Impax Asset Management Group

Non-independent Research – Marketing Communication

28 November 2016

Environmental leadership driving growth

Impax looks well-placed for further growth in AUM, fee income and EPS over the next 18 months. Fund performance is underpinned by the momentum behind consumer demand for improved resource efficiency and cleaner less environmentally damaging goods and services. These sectors are also supported by ever-stricter global environmental regulations such as the recent Paris climate accord. These provide catalysts for trends which support its proprietary investment strategy. They should also enable Impax to capitalise on its distinct profile: a specialist, active asset manager (at a challenging time for generalists), and a multiple awards winning market leader with a strong track record in an increasingly important area.

We expect Impax to build on a strong FY16; AUM was up 59%, all listed equity strategies outperformed their global benchmarks, net inflows into listed equity funds were at record levels, and new client mandates were secured in key geographical markets such as North America. The valuation appears undemanding relative to that potential growth.

Active management driving out-performing funds

Impax manages and advises a fast-growing portfolio of listed and private equity real asset funds, £4.5bn aggregate assets under management (AUM) as at end September 2016 (£2.7bn: end Sep 2015). It is an active, high-conviction asset manager, whose 18-year track record demonstrates deep understanding of how changing demographics, climate, changing weather patterns, rising incomes in the developing world and increased environmental regulation alters risks and opportunities for key industries.

Investment decisions are based on proprietary and rigorous investment process, designed to take advantage of trends being driven by better resource efficiency and solutions to environmental problems. Long-term drivers remain compelling, and the group's funds are diversified geographically and by environmental market sector.

Financials - fund performance and scale

Significant FY16 AUM growth reflects benign equity markets as a whole but encouragingly for Impax we particularly note: (a) fund outperformance vs global benchmarks and (b) net fund inflows of £0.5bn during the last financial year. Recent investment in marketing will raise its profile and support distribution within both existing and new markets. Plans to launch a third private equity fund are well advanced.

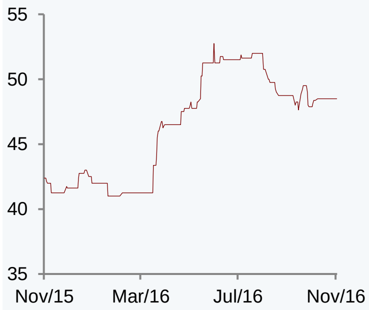
Stock-market recognition

Intriguingly, these encouraging growth prospects do not appear reflected in the historical valuation of Impax shares vs other quoted specialist fund management groups. Based upon consensus forecasts, the current rating is 8.1 x EV/NOPAT (EV c 1%. of AUM) with a 3.7% yield (2015-16), covered 1.5 times. Quoted peers' ratings are listed on page 13. On 1st December the group will release results for the year ended 30 September 2016. This will not only bring an up to date report on financial and corporate progress, but also an insight as to how the company sees its own outlook. We look forward to then refining our revenue and profit forecasts for the years ahead in more detail.

Company Data

EPIC	IPX
Price	49p
52 week Hi / Lo	53p / 41p
Market cap	£63m

Share Price, p



Source: ADVFN

Description

Impax is a market leading manager of both listed and private equity funds, which invest in ways that take advantage of more environmentally sustainable corporate and economic growth globally. Aggregate AUM at end September 2016 was £4.5bn.

The group has won many prestigious awards, including

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Summary investment case

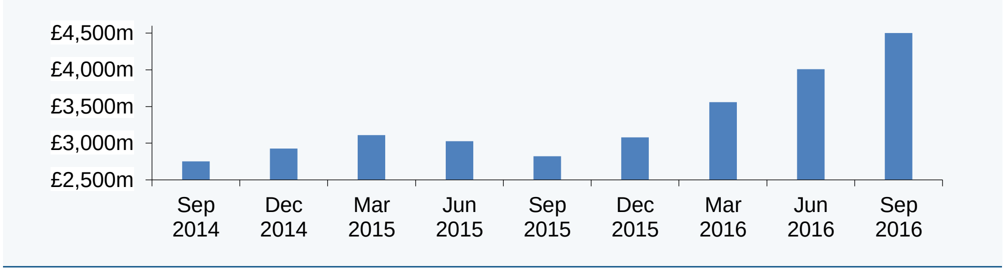
Impax Asset Management is a specialist, active investor in companies and projects positioned to benefit from global trends driving demand for more environment sustainability e.g. provision of renewable energy, clean water and other utilities. It manages a portfolio of six listed equity and three real asset funds, two energy infrastructure and one property, with aggregate AUM of £4.5bn at end September 2016, 59% y-o-y growth on behalf of a global institutional client base.

- This is a substantial specialist field, but complex and poorly researched. Valuations are regularly subject to anomalous mispricing, upon which Impax seeks to capitalise. It currently has only a very modest share of what Impax estimates is a vast **US$4.4trillion** investment universe with a scalable asset management platform and proprietary investment strategy.
- Against a backdrop characterised by relatively low GDP growth and historically low interest rates, **an outperforming high-conviction active investment strategy should have greater appeal.**
- Impax has invested in these markets since 1998 and has established distribution via offices in London, Hong Kong, New York and Portland, and partners such as BNP Paribas.
- **Scalable business model** supported by a stable, 30-strong specialist investment team based in key territories globally, with direct experience of target industries and technologies, and deep understanding of governance and risk management.
- Employees' interests are aligned with external shareholders' – employees hold interests over 38% of Impax AM equity.

Trading: strong FY16 performance and outlook

FY16 saw **£0.5bn of net inflows**, outperformance by Impax's equity funds (relative to MSCI ACWI benchmarks) plus some benefit from forex shifts i.e. £/USD weakness post referendum.

Impax group AUM (at period end)



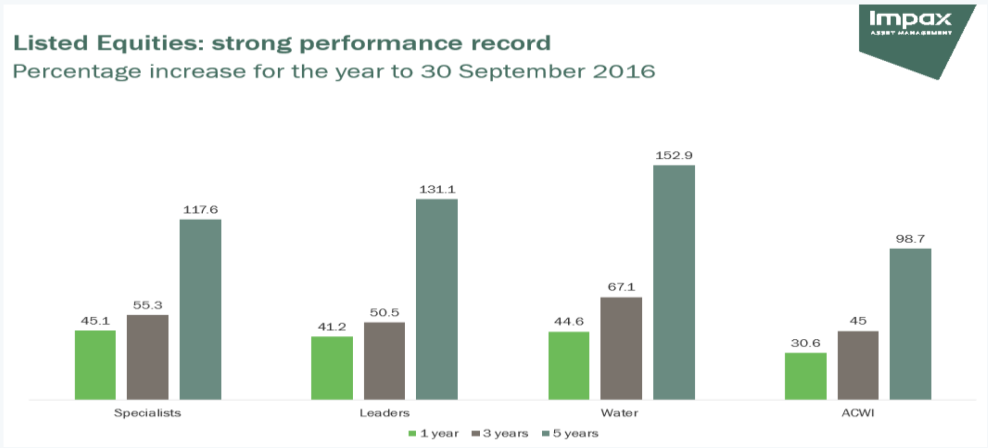
Source: Company, ED

Impax has steadily built a differentiated investor base, with a focus on North America over the last ten years. It has secured **significant new North American mandates** for its Specialists strategy (described below) during the last financial year. It also reported a positive response to extension of its Leaders strategy to meet demand from new UK audiences and progress in respect of discussions related to raising new money for a planned **new Private Equity Fund** launch.

Fund performance driving growth

Strong fund performance (including outperformance of relevant benchmarks such as the MSCI ACWI) and record net inflows combined to produce **59% y-o-y growth in AUM** in the 12 months to September 2016. Indeed good performance is evident over longer time periods:

Listed Equities: recent track record



Source: Company (Assets in GBP)

We see potential for continued outperformance over the next few years, as momentum behind trends driving the group's investment strategy continues to build. Examples include the recently agreed Paris Climate Accord and mounting political and popular pressure for other action globally to address environmental problems. That both shifts risks and opportunities for companies across a broad range of industries. That should represent a compelling outlook for institutional investors urgently seeking areas with stronger growth potential, enabling them to evolve their portfolio strategies and hedge risks. **In a complex, specialist area such as this, a leading asset manager and adviser such as Impax is in a prime position to advise these entities, and attract further substantial investment mandates.** As at end October 2016, AUM was distributed amongst the following strategies (underlying investment strategies discussed below):

Listed Equities			
Strategy	**Description**	**Launch**	**AUM**
Specialists (IEM in UK)	Invest in global 'pure play' small to mid-caps, with 50% revenue exposure to environmental markets	2002	£1,479m
Leaders	Invest in global larger caps, entry level is 20% revenue exposure to environmental markets)	2008	£917m
Water		2009	£1,744m
Asia-Pacific		2009	£30m
Food & Agri. Fund		2012	£190m
Global Equity Opp.		2014	£2m
			£4,362m
Real Assets			
Private Equity	Impax New Energy Investors	2005	£87m
Private Equity	Impax New Energy Investors II	2010	£209m
Property	Impax Climate Property Fund	2009*	£22m
			£318m

Source: Company **Acquired by Impax in 2014*

Impax funds (1): Listed equity

The group's listed equity funds seek out mispriced companies, well-placed to benefit from long-term trends such as rising global populations and wealth, shifting demographics, urbanisation, consumption growth and increased demand for resources. The group defines its investment philosophy within discrete strategies:

Segmentation

Strategy	Funds	Investment type
Specialists	**Impax Environmental Markets plc & Ireland**	Pure play small and mid-caps; 50% of underlying revenue generated from sale of environmental products or services in energy efficiency, renewable energy, water, waste and sustainable food & agriculture markets. Addresses long term macro-economic themes: growing populations, rising living standards, increasing urbanisation, rising consumption and depletion of natural resources.
Asia Pacific	**Impax Asian Environmental Markets (Ireland)**	As above - 20% of underlying revenue from those sources
Leaders	**Impax Environmental Leaders (Ireland)**	As above - large caps with 20% exposure
Water	**BNP Paribas Aqua fund (Manager)**	**Rapid growth water value chain** Companies that generate over 20% of underlying revenue from sale of products and services which address long term macro-economic themes described above, with focus on developed countries' aged water infrastructure, more stringent water quality regulations and depletion of clean water supplies.
Food and Agriculture	**BNP Paribas SMaRT Food Fund (Manager)** **Impax Food and Agriculture Fund**	**Innovators in global food and agriculture markets.** Providers able to solve natural resource constraints in the food supply chain. Benefit from exposure to provision of nutrition within context of rising consumer demand for better quality, traceable, healthy, natural and safe food. Also, solutions to adverse health effects of a poor diet

Source: Company

The scale of these funds, both own label and third party have grown steadily over the past two years. Fund performance is driven by the group's high conviction, bottom-up approach to stock picking within its five defined strategies. Each of these has had excellent outperformance of benchmarks, including the FTSE Environmental Index and MSCI All Countries World Index.

AUM – Impax listed equity funds

At end:	Sep 2014	Dec 2014	Mar 2015	Jun 2015	Sep 2015	Dec 2015	Mar 2016	Jun 2016	Sep 2016
£bn	2.38	2.56	2.76	2.70	2.49	2.75	3.20	3.71	4.20

Source: Company

FY16 saw strong growth in North American markets, which now account for over 50% of new assets and c 14% total assets under management and advice. This primarily reflects growing institutional demand for investment portfolios regarded as well-positioned to benefit from the environmentally sustainable growth trends underpinning the group strategy. Impax reported record levels of commitments from new clients over the last year and a strong pipeline of prospective investors.

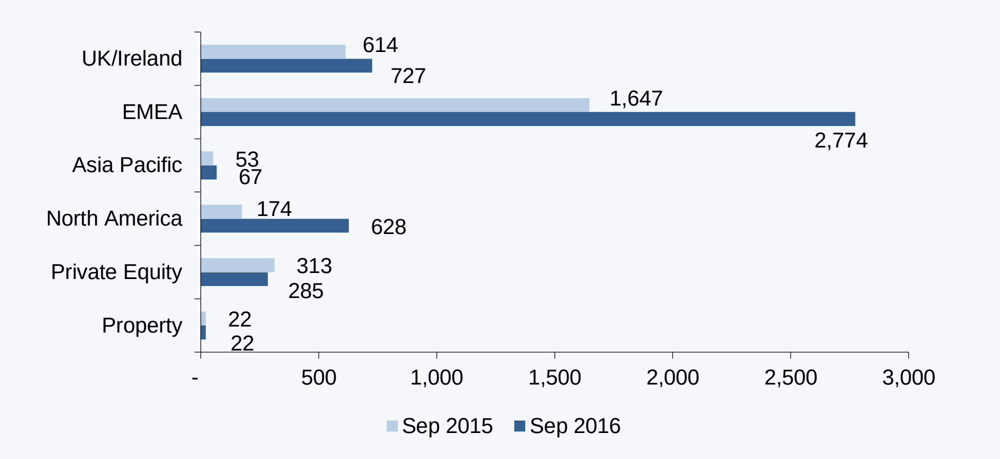
Net inflows – listed equity funds

At end	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16
£m	64	59	38	64	(62)	29	273	190	84

Source: Company

A more granular examination of net fund inflows reveals that momentum in detail quarter by quarter, as well as the positive impact of marketing aimed at attracting funds from EMEA and North America during the last financial year.

AUM growth - by client domicile (£m)



Source: Company

Impax funds (2): Private equity infrastructure

Impax is one of the longest established private equity fund managers specialising in the renewable energy sector. The investor base comprises leading institutional investors including pension funds, insurance companies and global investment managers.

PE Funds

Fund name	Details
Impax New Energy Investors	€125 million fund - reached final close in August 2006
Impax New Energy Investors II (NEF II)	€330 million of capital commitments; reached final close in August 2011 Diversified investment portfolio across six European countries and several successful exits achieved to date

Source: public data

It currently operates two funds, launched in 2006 and 2011, and plans to progressively build its private equity portfolio and AUM via new fund launches. The division's third PE infrastructure fund launch is at an advanced stage. The European Investment Bank (EIB) has announced a proposed €50m allocation as a cornerstone investor and BNP Paribas Investment Partners has been appointed as the fund's placement agent.

Investment focused on European renewable power generation

These funds pursue a value-added investment strategy focused on renewable power generation and related assets. They invest both in projects directly and corporate owners of multiple European projects using **commercially proven technology with short construction periods**. It targets relatively stable markets underpinned by (a) ambitious EU renewable energy targets; (b) the urgent need to replace aged power plants and despite that; (c) current shortfall in the planned roll-out of new, traditional power generation capacity. This is backed by a solid regulatory framework, including feed-in tariffs which support projected inflation-linked long-term revenues.

Most of the funds' capital is expected to be deployed in the on-shore wind and solar sectors. This leverages its team's specialist technical and operational knowledge to assess project risk and management capability, and capitalises upon it access to proprietary deal flow from its established network. **The focus on risk management means that returns will be driven by growth in the intrinsic value of acquired assets, <u>not</u> from use of excessive financial leverage**.

Value driven by creation of portfolios with critical mass

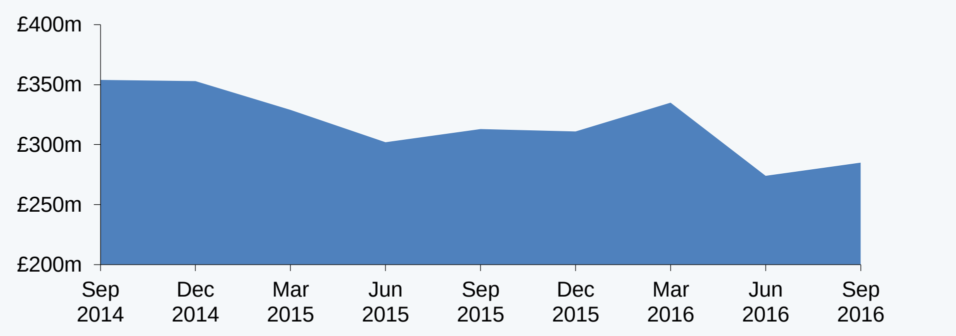
These are fragmented markets in which consolidation is expected to materially enhance valuations. Recently closed transactions in France, Germany and other EU include the sale of a portfolio of 206 MW French and German wind assets held by NEF II, to ERG Renew, the renewable energy subsidiary of the Italian multi-energy company ERG Group.

This was part of the planned realisation of this fund's assets and demonstrated delivery against a strategy to consolidate European renewable energy assets to create portfolios with critical mass to attract long-term owners such as large financial investors and utility power generators which seek to acquire scaled portfolios of operational renewable assets. Another example of added value investment is the disposal of a 14 MW French windfarm to Swiss utility BKW.

KPIs: profitable exits, with potential to grow AUM

Combined AUM is £335m and there is potential to grow this amount materially. NEF II has successfully sold assets and returned monies to investors: this demonstrates its ability to meet its strategic targets, and builds a track record which will pave the way for future fund raisings.

IPX Private equity – funds under management



Source: Company

New investment in future funds will pivot on performance of prior funds, itself a function of its ability to secure **outperforming investments in a predictable timeframe, and achieve profitable exits** during the agreed fund life. As assets are sold there will be a commensurate reduction in the management fee received by Impax, regular fund exits shrink AUM but are ironically, an important measure of fund manager skills.

The performance of NEF I has been adversely affected by the unexpected decision taken by the Spanish government in 2011, to retroactively amend the terms of solar farm tariffs. Spanish solar farms comprise c 78% of this fund's valuation, and material retroactive reform of Spain's energy markets resulted in a breach of covenants attached to loans held by this investment. An arbitration process, in conjunction with other investors, is progressing a claim for compensation from the Spanish government.

Impax funds (3): Sustainable property

Impax has operated its sustainable property arm since 2014, when the Climate Property Fund management team joined the group from Climate Change Capital Limited.

This division seeks opportunities to create value by improving the energy efficiency of UK commercial property, demand for which is being driven both by environmental and buildings/energy efficiency regulation and tenants. It acquires real assets which it retrofits to high standards of efficiency and sustainability, and seeks to dispose of leased assets to institutional investors.

Impax has recently pioneered a new **'Green alpha'** valuation methodology, in collaboration with commercial property services group Jones Lang LaSalle, to help quantify investor returns directly attributable to active sustainable asset management delivered by its fund portfolio investments.

Quantifying this 'Green alpha' is a relatively new concept, but is quickly becoming an important metric for investors in sustainable property. It represents the proportion of total return from an individual property investment attributable to sustainability and energy efficiency initiatives. Impax believes it is **the first manager** to devise a robust, replicable methodology at an asset level.

Competitive advantages

Global client base, leading brand, stable experienced team

Impax is **a leader in a complex, increasingly important sector**, with a stable, experienced 30-strong in-house investment team, and expertise to gauge the impact of rapid technological innovation and regulatory momentum. It has an institutional client base distributed global, including mandates from US/Canadian, UK, European, Australian, Japanese and Middle Eastern investors.

Group history and milestones

Timeline	
1998	Impax AM founded
1999	Launch of first listed equity strategy - advisory contract for Alm.Brand Invest in Denmark
2001	LSE (AIM) listing
2002	Launch of Impax Environmental Markets plc - first own-label listed equity fund
2005	Launch of Impax New Energy Investors Fund I - first private equity infrastructure fund
2007	Investment by BNP Paribas Investment Partners
2008	SEC registration
2010	Launch of Impax New Energy Investors Fund II
2011	Opened Hong Kong office
2012	Opened New York office
2014	Opened Portland Oregon office Acquired Sustainable Property business
2015	Launch of Impact and green alpha methodologies
2016	$5bn AUM milestone (Q1 2016)

Source: Company documents

Proprietary investment strategy

The transition towards a more sustainable global economy is the impetus behind investment decisions. It takes a long-term perspective focused on discrete environmental markets - energy, water, waste and sustainable food & agriculture - and related resource efficiency sectors, where its team sees broader opportunities to take advantage of **specific trends**.

Key influences include population dynamics, resource scarcity and the urgent need to address inadequate infrastructure within increasingly stringent environmental constraints. A succinct overview of the thinking process illustrates how detailed assessment of regulatory responses to environmental issues guides rational investment decisions.

Carbon risk and a rational approach to fossil fuel divestment

Risk of stranded assets	Investment risk: climate change and regulation	Impact of a carbon tax	Rational divestment and reallocation
If all carbon reserves valued on company balance sheets were burned, it would lead to global temperature rises which would make the planet uninhabitable	Need to look beyond changing weather patterns. Government intervention to limit CO_2 emissions e.g. taxes	Taxes on fossil fuels will make extraction of many of them uneconomic. They will be stranded and have no financial value	Partial divestment and reallocation to renewables and energy efficiency allows investors to maintain energy exposure

Source: Company

Investment decisions are guided by a proprietary investment framework which Impax uses to identify and calibrate evolving risks and opportunities. This analyses how the above trends will influence the transition towards a more environmentally-sustainable global economy.

An example is how an urgent need to upgrade inadequate infrastructure worldwide will (a) increase demand and potentially, improve the economic case for newer, alternative sources and (b) drive existing suppliers of energy and water to purchase new technology and expertise to comply with more onerous environmental constraints and retain access to customers.

Research driven approach

Impax carries out in-depth research on a small number of global equity strategies such as energy efficiency, renewables, water, waste/resource recovery, food and agriculture related markets, each of which must comply with progressively more stringent environmental legislation. As outlined, investment focuses on appropriate companies active in markets where long term themes underpin growth, thus providing a specialist, active manager with **clear opportunities to add value.**

The outcome of an analysis, set out below, shows how Impax may construct a strategy to capitalise on indirect beneficiaries of trends which increase the risks for market leaders. It also illustrates how such responses are applicable to a wider range of industry sectors, each sensitive to introduction of more stringent legislation.

Seizing opportunities	
Energy efficiency	Take advantage of energy markets with high, growing demand, relative price inelasticity and high margins. The investment thesis recognises that it is typically more profitable to save a unit of energy than generate a new one. - Focus on opportunities in new energy sectors such as Energy Efficiency and Renewable Energy, rather than legacy energy sectors e.g. oil and gas - Invest in technologies which business and consumers to do more with less energy o Extend cell phone charge life o Improve building insulation o More efficient lighting and sensors to reduce energy consumption and optimise heating and cooling
Water	Investment focused on sustainable use of water and urgent need to address historic under investment in water infrastructure. - Production of equipment for water treatment and purification - Provision of water and/or optimisation of delivery to end users o Utilities o Filters, valves, pumps, and pipes o Water quality testing devices o Products which reduce use of water in industrial processes and farming, and measure water flow. o Developers of pollution control systems, water and air.

Source: Company

Target companies complex and prone to mispricing

To achieve sustainable, above-market (capital growth and income) returns over the longer term, Impax invests in companies which **address challenges surrounding environmental sustainability** e.g. food supply and efficient use of resources. These businesses all operate in industries positioned to benefit from long-term trends e.g. rising global populations/wealth, demographic shifts, urbanisation and increasing consumption.

As these will challenge business models, create demand for specific solutions and improve the economics for alternative providers, Impax seeks to identify these trends **in advance** and assesses how they alter the risks for incumbents and the opportunities for new entrants, what kind of solutions will be required and which companies are best placed to provide them.

It analyses how these the impact on demand for scarce resources, new investment risks and opportunities will affect earnings growth and which **companies are better positioned to outperform** as markets adapt to pressure for more sustainability.

Chosen sectors are generally complex and investment targets characterised by high levels of corporate activity, low levels of sell-side coverage, rapid technological innovation and regulatory momentum. That mix results in companies which are often **poorly understood and inefficiently priced,** which Impax seeks to exploit.

The investment strategy, progress against targets and future direction can be characterised as follows:

Implementation

Strategy	Progress to date	Future plans
Investment in high growth market, seek price inefficiencies	Built 18-year track record in resource efficiency and environmental markets Partnered with FTSE and others to define core markets	Seek new, related markets affected by long-term trends
Focus on scalable investment strategies where it can add value	Established core strategies - six long only, two real assets	Continued focus on current investment strategies, their development and identification of additional themes
Build and extend a flexible distribution architecture	Well established marketing and client services teams in the UK and US Provide investment (sub) management services to several third parties with strong brand channels	Expand direct marketing and client services teams selectively. Establish new partnerships, complementary to existing relationships
Attract/retain highly qualified individuals	Experienced team in place, with aggregate 37% equity interest	Evolve internal culture, formalise staff development programmes and establish succession plans
Balance tight cost control with requirements of an expanding business	Invested in scalable growth platform, including core team, business systems and infrastructure. Advanced plans to launch new real asset private equity funds, and strategy to develop new initiatives in response to client demand	Consider incremental investment which supports business expansion

Source: Company

Management team

Ian Simm Chief Executive	Founded Impax in 1998, has since built the group and continues to head its investment committees. Was previously an engagement manager at McKinsey & Company where he advised clients on resource efficiency issues. In 2013 appointed by the Secretary of State for Business, Innovation and Skills as a member of the UK's Natural Environment Research Council (NERC).
Bruce Jenkyn-Jones, Co-head Listed Equity business	Managing Director of the Listed Equity business. He has 22 years' experience working in environmental markets. Prior to joining Impax in 1999 he was a utilities analyst with BT Alex Brown and before that a senior consultant at Environmental Resources Management Ltd.
Hubert Aarts Co-head Listed Equity business	Worked in the investment industry since 1990, joined Impax in January 2007 from Cambrian Capital Partners LLP, where he was a partner and portfolio manager of the Curalium fund, and Incremental Leveraged hedge funds. Experienced investor in Pan-European equities as a portfolio manager at MeesPierson and Merrill Lynch Investment Managers, where he chaired the European Sector Strategy Group.
Charlie Ridge Chief Financial Officer	CFO of Impax Asset Management Group plc. Has over 26 years' financial services experience and joined Impax from Deutsche Bank, where he was a MD within the finance division and CFO of UK Asset and Wealth Management. Previously held a variety of financial and market risk related roles for the global markets division.
Peter Rossbach Co-head Private Equity team	MD of the Private Equity team that manages Impax New Energy Investors and Impax New Energy Investors II. From 1997 to 2000 was senior investment officer at AMI Asset Management and prior to that, held positions as senior investment adviser to EBRD, VP project finance at Mitsui Bank in New York, and within the energy project finance teams at Catalyst Energy, Lowrey Lazard and Standard and Poor's utility debt ratings services.
Daniel Von Preyss Co-head and MD Private Equity business	Involvement both in investments and as Head of Asset Management for the Private Equity business. Prior to joining Impax was responsible for Babcock & Brown's Northern European infrastructure activities where he focused on regulated utilities, gas storage and broader power generation. Prior to that was Director of Corporate Finance for the European Energy and Utilities team at Deutsche Bank with strong focus on M&A activity in Europe, and worked in Citigroup's Utilities team.
David Richardson, MD, Global Head of Marketing and Client Service	Joined Impax in August 2012 from Global Energy Investors, where he was a Managing Partner. Co-founder and (for 22 years) MD of Business Development at Dwight Asset Management Company (now part of Goldman Sachs Asset Management). Head of Project Development at Mark Technologies Corporation and led financing and development of large scale US wind energy projects. Licensed Civil Engineer.
Zack Wilson Group General Counsel	Joined Impax in 2011, he is Group General Counsel for Impax Asset Management Group plc and Company Secretary. Previously Director & General Counsel for investment management and corporate finance advisory group Development Capital Management, and Corporate Counsel for Telewest Global Inc (renamed Virgin Media Inc), and worked on successful execution of high profile transactions including the a $10bn financial restructuring.
Roz Reid Head of Human Resources	Joined Impax in October 2014. Is responsible for staff matters and HR strategic initiatives in the UK and overseas. Over 20 years' experience in Financial Services at Westpac, BNP Paribas and Chase JP Morgan.

Source: Company, ED

Financials: strong trading performance

Impax's main revenue sources are **investment management and advisory fees**, generally calculated as a percentage of the valuation of AUM for **Listed Equity funds** and for its **Private Equity and Property funds**, usually an agreed percentage of commitments made to each fund by its investors during its investment period, and thereafter based upon the cost price of investments made but not exited.

Recent trading updates confirmed that performance measures are heading in the right direction. Q3 and Q4 saw strong growth in assets under discretionary and advisory management (AUM) to £4.0bn (end June 2016) and £4.5bn (end September), **12% growth for the last three months and 59% for the financial year**. This is underpinned by a **strong balance sheet** i.e. nil debt and £27m of cash and investments in the group's own funds.

Financial Performance

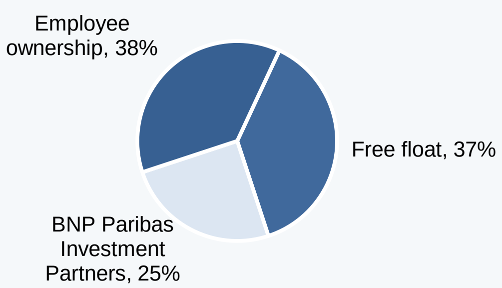
Year to end Sept	H1 2015	H2 2015	H1 2016
AUM at period end	£3.1bn	£2.8bn	£3.6bn
Revenue	£10.4m	£9.3m	£9.4m
Operating earnings	£2.3m	£0.8m	£1.6m
Profit/(loss) before tax	£1.9m	£3.2m	£2.1m
Diluted EPS	1.6p	1.5p	1.4p
Shareholders' equity	**£25.2m**	**£25.9m**	**£24.5m**
Dividend	0.4p	1.2p	0.5p
Special dividend		0.5p	

Source: Company

EPS growth is affected by the bonus pool deducted from pre-tax profit, which is typically capped at 45% of earnings before variable remuneration. The potentially dilutive impact of share options (14m outstanding at end FY15; average 5.1 years outstanding and 48p exercise price, above current market) and restricted shares (3.9m at end FY15) has been mitigated by a buy-back programme. The cost of restricted share awards is deducted from the bonus pool.

The group is not expected to issue further options, but employee remuneration includes restricted shares to which they gain access after a three, four and five-year period (one third at each stage) subject to continued employment. This provides further alignment between interests of staff and external shareholders, on top of significant share ownership by employees:

Impax AM share ownership



Source: Company

Valuation

It is interesting to look at ratings and ratios for other quoted asset managers, compared to Impax:

Comparative statistics

Company	Price	Market Cap (£m)	PER 2016E	PER 2017E	EV/NOPAT 2016 (X)	EV/NOPAT 2017 (X)	Dividend Yield (%) Historic	Dividend Yield (%) 2016e	Dividend Yield (%) 2017e
Specialist									
Ashmore	290p	£2,051m	17.3	16.8	14.8	12.8	5.6%	5.7%	5.7%
Impax AM	49p	£63m	16.8	14.3	10.5	8.1	3.1%	3.8%	4.2%
Jupiter	433p	£1,936m	15.2	13.5	13.8	12.5	3.1%	5.5%	6.1%
Liontrust	348p	£143m	13.6	11.9	14.6	14.6	2.6%	3.8%	4.3%
Miton Group	30p	£50m	14.3	12.5	8.5	7.6	2.0%	2.5%	2.8%
Man Group	118p	£2,018m	7.6	6.9	6.1	5.6	6.0%	5.6%	5.9%
Polar Capital	280p	£259m	14.8	13.7	11.6	10.5	8.9%	8.9%	8.9%
Diversified									
Aberdeen	291p	£4,014m	14.2	12.0	12.2	10.2	6.6%	6.7%	6.8%
Henderson	239p	£2,473m	16.6	15.0	14.2	13.0	3.9%	4.2%	4.7%
Schroders	2,824p	£6,263m	16.9	16.1	13.8	13.2	2.9%	3.1%	3.2%

Source: consensus, Company websites, as at Nov 2016

Whilst Impax's strong positioning and strategy logically argue for a premium rating, the valuation (based upon consensus forecasts) is currently below sector peers at 8.1x EV/NOPAT and 1% EV/AUM, backed by a 4.2% prospective yield. The group has a stated commitment to progressive dividends and considerable alignment of the interests of employees and external shareholders.

Risks/sensitivities: include scale and US election result

We see possible sensitivities for the current rating. This may include the need to prove the stability of AUM, and reproducibility of net fund inflows post rapid growth in FY16. We would focus over the next 12-18 months on significant mandates secured from new and existing clients, growing critical mass (AUM) and profile in key geographical markets and investor appetite for an extended product portfolio.

The US election result also added uncertainty, due to the president-elect's previously stated attitudes towards environment issues. Recent media coverage suggested Mr Trump has reversed course on several campaign pledges, and suggested that he will reconsider his view on withdrawing from the Paris climate accord.

Impax currently assumes that there will be no new US environmental legislation under a Trump presidency and potentially, some reversal of recently enacted regulations. Mr Trump has, however, stated his commitment to increased infrastructure spending across water, transport and real estate, and cited poor water quality as a major issue and priority which needs to be addressed.

That may result in higher spending on related components, services and other infrastructure hardware that comply with local environmental standards, all components of Impax's investment strategy.

Mr Trump has also stressed his support for US domestic energy production and independence. This should strengthen the investment case for areas such as hazardous waste management, water treatment and environmental testing and consultants.

In the shorter term Impax sees prospects for US renewables remaining dependent on individual state initiatives. However, the falling costs of solar and wind will ensure that they retain a role in new capacity additions and it expects buying opportunities may emerge.

Long term drivers of global environmental markets remain compelling. Impax's portfolios are well diversified by region and environmental market sector and it doesn't envisage making major changes to its investment portfolios in the short term.

Summary Financials

Consolidated income statement		
Year to 30 September, £'000s	**2014**	**2015**
Revenue	**20,359**	**19,726**
Operating costs excluding legacy LT incentive schemes	(15,039)	(16,616)
Operating profit	**5,320**	**3,110**
Operating margin	26%	16%
Credits/(charges) related to legacy LT incentive schemes	(539)	1,285
Fair value gain/(loss) on investments	(1,460)	615
Investment income	207	228
Change in third-party interest in consolidated funds	7	(101)
Profits before taxation	**3,535**	**5,137**
Taxation	(279)	(1,504)
Profit after tax	**3,256**	**3,633**
Earnings per share		
Shares in issue (basic)	117,314	115,133
Shares in issue (diluted)	117,733	115,909
Basic	**2.78**	**3.16**
Diluted	**2.77**	**3.13**
Dividends per share, p	1.4	1.6
Special dividend per share, p	0.0	0.5
Consolidated statement of comprehensive income		
Profit for the year	**3,256**	**3,633**
(Decrease)/increase in value of cash flow hedges	60	(171)
Tax on change in value of cash flow hedges	(14)	38
Exchange differences on translation of foreign operations	146	(35)
Total other comprehensive income	192	(168)
Total comprehensive income for the period, attributable to equity holders of the parent company	**3,448**	**3,465**

Source: Company

Consolidated cash flow statement

Year to 30 September, £'000s	**2014**	**2015**
Operating activities		
Profit before taxation	3,535	5,137
Adjustment for:		
Investment income	(207)	(228)
Depreciation and amortisation	326	273
Fair value (gains)/losses	1,460	(615)
Share-based payments	377	437
(Credit)/charges related to legacy long-term incentive schemes	539	(1,285)
Change in third-party interest in consolidated funds	(7)	101
Operating cash flows before movement in working capital	6,023	3,820
(Increase)/decrease in receivables	48	(1,850)
Decrease/(increase) in margin account	(107)	117
(Decrease) in payables	(178)	(280)
Cash generated from operations	5,786	1,807
Corporation tax paid	(96)	(570)
Net cash generated from operating activities	**5,690**	**1,237**
Investing activities		
Investment income received	207	228
Settlement of investment related hedges	(1,244)	(359)
Net redemptions made to Impax by unconsolidated Impax managed funds	1,171	2,469
Net investment disposals made by/(investments made by) consolidated funds	(3,710)	2,749
(Increase)/decrease in cash held in money market accounts and long-term deposit accounts	2,257	(6,538)
Acquisition of property, plant and equipment and intangible assets	(61)	(156)
Net cash used in investing activities	**(1,380)**	**(1,607)**
Financing activities		
Dividends paid	(1,338)	(1,676)
Acquisition of own shares	(619)	(1,158)
Cash received on exercise of Impax share options	47	0
(Distributions made to)/investments made by 3rd party investors in consolidated funds	554	(1,067)
Net cash generated from /(used in) financing activities	**(1,356)**	**(3,901)**
Net (decrease)/increase in cash and cash equivalents	2,954	(4,271)
Cash and cash equivalents at beginning of year	**3,680**	**6,634**
Effect of foreign exchange rate changes	0	1
Cash and cash equivalents at end of year	**6,634**	**2,364**
Plus cash invested in money market funds and long term deposit	10,615	17,153

Source: Company

Balance sheet/statement of financial position		
Year to 30 September, £'000s	**2014**	**2015**
Assets		
Goodwill	1,666	1,681
Intangible assets	107	73
Property, plant and equipment	246	185
Investments	16	16
Total non-current assets	**2,035**	**1,955**
Trade and other receivables	3,097	4,754
Derivative asset	178	49
Investments	11,640	7,419
Margin account	293	177
Cash invested in money market funds and long-term deposit accounts	10,615	17,153
Cash and cash equivalents	6,634	2,364
Total current assets	**32,457**	**31,916**
Total assets	**34,492**	**33,871**
Equity and liabilities		
Ordinary shares	1,277	1,277
Share premium	4,093	4,093
Exchange translation reserve	(206)	(241)
Hedging reserve	172	39
Retained earnings	19,523	20,759
Total equity	**24,859**	**25,927**
Trade and other payables	6,536	4,987
Third-party interest in consolidated funds	1,119	144
Derivative liability	0	74
Current tax liability	73	305
Total current liabilities	**7,728**	**5,510**
Accruals	207	197
Deferred tax liability	1,697	2,237
Total non-current liabilities	**1,904**	**2,434**
Total equity and liabilities	**34,491**	**33,871**

Source: Company

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