows into third party funds/accounts

“IMPAX LABEL” FUNDS (£M)



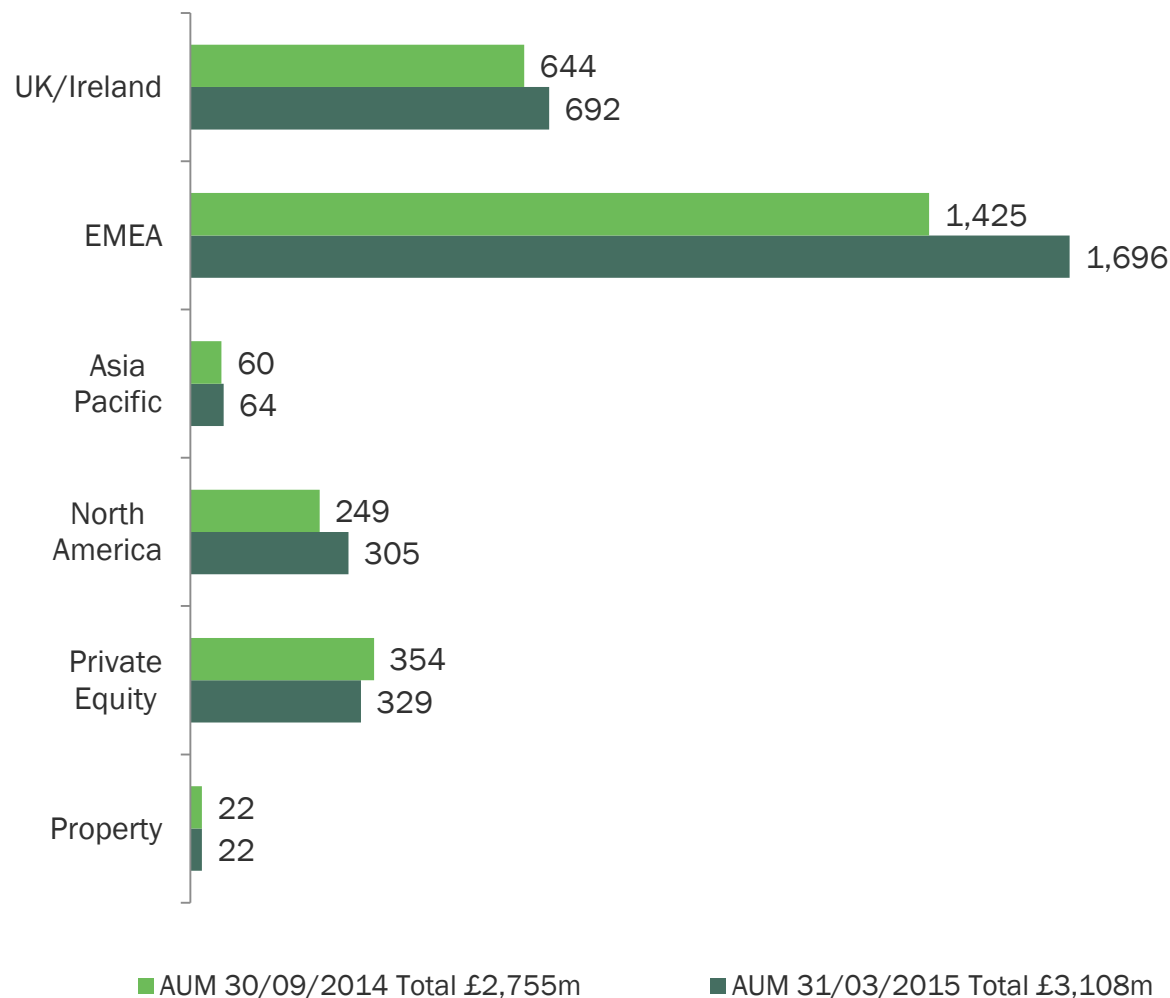
THIRD PARTY FUNDS/ACCOUNTS (£M)



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

Strong AUM growth in Europe and North America

AUM breakdown 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

Impax Climate Property Fund

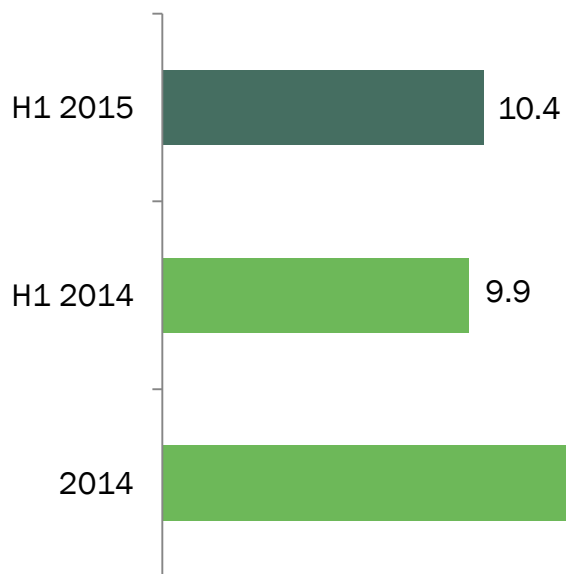
Significant growth in Water and Leaders strategies

AUM breakdown by strategy

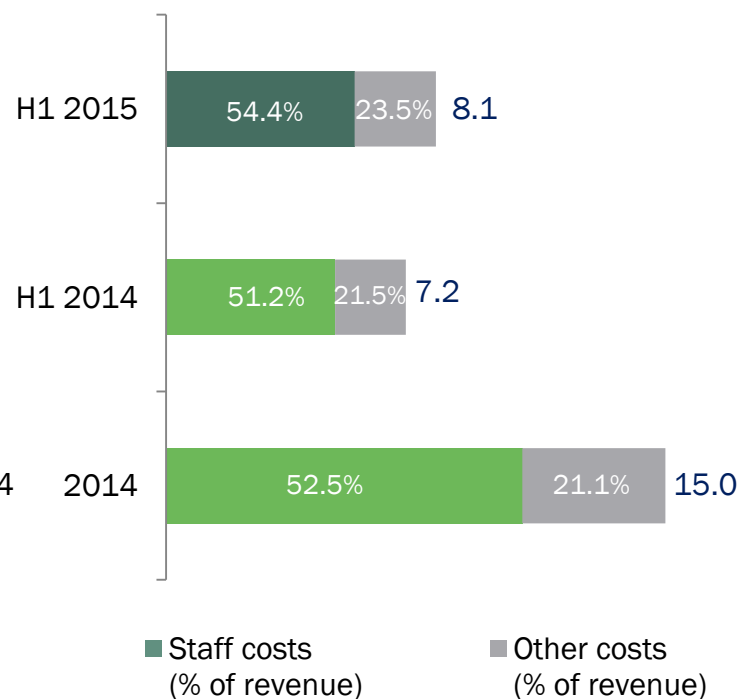
Investment strategy	AUM (£) 31 Mar'15	AUM (£) 30 Sep'14
Specialists	876m	790m
- Impax Environmental Markets plc	390m	358m
- Impax Environmental Markets (Ireland)	115m	114m
- Third Party funds/accounts	371m	317m
Leaders	657m	514m
- Third Party funds/accounts	657m	514m
Water	1,193m	1,049m
- Third Party funds/accounts	1,193m	1,049m
Asia-Pacific	24m	22m
- Impax Asian Environmental Markets (Ireland)	24m	21m
- Third Party funds/accounts	1m	1m
Food and Agriculture	3m	3m
- Impax Food and Agriculture Fund	3m	3m
Private Equity	329m	354m
Property	22m	22m
Blended fee (weighted average)	66.4	71.2 Bp
TOTAL	£3,108m	£2,755m

Financial highlights (1)

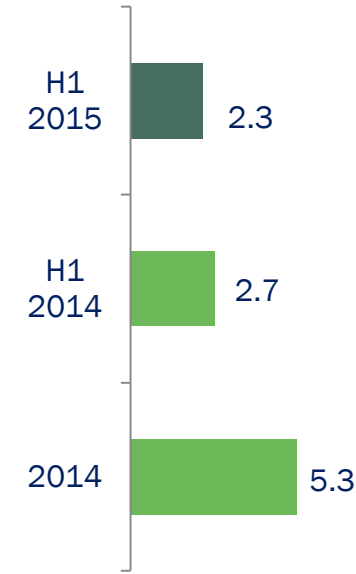
REVENUE (£m)



OPERATING COSTS (£m)



OPERATING EARNINGS (£m)



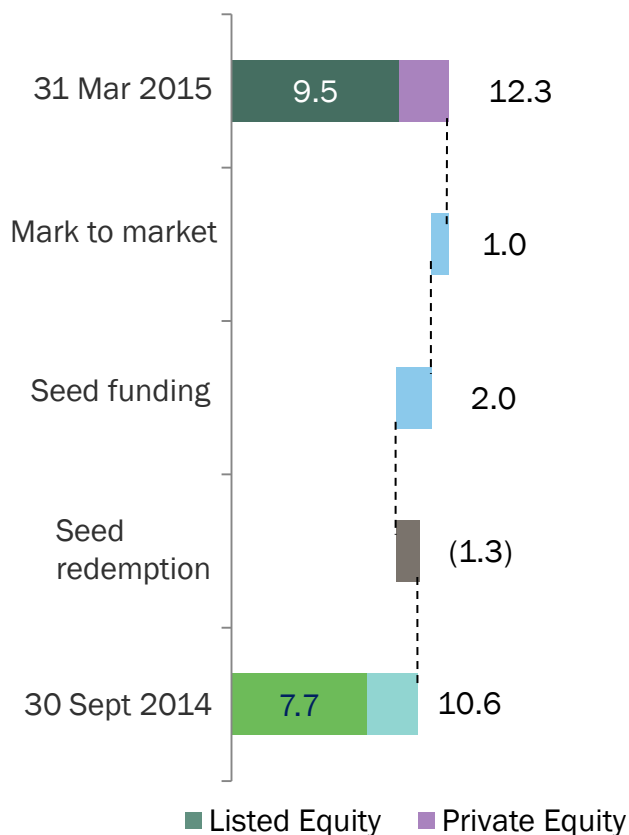
- Revenue increase 5% vs H1 2014

- Staff costs increase due to new hires (Property, US Marketing)/payrises

- Operating margin down from 26.1% (2014) to 22.0% (H1 2015)

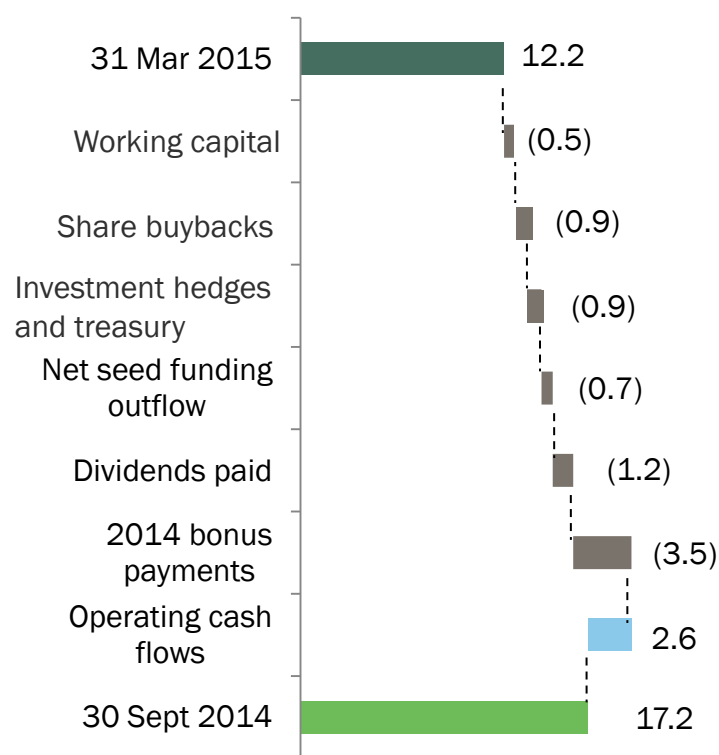
Financial highlights (2)

“IMPAX LABEL” FUNDS¹ (£m)



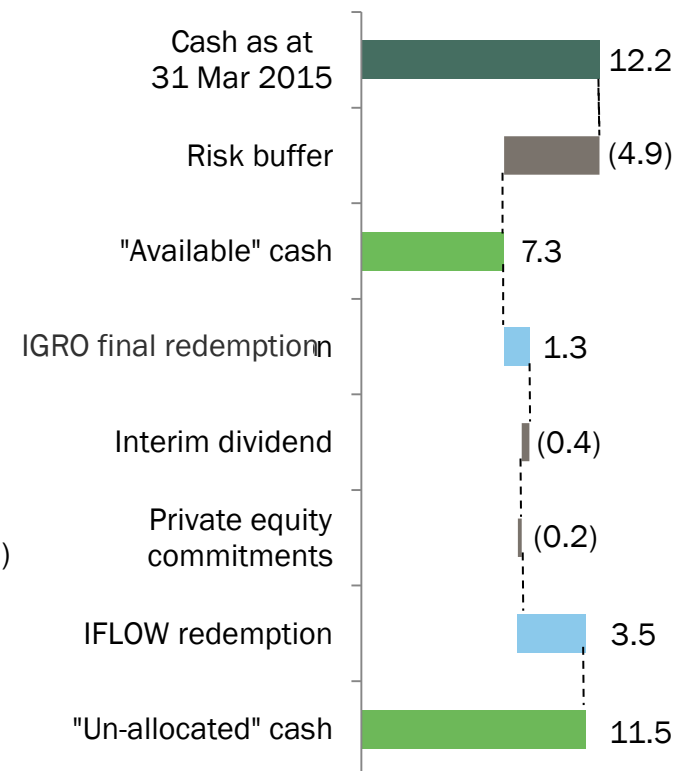
- Seed funding: NEF2, Global equity
- IGRO fully redeemed Mar15, final cash received Apr15

CASH RESERVES (£m)



- Continued strong cash generation
- Final 2014 dividends paid
- 1.7m shares bought back

CASH RESERVE ANALYSIS (£m)

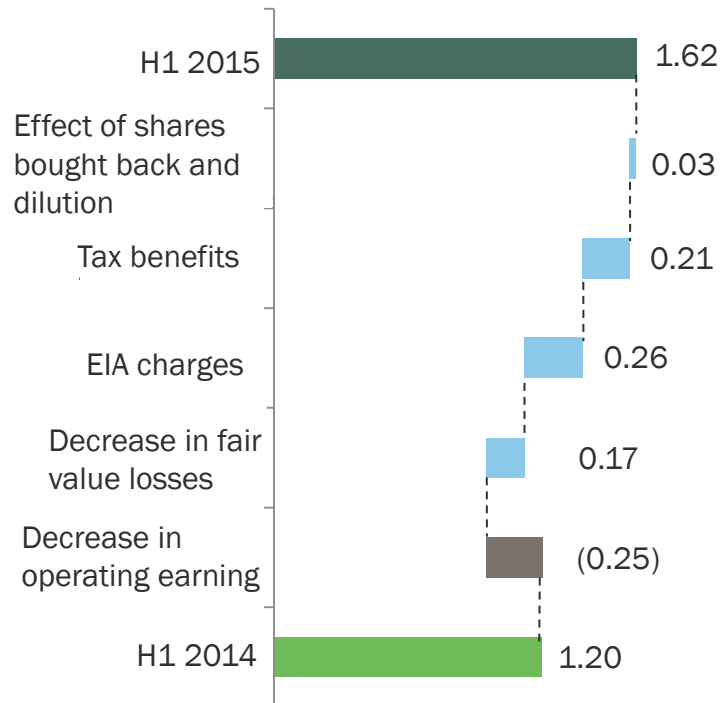


- "Un-allocated cash" held for further share buy-backs, seed investments, business development etc.

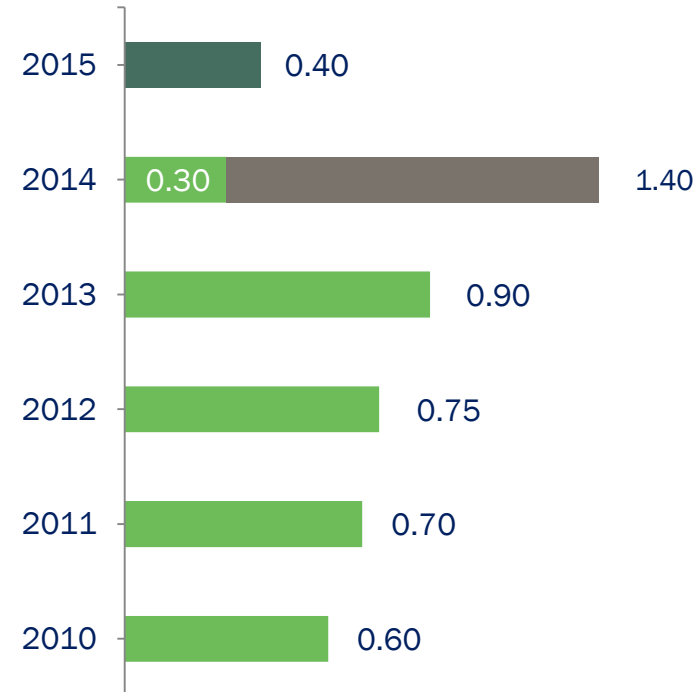
¹ Excluding third party interest on consolidated funds, but including £1.3m IGRO final redemption

Financial highlights (3)

DILUTED ADJUSTED¹ EPS (P)



DIVIDEND (p)



- Progressive policy maintained
- 33% increase in interim dividend
- Dividend cover 4.1 x

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

Outlook

Investor interest in our target markets strengthening

- High growth global equities
- Natural resources
- ESG/SRI investments
- Alternatives

Impax well placed for expansion

- An acknowledged leader globally
- Strong investment consultant endorsement
- Stable team with critical mass
- Scalable investment strategies

Strong catalysts for growth

- Rapidly growing environmental protection commitments in Asia
- UN global climate negotiations in Paris, December 2015: more regulation

Increasing long term shareholder value

- Business developing in response to rising investor demand
- Planned expansion of both Listed Equity and Real Asset offerings
- Promising mandate pipeline
- Strong balance sheet

Important information

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Appendix

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
 - Public Transportation



Food, Agriculture & Forestry

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

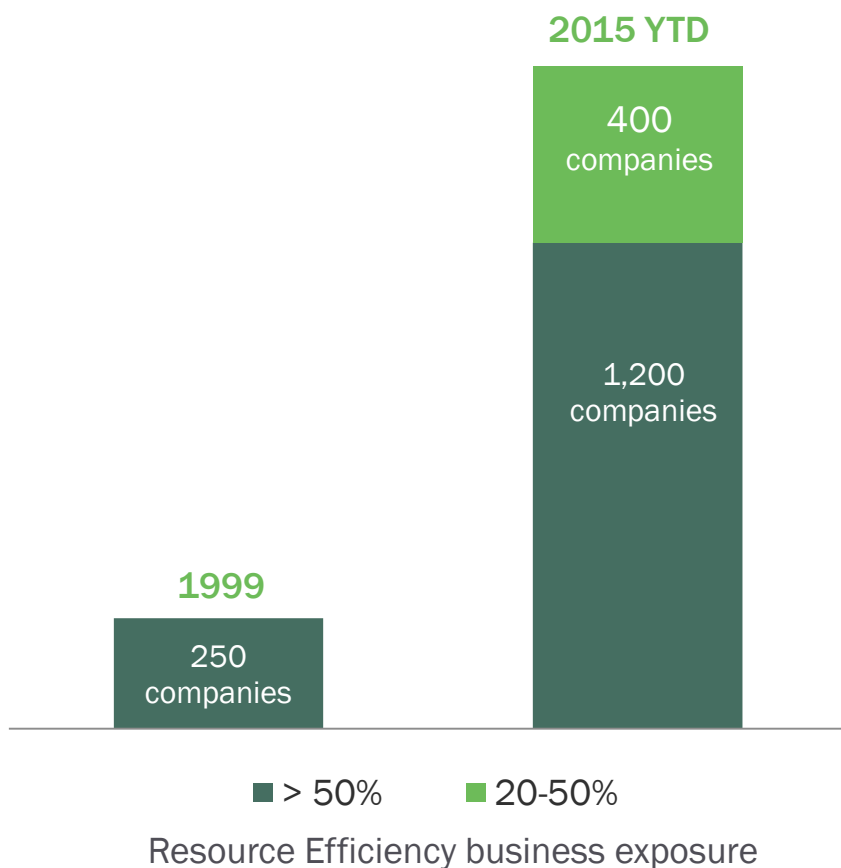


Waste/Resource Recovery

- 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

- \$4 T in Market Cap

Diverse range of opportunities

- Cyclical
- Defensive
- Special Situations

Higher expected earnings growth

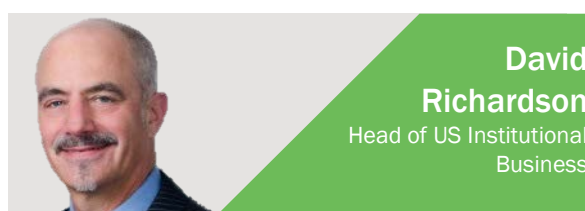
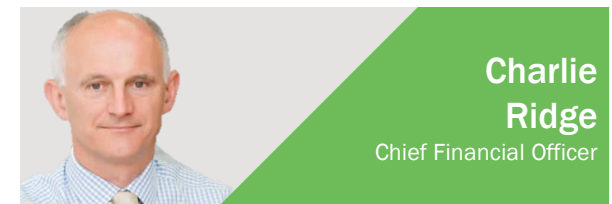
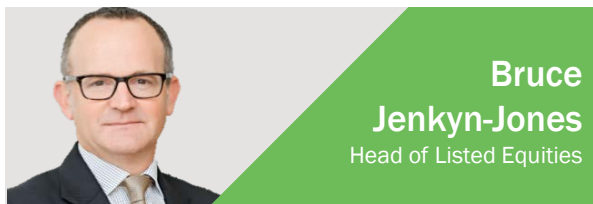
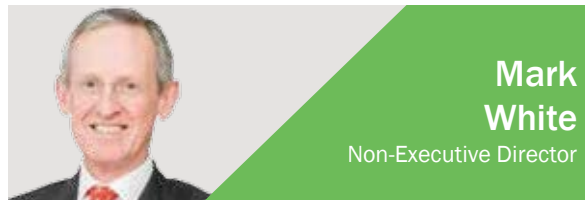
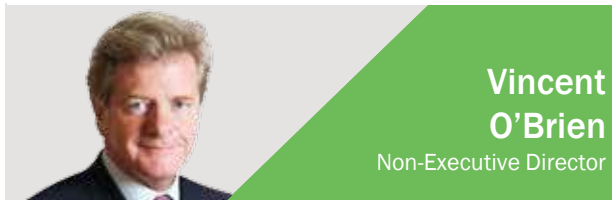
- 9% forward EPS growth vs 5% for MSCI ACWI¹

Our markets are not well understood and are often mispriced

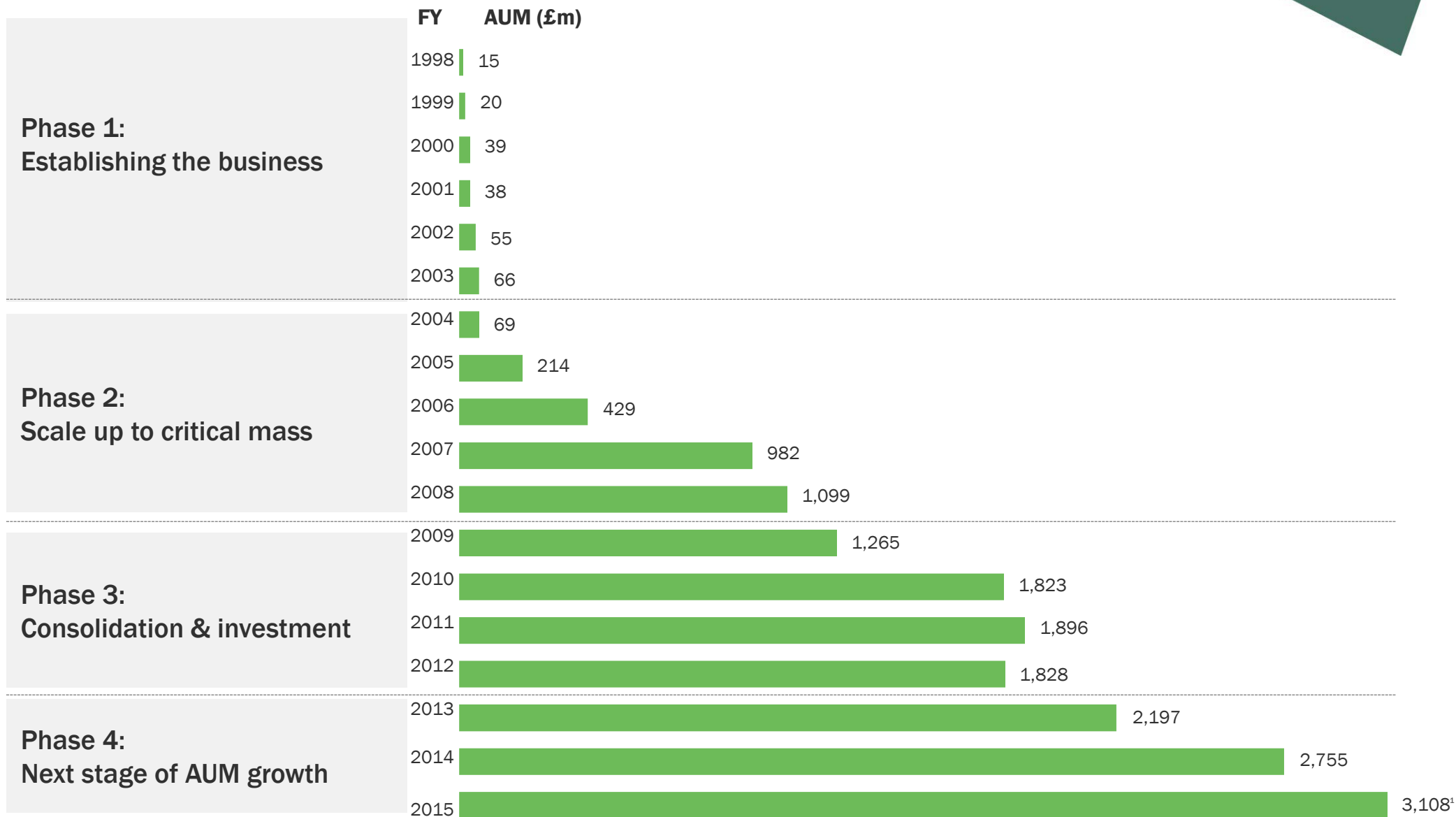
Based on Impax's proprietary environmental markets database. This database is used to help construct the FTSE Environmental Markets Index Series.

¹FactSet, as at 31 March 2015. Forward EPS growth data for FTSE EOAS as a proxy for the resource optimization sector.

Extensive expertise



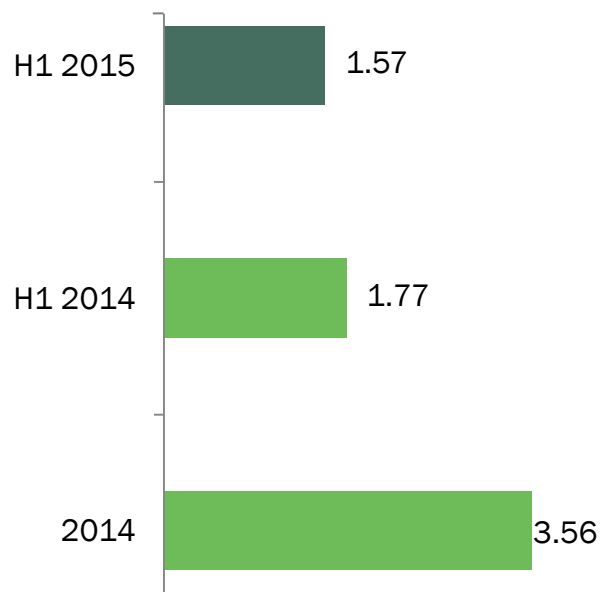
Investing since 1998 (financial year)



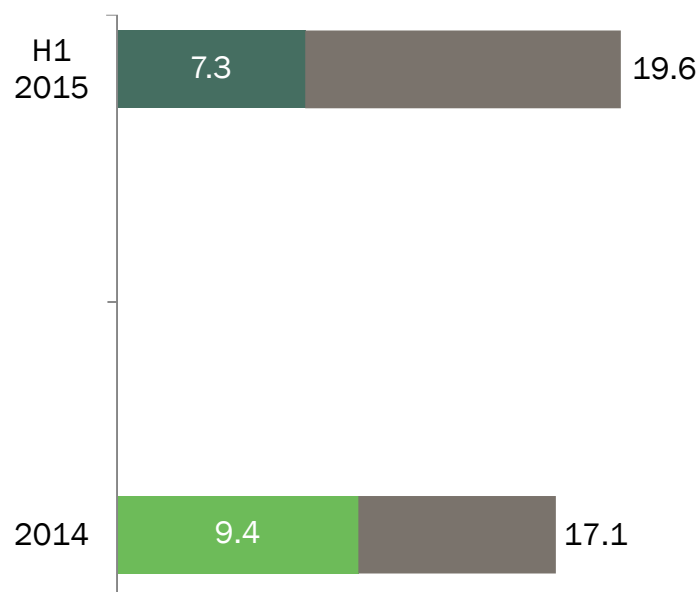
¹ As at 31 March 2015

Valuation indicators

OPERATING EARNINGS AFTER TAX¹ PER SHARE (p)



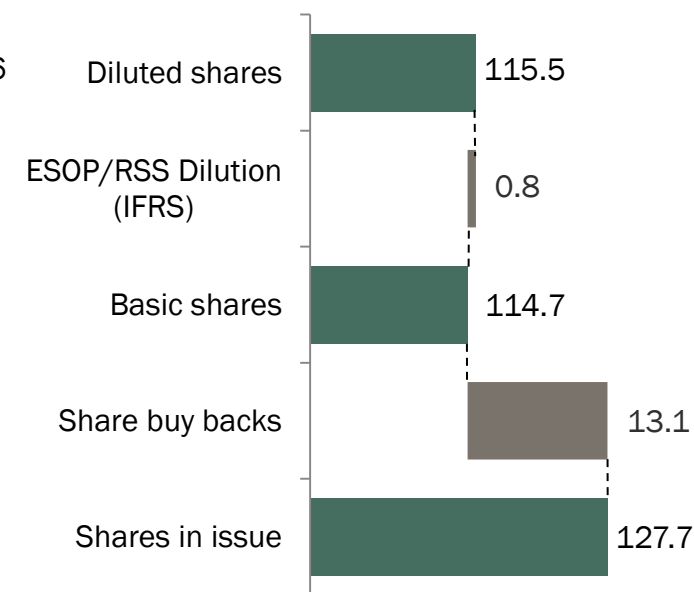
LIQUID ASSETS (£m)



■ Available cash ■ Liquid seed investments

▪ Liquid Assets represent 17.0 pence/share

SHARES RECONCILIATION² (m)



- 13.3m ESOP options granted to date (strikes 37.6-56.9 pence)
- 1.25m RSS awards granted for 2014
- 111.3m shares eligible for dividend

¹ Average UK corporation tax rate used 20.5% (2014: 22%)

² Share quantities as of 31 March 2015

Illustrative valuation approach

- Important to apply consistent assumptions for share quantity and “free balance sheet” in valuation models
- In the event of all ESOP options being exercised, the Group will receive £6.5m exercise premium

SUM OF PARTS VALUATION APPROACH

$$\text{Price per share} = \frac{\text{“Free Balance Sheet”} + \text{“Enterprise Value”}}{\text{Shares}}$$

FBS = liquid assets + ESOP exercise adjustment

EV = operating earnings after tax x P/E multiple

Illustrative valuation approach

Examples

1. Nil dilution assumed (nil ESOP exercised)

$$\frac{(19.6 + 0) + (\text{earnings} \times \text{multiple})}{}$$

114.7 (i.e. “basic shares”)

2. Full dilution assumed (all ESOP exercised)

$$\frac{(19.6 + 6.5) + (\text{earnings} \times \text{multiple})}{}$$

129.25 (i.e. “fully diluted shares”)

3. Partial dilution (IFRS approach)

As above with **proportionate inclusion** of ESOP exercise adjustment AND shares in issue

- i.e. exercise adjustment and share quantity **consistent** in all cases

Income statement

	6 months ended 2015 £'000	6 months ended 2014 £'000	Year ended 2014 £'000
Revenue	10,422	9,911	20,359
Bonuses	(1,880)	(2,064)	(4,377)
Other operating costs	(6,262)	(5,175)	(10,662)
Operating costs	(8,142)	(7,239)	(15,039)
Operating earnings	2,280	2,672	5,320
Operating margins	21.9%	27.0%	26.1%
Other charges related to EIA schemes	(162)	(707)	(539)
Fair value (losses)/gains	(135)	(624)	(1,460)
Change in third party interest in consolidated funds	(115)	(28)	7
Investment income	73	64	207
Profit before taxation	1,941	1,377	3,535
Taxation	(66)	36	(279)
Profit for the period	1,875	1,413	3,256

Balance sheet

	31 Mar 2015 £'000	31 Mar 2014 £'000	30 Sep 2014 £'000
Goodwill and intangibles	1,720	1,696	1,772
Other non-current assets	195	356	262
	1,915	2,052	2,034
Cash and cash equivalents	12,449	12,783	17,249
Current asset investments	11,774	11,647	11,640
Other current assets	7,041	5,553	3,568
Total assets	33,179	32,035	34,491
Current liabilities	6,226	6,711	7,728
Non current liabilities	1,782	1,799	1,904
Net assets	25,171	23,525	24,859
Shareholders' equity	25,171	23,525	24,859

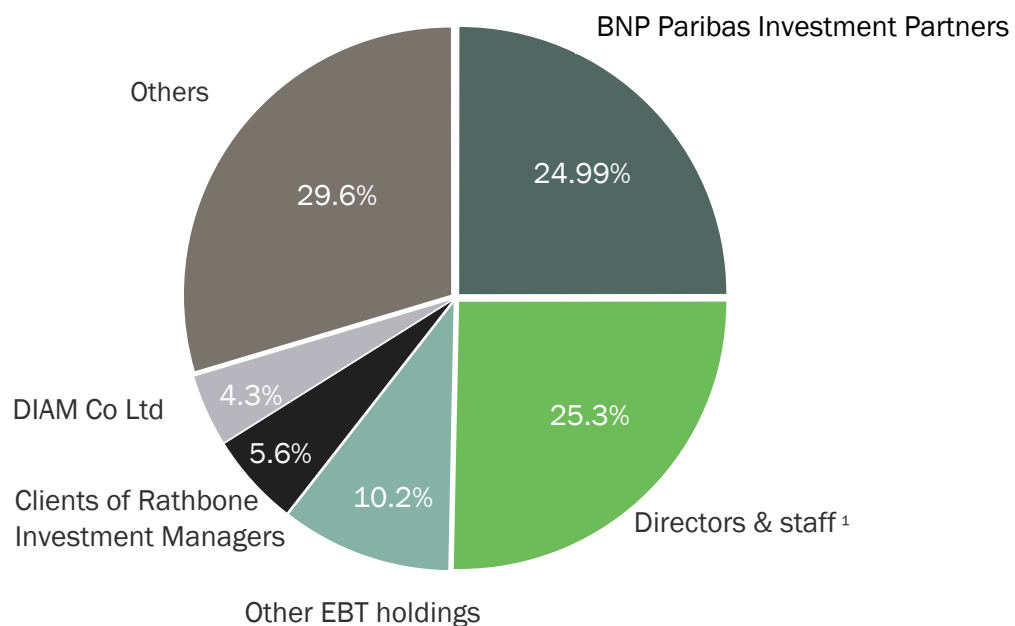
Note: The Balance Sheet includes effects due to the consolidation of investments.

Cash reserves not including consolidated funds are £12.2m (Mar 2014: £12.7m, Sep 2014: £17.2m)

Current liabilities includes an accrual of £1,023,000 for employer's NIC payable when beneficiaries exit the Impax EBT 2004.

Impax equity interests

IPX ordinary shares (total 127.7m) %



- Directors, staff and EBT holdings 45.4m (35.6%) (10% relates to shares held for un-vested Employee Incentive Scheme awards)

Employee incentive schemes

Impax Share Option Scheme	Strike price	Exercise Period	Options outstanding
Granted			
FY11 ESOP	49.6p	1 Jan 2015 - 31 Dec 2017	4,540,000
FY12 ESOP	37.6p	1 Jan 2016 - 31 Dec 2018	2,900,000
FY13 ESOP	47.9p/54p	1 Jan 2017 - 31 Dec 2019	2,656,000
FY14 ESOP	56.9p	1 Jan 2018 - 31 Dec 2020	3,354,000
FY14 RSS	0p	15 Dec 2017 - 15 Dec 2019	1,250,000
			<u>14,700,000</u>

- 13.1m shares bought back and held by 2012 EBT
- 550k ESOP awards available for re-issue

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 EBT s in respect of vested option awards

Impax seed investments

Theme	Principal funds/investee	Investments ¹ (£m)	% of Fund AUM	Initial investment	Comments
Food and agriculture	Impax Food and Agriculture Fund	2.5	95%	Dec-12	2 year anniversary - Dec 2014
Water	Impax Fundamental Long-Term Opportunities in Water	3.6	84%	Jan-14	Seed investment of \$5m (redemption by end June 2015)
Global equities	Impax Global Equities Opportunities Fund	2.1	99%	Dec-14	Seed investment of £2m
Private equity	Impax New Energy Investors LP "INEI LP"	0.7	4%	Aug-05	Commitment: €3.8m, €0.2m outstanding
	Impax New Energy Investors II LP	1.8	1%	Mar-10	Commitment: €3.3m, €1.4m outstanding
		10.7			

¹ Fair value at 31 March 2015

Long term investment performance

Performance to 31.03.2015. in GBP (cumulative %)	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	EPS Growth ¹ %	PE Ratio
Specialists	5.6	25.3	43.4	28.1	40.6	170.6	14.8	17.7 x
FTSE ET Index	10.6	43.8	59.5	13.9	16.0	--	21.5	17.0 x
Leaders	12.2	26.7	52.0	46.8	61.4	--	17.3	8.9 x
FTSE EOAS Index	15.5	31.3	53.5	39.2	61.7	--	17.8	10.0 x
Water	14.8	28.4	56.3	62.6	82.7	--	9.2	18.6 x
Asia-Pacific	23.0	31.2	47.7	16.4	28.2	--	17.8	14.0 x
Food and Agriculture	12.1	18.0	--	--	--	--	-	14.9 x
MSCI AC World Index	18.4	25.7	46.2	45.6	57.2	137.5	5.4	15.8 x

MSCI index is total net return (net dividend reinvested), FTSE index is total return (gross dividend reinvested). (source: FactSet/WM Reuters). All data in GBP as at 31 March 2015. FTSE ET performance is a combination of FTSE ET100 and FTSE ET50 indices. FTSE ET100 data shown from January 2014, previous data represents FTSE ET50. The FTSE ET50 was launched January 2008. Past performance of a strategy is no guarantee as to its performance in the future. Composite figures are total return (net dividend reinvested, gross of management fee).

¹This is a forward looking number and there is no guarantee that this valuation will be achieved.

Where does Resource Efficiency belong in a portfolio?

Global equities

- ▶ Unconstrained
- ▶ Highly differentiated
- ▶ Thematic
- ▶ Opportunistic

Natural resources

- ▶ Resource demand
- ▶ Resource scarcity
- ▶ Resource efficiency

**IMPAX
STRATEGIES
INTEGRATE
WELL WITHIN
MANY ASSET
CATEGORIES**

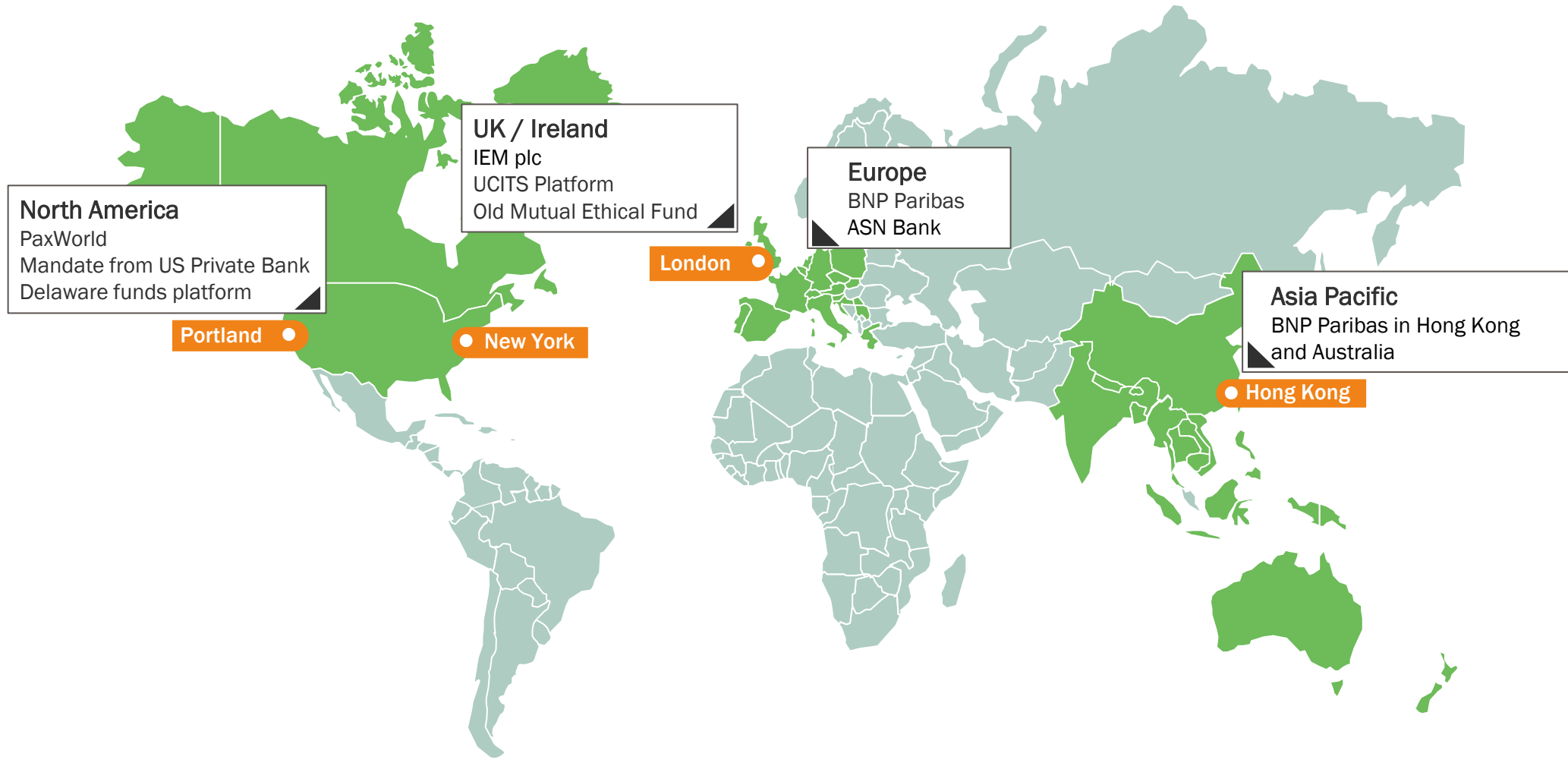
ESG/SRI investments

- ▶ Impact/mission related
- ▶ Low carbon/fossil fuel free
- ▶ Environmental solutions
- ▶ Climate change solutions

Alternatives

- ▶ Liquid real assets
- ▶ Infrastructure
- ▶ Alternative growth

Our offices and distribution partners



Remuneration policy

- Salaries: aiming to pay market median
- Performance related pay (“PRP”): target remains 45% of operating earnings before PRP ¹
- PRP continues to comprise cash bonuses and Fair Value charge of equity incentive schemes
- Employee Share Option Plan:
 - 3.7m ESOP awards made in the Period in respect of 2014
 - Scheme now closed, with total of 14m ESOP awards made in respect of FY2011-14
 - ESOP awards vest over 3 years, and then have a further 3 years to be exercised
- Restricted Share Scheme:
 - Defers PRP (Fair Value of shares deducted from the PRP pot)
 - Restricted shares vest over 3-5 years
 - Limited programme: 1.25m awards in respect of FY2014
 - Awards for future periods to be considered case by case
 - 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