

Foundations laid for further growth

16th December 2019

In October 2019, Impax reported impressive AUM growth, closing FY19 on £15.1bn, up 21% on FY18 (AUM continued to rise post year-end, to £15.7bn on 30 November 2019). Now, with the release of its annual results, we see how that growth has underpinned a rock-solid financial performance. Our fair valuation of 350p/share comfortably supports the price despite recent gains.

Revenue grew 12% (underlying revenue growth was even stronger as FY18 benefitted from £6.2m of private-equity one-off payments), with profits and cash generation remaining strong. This allowed Impax to fully repay the debt it raised in 2018 to fund the acquisition of Pax World Management LLC (Impax NH) in the US, and to propose amending its dividend payout policy, upwards to 55%-80% of adjusted PAT. For FY19, full-year dividends jumped 34% over FY18, with yield rising from 1.1% to 1.5%

Company Data

EPIC	IPX
Price (last close)	362.5p
52 week Hi/Lo	370p/179p
Market cap	£437m

Share Price, p



Source: ADVFN

Description

Impax is a specialist asset manager, focused on the growth opportunities arising from the transition to a sustainable economy. Founded in 1998, it offers a range of thematic and unconstrained global equity strategies, real asset funds, as well as smart beta and fixed income strategies.

Aggregate AUM at end Sept 2019 was £15.1 bn



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Summary financials & forecasts

Year end 30 Sep	2017A	2018A	2019A	2020E	2021E
AUM, £bn	7.3	12.5	15.1	17.2	19.1
Revenue, £m	32.7	65.7	73.7	84.5	93.7
Adjusted Op. Profit, £m	9.3	20.0	18.0	21.7	24.8
Adjusted EPS, diluted, p	6.2	12.4	11.5	13.5	15.0
PER	58.1	29.3	31.6	26.9	24.1
Dividend*, p	2.9	4.1	5.5	7.5	8.5
Yield	0.8%	1.1%	1.5%	2.1%	2.3%
Net assets, £m	35.6	53.5	63.2	71.1	79.2
Net cash**, £m	20.7	16.8	27.2	39.0	50.9

Source: Group report & accounts and ED estimates * Excludes special dividend of 2.6p in FY18, **includes funds held in money market & LT deposit accounts Adj. results eliminate non-recurring acquisition costs, on-going amortisation of intangibles acquired, one-off tax credits and mark-to-market charges on equity award schemes. PER, and Yield calculations based on a share price of 362.5p.

Why we like Impax

Sustainable investing is now a firmly established 'mega-trend' in nearly all major capital markets (in particular Europe, the USA and China).

Impax has a highly differentiated offering and established distribution channels in these markets:

- It has 20 years of sustainable investing experience (unlike most competitors' relatively recent forays into the space), the accumulated knowledge and proprietary IP that goes with it, a track-record of outperformance compared to benchmarks, and a product-suite that caters to a wide range of client priorities;
- The European client-base is well established, continues to grow, and underpins the business; the 2018 acquisition in the US has opened up opportunities to further develop both Impax London's (LN) US institutional business and Impax NH's US retail business and should be a key short and medium-term growth driver; while the partnership with BNP Paribas in part of the Asia Pacific region is a significant longer-term opportunity.
- **The business is scalable, with evidence of operational leverage, so profit growth should exceed AUM growth in the short-medium term.**

Impressive AUM growth in testing market conditions

AUM growth in FY19 exceeded expectations, despite a muted performance from the US retail operation. Net inflows totaled £1.4bn with the new business pipeline looking well set to drive further growth, including high-potential mandates from:

- St James's Place (inception December 2018), which grew to £439m AUM by 30 September 2019;
- AP7 – the agency managing Sweden's premium pension funds and the Luxembourg State Pension Fund;
- California State Teachers Retirement System (inception May 2019); and
- Formuepleje, the largest non-bank owned asset manager in Denmark.

London-managed listed equities (77% of total AUM, sourced mainly from institutional investors) was the star performer, ending the year on £11.7bn AUM, 29% up year-on-year. This was a particularly impressive performance considering the movement in major equity indices over the same period was mostly flat, typically varying between -1% and + 2%.

London-managed private equity (3% of total AUM), which focuses mainly on renewable energy, closed the year on £445m, practically flat year-on-year with no capital raises or significant exits.

US AUM performance diverged between retail and institutional client bases. Retail operations managed by Impax NH (20% of total AUM) were not as strong, with AUM falling slightly by 3% to £3.0bn (adjusted to remove double-counting). Challenging market conditions prevailed as skittish retail investors exited equity markets, particularly during the turbulent months of December 2018, May 2019, and August 2019. The year was however, a tale of two halves with net inflows recorded towards the end of the year, bucking the trend of a continued broader move out of US equity mutual funds^{1,2}.

Also, the London-managed funds distributed through Impax NH to institutional investors in the US (Pax Global Environmental Markets and Pax Global Opportunities) continued to perform strongly, with AUM increasing 18% to £709m

While Impax LN has had a long-standing US operation focused on an institutional client base (pre-dating the Impax NH acquisition), and Impax NH focuses on the retail investor, going forward, the cross-selling opportunities between these two US operations are expected to ramp up.

Impax LN will continue to target US institutional investors – such as the California State Teachers' Retirement System, a US\$ 225 bn pension plan³, from which it won a mandate to execute part of an ESG investment strategy - and should benefit from having a larger local presence in the US and additional US-market expertise. While Impax NH should be in a position to further develop its book of business by providing clients with access to a wider range of funds and benefitting from the economies of scale arising from being part of a larger asset management group.

¹ https://ycharts.com/indicators/us_domestic_equity_mutual_fund_flows

² Morningstar Direct Fund Flows Commentary: United States | August 2019

³ <https://www.calstrs.com/news-release/calstrs-selects-eight-esg-focused-asset-managers>

AUM movement over FY 2019

£m	Impax Asset Management Ltd Impax Asset Management (AIFM) Ltd (London managed)		Impax Asset Management LLC (US managed)	Recon *	Group total
	Listed equities	Real assets	Fixed income, smart beta, US equities		
Total AUM, 30 Sep 2018	9,024	450	3,644	(603)	12,515
Net flows	1,691	(4)	(251)	(57)	1,379
Market moves, FX & performance	941	(1)	266	(49)	1,157
Total AUM, 30 Sep 2019	11,656	445	3,659	(709)	15,051

Source: Impax

* Avoidance of double count of Pax Global Environmental Markets Fund and Pax Global Opportunities Fund

Solid financial performance, cash and dividends the highlights

Revenue grew 12% from £65.7m in FY18 to £73.7m in FY19, with run-rate revenue at the end of the period growing 13% from £69.6m in FY18 to £78.3m⁴. This growth does however mask an even stronger underlying trend, as FY18 revenue was boosted by £6.2m of one-off private equity infrastructure revenue – the carried interest element being a performance-based payment resulting from successful exits. [While no significant PE exits occurred in FY19, the potential for future performance-based payments still exists from Impax's third real assets fund, NEF III, which is still in its infancy.]

IFRS operating profit grew 26% from £15.5m to £18.8m; profit after tax 39% from £11.4m to £15.9m; and basic EPS 36% from 9.0p to 12.2p.

The above profit metrics were boosted by a £3.5m credit adjustment of a contingent payment related to the Impax NH acquisition. The terms of the acquisition provided for up to US\$31.3m of contingent payments, dependent on Impax NH meeting future AUM targets, with the fair value of this payment originally set at US\$4.2m. This has now been adjusted to zero. The group also reports an adjusted operating profit, which fell 10% from £ 20.0m in FY18 to £18.0m in FY19. This strips out the contingent payment credit, as well as non-recurring acquisition costs, amortisation of acquired intangibles, and mark-to-market charges on equity awards. Fully diluted adjusted earnings per share fell 8% from 12.4p to 11.5p.

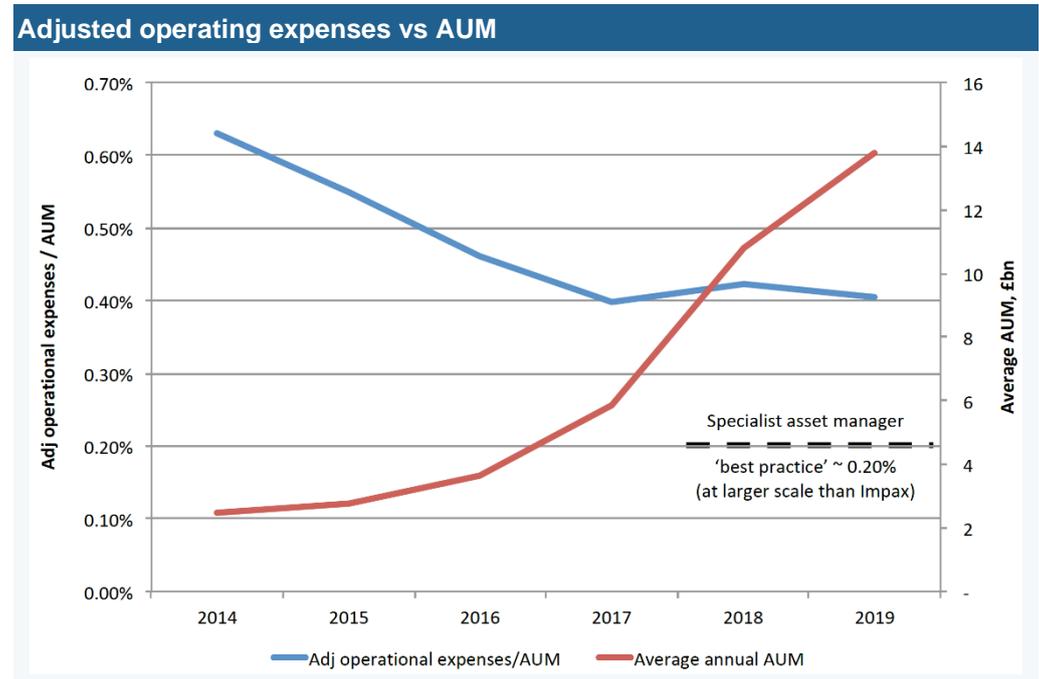
While the drop in adjusted operating profit could appear disappointing at first glance, it is again important to highlight the impact of £6.2m one-off private equity income in 2018, which boosted revenue and profit in that year, and depressed FY19 performance in comparison.

In contrast, **growth in run-rate adjusted operating profit at the end of the FY19 period grew 12% to £20.6m (FY18: £18.4m). This metric is potentially the best indication of the current profitability of the group.**

As highlighted in our note of 8 October 2019, we believe it is important to track expenses in relation to average AUM, providing a good proxy for the operational leverage of the business.

⁴ Run-rate = September 2019 result extrapolated for 12months and adjusted to remove the effects of one-off transactions.

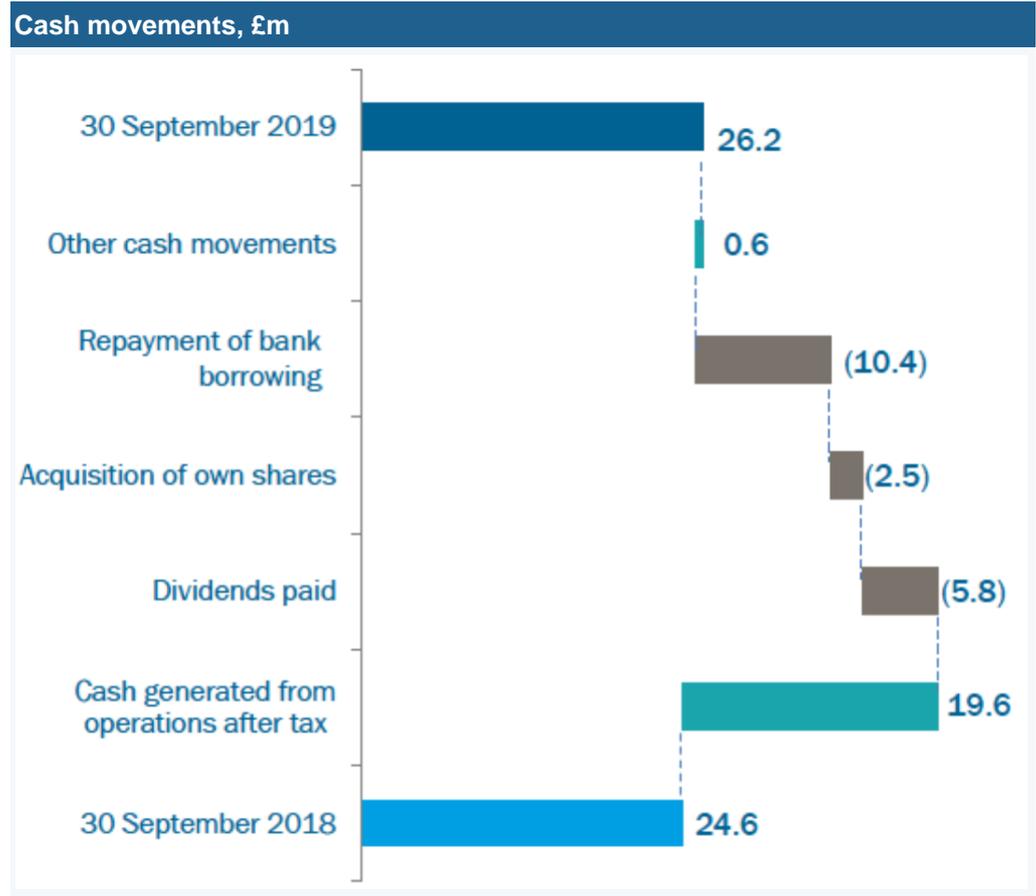
This does show an improvement in FY19 and we will be watching Impax’s progress towards best practice benchmarks set by larger scale specialist asset managers.



Source: Group report & accounts and ED estimates

Another important indicator of operational leverage is the growth in staff numbers being far less than AUM growth (staff costs make up around two-thirds of adjusted operating expenses). The average number of employees grew from 137 to 151 (10%, compared to AUM growth of 21%). Additionally, 43% of staff costs are variable and performance-related.

The Balance sheet position of the group improved significantly, with £19.6m of cash being generated from operating activities (after tax), and £11.0m being used to fully repay the loans (plus interest) used to part-finance the Impax NH acquisition, leaving a net cash position (after deducting debt) of £27.2m (2018: £16.8m), and a net asset position of £63.2m (2018: £53.5m). Net cash includes investments in money market funds and long-term deposit accounts.

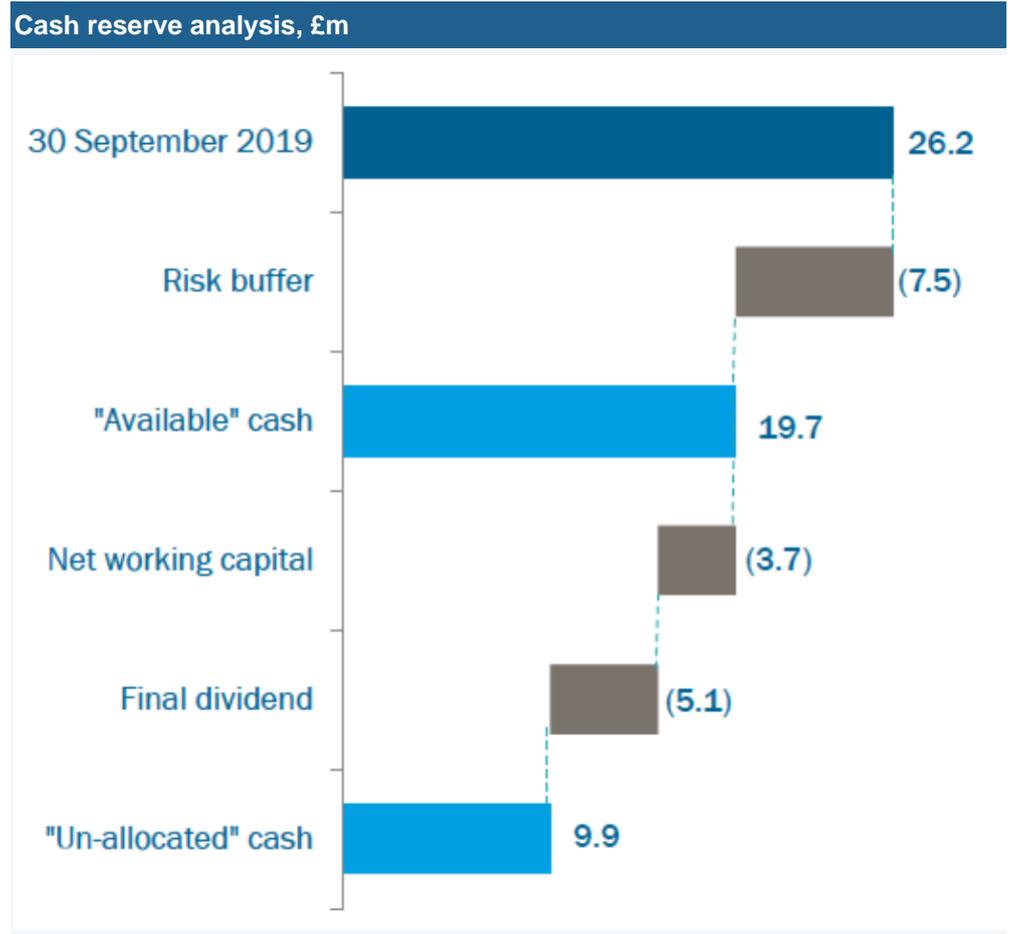


Source: Impax

Note: Cash balance in chart is gross of debt and excluding third party interest on consolidated funds and cash held in RPAs.

The group also provides a cash reserve analysis that takes into account minimum regulatory cash requirements and upcoming payments, and shows 'un-allocated cash' as £9.9m. This is essentially the cash available to fund growth initiatives (such as seeding new investment vehicles), share-buy-backs, or unforeseen expenses.

In addition, Impax continues to have access to an unutilised revolving credit facility of US\$13m, set up at the time of the Impax NH acquisition.



Source: Impax

Dividend payout policy raised

This balance sheet and cash position, coupled with strong growth and profitability prospects, has allowed Impax to increase its target dividend payout ratio.

Going forward, it is proposed that in normal circumstances an annual dividend within a range of 55%-80% of adjusted profit after tax will be paid out.

For FY19, a final dividend of 4.0p per share has been declared in addition to the interim dividend of 1.5p, bringing the total dividend for the year to 5.5p (FY18: 4.1p excluding a special dividend of 2.6p), producing a yield of 1.5% on the closing share price of 362.5p on 13 December 2019 (FY18: 1.2%).

Green credentials + investment outperformance = growth

We believe Impax has created a suite of differentiated product offerings that caters to clients’ need and desire to rapidly allocate more capital to sustainable investments. In addition, its track record of investment outperformance should place Impax in a position where it can gain even more market share.

While competition is without doubt hotting up, and some forward-looking asset managers are increasing their sophistication (such as by employing engineers and scientists to assist with their sustainability assessments), most are trying to play catch-up with front-runners such as Impax whilst deploying very simplistic sustainable investing methodologies.

For example, in 2018, US\$20 trillion (65%) of the US\$31 trillion total global sustainable investing universe deployed a simple ‘negative screening’ strategy i.e. the exclusion from a fund or portfolio of certain sectors, companies or practices based on specific environmental, social or governance (ESG) criteria⁵.

This is a far cry from the level of sophistication deployed by Impax’s team of 55 investment professionals who scan for and assess investment opportunities that look to contribute to solving the world’s sustainability challenges, and also produce the maximum economic opportunity while minimising the risk. **As such, we see Impax’s front-runner status as well entrenched.**

The bulk of Impax’s investment offerings to clients are London-managed thematic equity strategies, distributed multi-nationally. In addition, real asset strategies (also London-managed) are offered, while Impax NH offers US equities, fixed income and smart beta strategies to US retail clients. Thematic equity strategies are further broken down into a range of highly focused strategies that cater for a wide range of client needs.



Data as at 30 November 2019-12-09
Source: Impax

Further details of these thematic strategies and their performance to benchmarks are summarised below, with the US-managed strategies shown in the appendix to this note:

⁵ GSIA: 2018 Global Sustainable Investment Review

Listed equities (London): performance to 30 September 2019, % annual return

Specialists: AUM £2,691m; Universe market cap: US\$2.7tn

Companies with majority of services, infrastructure and technology in environmental markets, alternative energy and efficiency, water treatment and pollution control, waste technology and resource management, sustainable food, agriculture and forestry.

Investment period	1Y	3Y	5Y
Impax performance	3.3	8.7	8.6
Benchmark – FTSE ET100 Index	-0.1	7.4	5.1

Leaders: AUM £3,512m; Universe market cap: US\$5.4tn

Companies with >20% of revenue in Resource Efficiency and Environmental Markets addressing long-term macro-economic themes: growing populations, rising living standards, increasing urbanisation, rising consumption, depletion of natural resources.

Investment period	1Y	3Y	5Y
Impax performance	2.7	8.9	8.1
Benchmark – FTSE EOAS Index	5.2	11.1	8.7

Asia-Pacific: AUM £273m; Universe market cap: US\$1.8tn

Companies in Asia Pacific with services, infrastructure and technology in environmental markets, alternative energy and efficiency, water treatment and pollution control, waste technology and resource management, sustainable food, agriculture and forestry.

Investment period	1Y	3Y	5Y
Impax performance	1.4	6.0	5.2
Benchmark – FTSE EOAP Composite Index	0.3	6.3	3.1

Water: AUM £3,829m; Universe market cap: US\$1.1tn

Companies that provide services, infrastructure and technology in the water-related sectors

Investment period	1Y	3Y	5Y
Impax performance	5.2	10.2	10.4
Benchmark – FTSE EO Water Technology Index	10.4	10.3	9.9

Sustainable Food: AUM £740m; Universe market cap: US\$2.8tn

Companies involved in agriculture and food-related activities worldwide.

Investment period	1Y	3Y	5Y
Impax performance	1.0	5.4	6.8
Benchmark – MSCI ACWI Agri and Food Chain Index	-2.9	4.5	1.8

Global Opportunities: AUM £611m

Companies involved in sustainable global equities.

Investment period	1Y	3Y	5Y
Impax performance	8.2	14.2	-
Benchmark – MCSI All Country World Index	1.4	9.7	

Source: Company data, FactSet/WM Reuters

All numbers show annualised returns. All data is in USD as of 30 September 2019. Composite figures are presented gross of management fees and include the reinvestment of all income. MSCI index is total net return (net dividend reinvested). FTSE ET is a combination of FTSE ET100 and FTSE ET50 indices. FTSE ET50 data is from since inception to December 2013 and FTSE ET100 data from January 2014 onwards. FTSE index is total return (gross dividend reinvested). FTSE EO AP Composite is a custom made benchmark made up of 80% FTSE EO Asia-Pacific ex-Japan and 20% FTSE EO Japan rebalanced monthly.

Impax's leading position in sustainable investments is confirmed by the various organisations tapping into its expertise. For example, in 2007, FTSE Russell adopted Impax's green economy taxonomy (which was created in-house in 1999); and since 2014, Impax has co-led a research programme with Imperial College in London to develop a quantitative tool that allows investors to manage climate change 'transition risk', i.e. the shifts in the economy necessary to reduce emissions.

In addition, Impax was among the first to be awarded the London Stock Exchange's new Green Economy Mark, launched in October 2019, which recognises companies that derive more than 50% of their revenues from environmental solutions.

Valuation

With such strong growth potential, Impax shares justifiably command a premium, but not excessive, valuation compared to peers. However, our fundamental discounted cash flow valuation indicates a fair value of over 350p, which should underpin the share price despite recent gains.

Compared to a peer group of UK-listed asset managers, Impax's PE ratio of 28.4 and price-to-book ratio of 7.2 are both in the top quartile (PER in the peer comparison uses non-adjusted basic earnings from the most recent full-year results as the denominator to ensure consistency of comparison).

Peer group comparison									
Name	Mkt Cap (£m)	AUM (£bn)	PER	Price to book	Div Yield	RoE	Rev Gwth 1 year	Op Margin	EPS Gwth 1 year
Schroders	7,696	407.2	18.6	2.1	3.4%	13.9%	5%	24.0%	-15.0%
Ashmore	3,554	71.2	18.8	4.2	3.3%	21.2%	8%	65.9%	17.6%
Man Group	2,392	84.1	13.0	1.9	5.9%	17.1%	-10%	31.7%	11.6%
Jupiter	1,875	42.7	12.9	2.8	7.0%	22.9%	0%	38.9%	-7.8%
Polar Capital	539	13.8	9.7	4.9	5.9%	47.8%	33%	36.1%	58.8%
Liontrust	540	12.7	31.4	9.7	2.6%	30.5%	14%	19.5%	89.9%
Impax	453	15.1	28.4	7.2	1.5%	25.1%	12%	25.5%	36.0%
Brooks McDonald	273	13.2	49.8	3.1	2.4%	6.1%	7%	7.9%	8.8%
River & Mercantile	214	33.8	13.3	3.3	7.4%	22.9%	4%	21.1%	-13.9%
Premier*	194	6.9	15.2	4.3	5.6%	27.7%	16%	29.8%	41.7%
Tatton	158	6.1	32.5	10.3	3.0%	31.8%	13%	33.8%	113.5%
Miton*	100	4.4	12.4	1.6	3.3%	11.3%	30%	24.4%	38.8%
Median			16.9	3.7	3.3%	22.9%	9.8%	27.6%	26.8%

Above peer group median

As at 13 December 2019, except Premier and Miton which merged on 14 November 2019, data as at that date

Note: PER ratio differs from ED calculation which uses adjusted basic EPS

Source: ADVFN, Company annual reports, ED analysis

However, **Impax is a unique case**. The larger companies within this group (Schroders, Ashmore, Man, Jupiter) are far more mature businesses with much lower growth prospects. And while some of the smaller caps within the group certainly enjoy strong growth prospects, most are focused on tapping into a UK investor base, which places a cap on their potential.

Looking forward

Impax not only has further potential in its UK and European markets, but also enormous growth opportunities from its established but earlier-stage North American and Asia Pacific distribution.

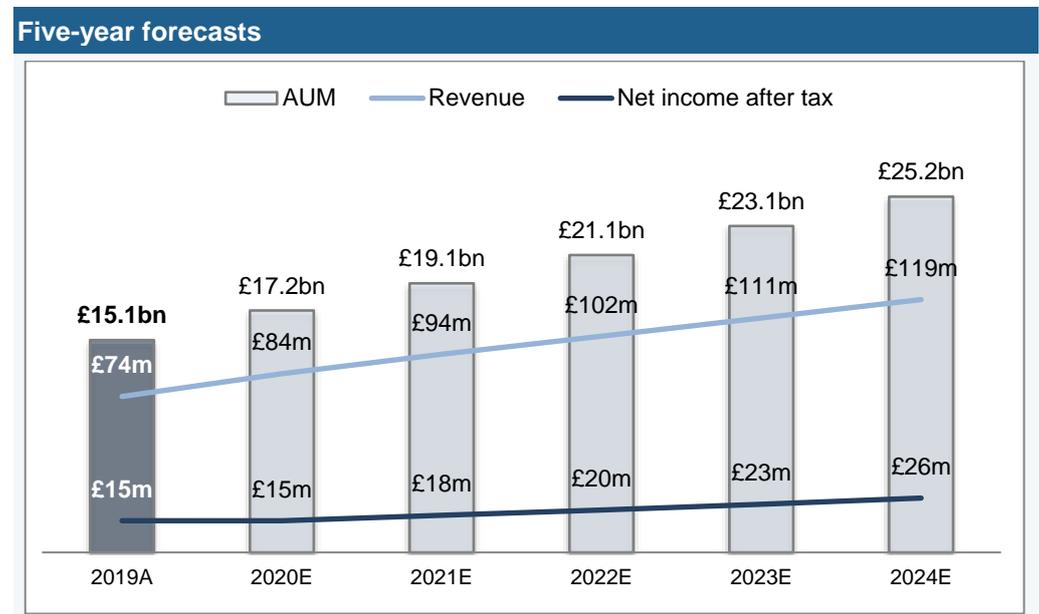
As such, we have also conducted a discounted cash flow valuation based on our five-year projections, and outline the assumptions used in this calculation below.

We believe that Impax’s superior strategic positioning should provide a base to add between £1.0bn and £1.5bn of AUM per year for the next few years (before market movements are taken into account). Market movements of +4% are assumed, roughly half of Impax’s actual investment returns achieved over the last five years.

In addition, we believe there is scope for further operational leverage and margin improvement in the business. This operational leverage has been clearly evident over the last few years, with the *adjusted operational expenses to average AUM* ratio dropping from 0.63% in 2014 to 0.40% in 2019. The lowest ratio among specialist asset management peers is approximately 0.20%, achieved by Ashmore, the emerging markets specialist.

However, that level is on the back of a significantly higher AUM base than Impax (£72bn v £15bn), so a drop to that level would probably only be feasible for Impax in the mid to long term. We have assumed Impax’s *adjusted operational expenses to average AUM* ratio drops steadily to 0.35% in five years’ time from the current 0.40%.

These assumptions result in Impax achieving AUM of £25bn by 30 September 2024, revenue of £119m in FY2024, and net profit after tax of £26m in FY 2024.



Source: Group report & accounts and ED estimates

For the terminal value of the DCF calculation, we assumed the business was sold at the end of this five-year period at a PE multiple of 20. Using a discount rate of 8% to calculate the present value of future cash flows results in a net-present-value of 359p per share.

Hence, we believe the fair value of Impax based on the above assumptions is at least 350p.

Appendix 1 – Historic and forecast financials

Consolidated Income Statement + Forecasts					
12 months to end Sept, £'000s	2017A	2018A	2019A	2020E	2021E
Revenue	32,694	65,683	73,695	84,491	93,662
<u>IFRS Income Statement</u>					
Operating costs	(26,461)	(50,200)	(54,883)	(65,321)	(71,348)
Operating profit	6,233	15,483	18,812	19,170	22,313
Fair value gain/(loss) on investments	(141)	(337)	842	-	-
Non-controlling interest	-	184	156	-	-
Finance cost	-	(670)	(912)	(100)	(100)
Change in 3rd-party int. in cons. funds	(239)	(40)	-	-	-
IFRS profit before tax	5,853	14,620	18,898	19,070	22,213
Taxation	1,814	(3,219)	(3,028)	(4,104)	(4,701)
IFRS PAT	7,667	11,401	15,870	14,966	17,513
Basic EPS, p	6.5	9.0	12.2	11.6	13.4
Diluted EPS, p	6.2	8.9	12.1	11.5	13.1
<u>Adjusted Income Statement</u>					
Adjustments to operating costs:					
Acquisition equity incentive awards	-	236	(21)	-	-
Mark to market charge, equity awards	2,097	1,896	202	-	-
Exceptional acquisition costs	999	866	-	-	-
Amortisation of goodwill/intangibles	-	1,676	2,528	2,528	2,528
Credit from cont. consideration adj	-	(170)	(3,543)	-	-
Adjusted operating profit	9,329	19,987	17,978	21,698	24,841
Fair value gain/(loss) on investments	(355)	(253)	897	-	-
Non-controlling interest	-	184	156	-	-
Finance cost	-	(670)	(912)	(100)	(100)
Change in 3rd-party int. in cons. funds	(239)	(40)	-	-	-
Adjusted profit before taxation	8,735	19,208	18,119	21,598	24,741
Tax credit on adjustments	(2,888)	(448)	-	0	0
Taxation	(1,074)	(3,667)	(3,037)	(4,104)	(4,701)
Adjusted PAT	7,661	15,541	15,082	17,494	20,041
Adjusted Basic EPS, p	6.5	12.5	11.6	13.6	15.4
Adjusted Diluted EPS, p	6.2	12.4	11.5	13.5	15.0
<u>Dividends</u>					
Interim dividend, p	0.7	1.1	1.5	1.9	2.1
Final dividend, p	2.2	3.0	4.0	5.6	6.4
FY dividends per share, p	2.9	4.1	5.5	7.5	8.5
Special dividends per share, p	-	2.6	-	-	-

Source: Group report & accounts and ED estimates

Consolidated Balance Sheet + Forecasts					
as at end Sept, £'000s	2017A	2018A	2019A	2020E	2021E
Assets					
Non-current assets					
Goodwill	1,681	12,171	12,804	12,804	12,804
Intangible assets	17	25,565	24,518	21,990	19,462
Property, plant and equipment	461	1,836	1,779	1,355	931
Deferred tax assets	1,947	4,450	3,757	3,757	3,757
Total non-current assets	4,106	44,022	42,858	39,906	36,954
Current assets					
Trade and other receivables	11,732	15,858	16,740	19,192	21,276
Investments	13,013	4,349	4,626	4,626	4,626
Current tax account	2,720	890	239	239	239
Cash: money mkt & LT deposits	7,780	11,211	15,235	15,235	15,235
Cash and cash equivalents	12,932	15,529	11,939	23,807	35,626
Total current assets	48,177	47,837	48,779	63,099	77,002
Total Assets	52,283	91,859	91,637	103,005	113,956
Equity and Liabilities					
Equity					
Ordinary shares	1,277	1,304	1,304	1,304	1,304
Share premium	4,093	9,291	9,291	9,291	9,291
Exchange translation reserve	(198)	1,014	1,936	1,936	1,936
Retained earnings	30,456	41,054	50,751	58,665	66,681
Equity attr. to owners of the co.	35,644	52,619	63,228	71,142	79,158
Non-controlling interests	-	898	-	-	-
Total equity	35,644	53,517	63,228	71,142	79,158
Current Liabilities					
Trade and other payables	11,282	24,755	23,581	27,035	29,970
Loans	-	3,326	-	-	-
3rd-party int. in cons. funds	4,846	87	-	-	-
Current tax liability	180	130	124	124	124
Total current liabilities	16,308	28,298	23,705	27,159	30,094
Non-current Liabilities					
Accruals	331	228	704	704	704
Debt facilities	-	6,652	-	-	-
Deferred tax liability	-	3,164	4,000	4,000	4,000
Total non-current liabilities	331	10,044	4,704	4,704	4,704
Total equity and liabilities	52,283	91,859	91,637	103,005	113,956

Source: Group report & accounts and ED estimates

Consolidated Cash Flow Statement + Forecasts					
12 months to end Sept, £'000s	2017A	2018A	2019A	2020E	2021E
Profit before taxation	5,853	14,620	18,898	21,598	24,741
Adjustment for:					
Investment income	(464)	(279)	(236)	-	-
Interest expense	-	670	912	100	100
Depreciation and amortisation	167	2,051	2,952	2,952	2,952
Fair value (gains)/losses	52	616	(606)	-	-
Non-controlling interests	-	(184)	(156)	-	-
Contingent consideration adjustment	-	-	(3,543)	-	-
Share-based payment charges	1,130	1,822	1,160	1,200	1,200
(Credit)/charges: legacy LT incentive schemes	-	-	-	-	-
Change in 3rd party int. in cons. funds	239	40	-	-	-
Op CF before movement in working capital	6,977	19,356	19,381	25,850	28,993
(Increase)/decrease in receivables	(4,196)	(2,011)	(1,135)	(2,452)	(2,083)
(Decrease)/increase in payables	5,603	6,091	2,602	3,454	2,935
Cash generated from operations	8,384	23,436	20,848	26,852	29,845
Corporation tax paid	(3,070)	1,583	(580)	(4,104)	(4,701)
Net cash generated from operating activities	5,314	25,019	20,268	22,748	25,144
Investing activities					
Acquisition of subsidiary, net of cash acquired	-	(23,893)	-	-	-
Deconsolidation of investment fund	-	(255)	(67)	-	-
Investment income received	639	279	236	-	-
Settlement of investment related hedges	(1,460)	(987)	258	-	-
Net redemptions : unconsolidated funds	455	3,938	(485)	-	-
Net investment disposals: consolidated funds	658	932	-	-	-
(Incr)/decr in money mkt & LT deposits	5,111	(3,431)	(4,024)	-	-
Acquisition of PPE & intangible assets	(367)	(1,690)	(402)	-	-
Net cash used in investing activities	5,036	(25,107)	(4,484)	-	-
Financing activities					
Proceeds from bank debt	-	17,616	-	-	-
Repayment of bank debt	-	(8,779)	(10,371)	-	-
Interest paid on bank debt	-	(464)	(670)	-	-
Dividends paid	(2,672)	(7,386)	(5,792)	(7,252)	(9,697)
Acquisition of own shares	(950)	(2,534)	(2,505)	(1,000)	(1,000)
Cash received on exe. of share options	1,096	4,477	111	-	-
(Distr.)/inv's: 3rd party inv. cons funds	2,482	17	-	-	-
Net cash from /(used by) financing	(44)	2,947	(19,428)	(8,252)	(10,697)
Net (decr.)/incr. in cash & equivalents	10,306	2,859	(3,644)	14,496	14,447
Cash & equivalents at beginning of year	2,804	12,932	15,529	11,939	26,435
Effect of foreign exchange rate changes	(178)	(262)	54	-	-
Cash & equivalents at end of year	12,932	15,529	11,939	26,435	40,882

Source: Group report & accounts and ED estimates

Appendix 2 – Performance of US equities by strategy

STRATEGY		1 YEAR	3 YEARS	5 YEARS
Impax Large Cap		4.6	-	-
S&P 500 INDEX	BENCHMARK	4.3	-	-
Impax Small Cap		-1.3	5.9	6.2
RUSSELL 2000 INDEX	BENCHMARK	-8.9	8.2	8.2
Impax ESG Beta Quality		5.3	-	-
RUSSELL 1000 INDEX	BENCHMARK	3.9	-	-
Impax ESG Beta Dividend		4.0	-	-
RUSSELL 1000 INDEX	BENCHMARK	3.9	-	-
Impax Global Opportunities		8.5		
MSCI ALL COUNTRY WORLD INDEX	BENCHMARK	1.4		
Impax Global Environmental Markets		2.8	8.9	8.4
MSCI ALL COUNTRY WORLD INDEX	BENCHMARK	1.4	9.7	6.7

Source: Company data, FactSet/WM Reuters.

All numbers show annualised performance. All data is in USD as of 30 September 2019. Composite figures are presented gross of management fees and include the reinvestment of all income. The S&P 500 Index is an unmanaged index of large capitalisation common stocks. The Russell 2000 Index ('Benchmark') is an unmanaged index and measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalisation of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 1000 Index measures the performance of the 1,000 largest U.S. companies, as measured by market capitalisation. It is a subset of the Russell 3000 Index, which measures the largest 3,000 companies. The Russell 1000 Index is comprised of over 90% of the total market capitalisation of all listed U.S. stocks. The MSCI index is total net return (net dividend reinvested).

STRATEGY		1 YEAR	3 YEARS	5 YEARS
Impax Global Women's Leadership		4.3	12.1	8.8
MSCI WORLD (NET) INDEX	BENCHMARK	1.8	10.2	7.2
Impax MSCI EAFE ESG Leaders Index		0.2	6.4	3.8
MSCI EAFE (NET) INDEX	BENCHMARK	-1.3	6.5	3.3
Impax Core Bond		10.4	2.9	-
BLOOMBERG BARCLAYS US AGGREGATE INDEX	BENCHMARK	10.3	2.9	-
Impax High Yield Bond		7.7	6.7	-
BOFA MERRILL LYNCH US HIGH YIELD - CASHPAY - BB-B (CONSTRAINED 2%) INDEX	BENCHMARK	7.9	6.0	-
Asset Allocation		5.6	7.8	6.7
60% S&P 500 / 40% BARCLAYS U.S. AGGREGATE BOND INDEX	BENCHMARK	7.1	9.3	8.0

Source: Company data, FactSet/WM Reuters.

All data is in USD as of 30 September 2019. Composite figures are presented gross of management fees and include the reinvestment of all income. The MSCI index is total net return (net dividend reinvested). The MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted market capitalisation index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. The MSCI EAFE Index consists of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. Performance for the MSCI EAFE Index is shown 'net', which includes dividend reinvestments after deduction of foreign withholding tax. Bloomberg Barclays U.S. Aggregate Bond Index represents securities that are U.S. domestic, taxable and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities and asset-backed securities. The ICE BofA Merrill Lynch U.S. High Yield BB-B (Constrained 2%) index ('Benchmark') tracks the performance of BB- and B-rated fixed income securities publicly issued in major domestic or Eurobond markets, with total index allocation to an individual issuer limited to 2%. The S&P 500 Index is an unmanaged index of large capitalisation common stocks. The Bloomberg Barclays U.S. Aggregate Bond Index represents securities that are U.S. domestic, taxable and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities and asset-backed securities.



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