

Forecasts trimmed, attractions intact

20 February 2019

Our FY19e AUM projections (update 14 December 2018) assumed steady underlying net inflows to existing and funds and flat y-o-y investment performance. In the event, Impax's end December AUM update revealed a £0.96bn fall in total AUM during Q1, from £12.52bn to £11.56bn.

A strong January saw a 4.9% recovery in a single month to £12.12bn. That is unquestionably encouraging, but perhaps still leaves Impax with too much ground to make up in the next eight months to achieve our £14.5bn AUM forecast. We have therefore trimmed the latter to £14.0bn, and total fee income, operating profit and EPS now reflect the recent volatile market conditions.

Mixed fund performance in Q119

Impax provides quarterly breakdowns of underlying AUM movements by division and net inflows vs. investment performance. January's outperformance is therefore only a headline figure, but there was more visibility for the Q119 (Oct-Dec 2018).

In Q1, the UK funds were up £0.54bn, ahead of forecast, but their performance was offset by a £0.23bn net withdrawal reported by the Group's US operation. Market movement, FX and performance knocked another £1.32bn off the total. Some £0.56bn of the £0.96bn aggregate AUM decline in Q1 was recovered in January.

To put that in context, end January 2019 AUM at £12.12bn was c 3.2% below the last year-end and despite one strong month, our prior FY19e projection looks demanding with just two-thirds of the current year remaining. A revised £14bn full year AUM forecast takes a more pragmatic view of what is attainable from here. We have also reduced FY20e AUM from £16.5bn to £15.7bn, based on similar net inflows to UK funds and neutral contributions from the US division and overall investment performance.

A more volatile investment environment has not changed our view on the fundamental strengths of Impax's unique proposition. The latter remains intact and we believe current measures (PER, yield, EV/NOPAT) materially undervalue the business's potential for total shareholder returns or its growing appeal to an acquisitive Fund Management major as 'best in class' in an increasingly important segment.

Company Data

EPIC	AIM : IPX
Price	214p
52 week Hi/Lo	281p / 139p
Market cap	£280m

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 January 2019 was £12.1bn.

Summary forecasts

Year end 30 Sep	2016A	2017A	2018A	2019E	2020E
Revenue, £m	21.1	32.7	65.7	69.6	76.6
Adjusted Op. Profit, £m	4.2	9.3	20.0	18.0	21.4
Adjusted EPS, Basic p	3.6	6.5	12.5	11.6	13.9
PER	59.4	32.9	17.1	18.4	15.4
EV/NOPAT	71	29	22	20	16
Yield, %	1.0	1.4	2.0	2.2	2.6

Source: Group report & accounts and ED estimates (EV calc. includes net cash and seed investments) Adj. results eliminate non-recurring acquisition costs, ongoing amortisation of intangibles acquired, one-off tax credits and mark-to-market of NI on equity award schemes.

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