

Impax Asset Management Group



Non-independent Research – Marketing Communication

Strong Q1: AUM and profit upgrades

16 January, 2017

We have revised our fee income and profit forecasts to reflect recent momentum behind growth in assets under discretionary/advisory management (AUM) which hit a new peak of £5.06bn at the end of 2016 (FY16: £4.8bn). A 12% increase over the quarter puts Impax well on track to achieve our existing £5.4bn end September 2017 AUM forecast.

We have increased that target by £100m, but adjusted for an expected shift in AUM weighting towards lower margin listed equity funds. That still sees operating profit increase to £6.6m this year, on top line revenues marginally lower. Similar adjustments to FY18 forecasts assume conservative y-o-y AUM growth.

Strong progress by key metric, AUM on track for FY17/FY18

AUM is a key valuation metric and recent periods have seen impressive growth from £3.1bn (Q1 16) to £5.1bn (Q1 17). We expect further progress out to the end of FY18, but would still be comfortable with some volatility in a net measure i.e. which includes client withdrawals.

The group has two older private equity funds which are effectively in wind-down, where profitable exits/client distributions would be regarded as positive. Conversely, new investment in a recently launched third fund may exceed our projections. In each case the assumptions which underpin our forecasts are deliberately conservative, taking into account withdrawals and their potential impact on fee income.

Forecasts and valuation

The group reported record inflows into its listed equity funds during the quarter, driven by Continental European and North American clients. This confirms that the momentum achieved in the second half of FY16 has been maintained this year; the table overleaf confirms particularly strong net inflows into its equity funds. Our full year AUM target assumes a further 9.4% growth over the final three quarters which we don't regard as particularly aggressive. That projection puts the shares on an 11.7x FY17 EV/NOPAT multiple, and EV/AUM (Q1) of 1.2%, backed by a well-covered 4.1% yield.

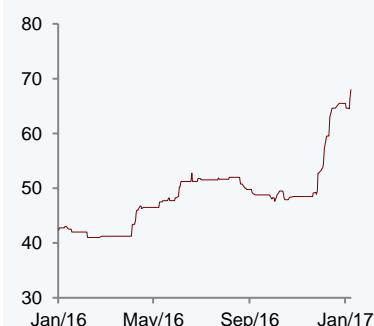
Summary forecasts					
Year end 31 Sep	2014A	2015A	2016A	2017E	2018E
Revenue, £m	20.4	19.7	21.1	27.0	28.5
Op. Profit, £m	5.3	3.1	4.2	6.6	7.0
EPS, p	2.8	3.1	3.6	4.9	5.2
PER	24.3	21.9	18.9	13.9	13.1
EV/NOPAT	14.2	30.6	19.7	11.7	10.6
Div, p	1.4	1.6	2.1	2.8	3.1
Yield, %	2.1	2.4	3.1	4.1	4.6

Source: Group report & accounts and ED estimates

Company Data

EPIC	IPX
Price (last close)	68p
52 week Hi/Lo	68p / 40p
Market cap	£87m
Net cash (Sep 2016)	£15.4m

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 December 2016 was £5.06bn.

The group has won many prestigious awards including:



Roger Leboff (Analyst)

0207 065 2690
roger@equitydevelopment.co.uk

Hannah Crowe

0207 065 2692
hannah@equitydevelopment.co.uk

AUM progression

Movement in 3 months to 31 December 2016, by funds

£m	Listed Equity	Private Equity	Property	Total
Total AUM at 1 October 2016	4,195	285	22	4,502
Net inflows	350	129	-	479
Market movement and performance	82	(3)	-	79
Total AUM - 31 December 2016	4,627	411	22	5,060

Source: Impax Q1 update

Revised forecasts

Consolidated income statement

Year to end Sept, £'000	2015	2016	2017 E	2018 E
Revenue	19,726	21,067	27,000	28,460
Op. costs excluding legacy LT incentive schemes	(16,616)	(16,915)	(20,385)	(21,487)
Operating profit	3,110	4,152	6,615	6,973
Operating margin	0	0	0	0
Credits/(charges) rel. to legacy LT incentive schemes	1,285	27	0	0
Fair value gain/(loss) on investments	615	989	0	0
Investment income	228	319	300	320
Change in third-party interest in consolidated funds	(101)	(288)	0	0
Profits before taxation	5,137	5,199	6,915	7,293
Taxation	(1,504)	(1,022)	(1,314)	(1,386)
Profit after tax	3,633	4,177	5,601	5,907
Earnings per share				
Basic (p)	3.16	3.74	5.01	5.28
Diluted (p)	3.13	3.65	4.90	5.16
Dividends per share (p)	1.60	2.10	2.80	3.10
Dividend cover	2.0x	1.7x	1.7x	1.7x

Source: Impax Annual Report/Equity Development forecasts



Head of Corporate

Gilbert Ellacombe

Direct: 0207 065 2698

Tel: 0207 065 2690

gilbert@equitydevelopment.co.uk

Investor Access

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

Ben Ferguson

Direct: 0207 065 2693

Tel: 0207 065 2690

ben.ferguson@equitydevelopment.co.uk

Equity Development Limited is regulated by the Financial Conduct Authority

Equity Development Limited ('ED') is retained to act as financial adviser for various clients, some or all of whom may now or in the future have an interest in the contents of this document and/or in the Company. In the preparation of this report ED has taken professional efforts to ensure that the facts stated herein are clear, fair and not misleading, but make no guarantee as to the accuracy or completeness of the information or opinions contained herein.

The research in this document has been produced in accordance with COBS 12.3 as Non-Independent Research and is a marketing communication. This document is not directed at, may not be suitable for and should not be relied on by anyone who is not an investment professional including retail clients. It does not constitute a personal investment recommendation and recipients must satisfy themselves that any dealing is appropriate in the light of their own understanding, appraisal of risk and reward, objectives, experience, and financial and operational resources. Research on its client companies produced and distributed by ED is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is deemed to be 'non-independent research' but is 'objective' in that the authors are stating their own opinions. This report has not been produced under legal requirements designed for independent research.

ED may in the future provide, or may have in the past provided, investment banking services to its client companies. For ED's employees and consultants there are rules to prevent dealing in the shares of client companies whilst notes are being prepared, or immediately after the note's release. Publication is achieved by a new note being freely available from the ED website. ED's engagement with corporate clients is governed by the laws of England & Wales. In the UK, companies quoted on AIM are subject to lighter due diligence than shares quoted on the main market and are therefore more likely to carry a higher degree of risk than main market companies.

This report is being provided to relevant persons by ED to provide background information about Impax Asset Management. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever. Self-certification by investors can be completed free of charge at www.fisma.org

More information is available on our website

www.equitydevelopment.co.uk

Equity Development, 15 Eldon Street, London, EC2M 7LD. Contact: info@equitydevelopment.co.uk 0207 065 2690