

## V-shaped share price recovery looks justified

11 June 2020

Client inflows remained strong during the Q1 market rout, when many funds around the world saw some of the largest outflows in decades<sup>1</sup>. That has contributed to achieving year-on-year revenue growth of 22% (£41.2m in H1-20, up from £33.8m in H1-19), adjusted operating profit growth of 36% (£10.5m vs £7.7m), and probably most importantly in such uncertain times, a further strengthening of Impax's net cash position, up 112% from £9.7m to £20.6m. The interim dividend has been increased by 20% to 1.8p (2019: 1.5p).

In the post-results period, AUM has recovered rapidly, jumping from £14.4bn on 31 March 2020 to £17.3bn on 31 May 2020. That is a 27% annual increase measured from 31 May 2019 to 31 May 2020.

The V-shaped share-price recovery from the March crash looks justified, and the current price of 381p is only slightly higher than our discounted cash flow valuation of 360-370p. We are wary about market volatility and see potential for further sudden dips in AUM levels, but it would not be a shock if over the longer-term Impax's strong strategic positioning leads to further financial outperformance and upside to shareholders.

Impax has proven itself a top performer when it comes to producing long-term returns for investors. That, alongside having an attractive product suite and established distribution channels in the major capital markets of Europe, the USA and China, has resulted in it being a clear winner when it comes to attracting AUM. In a comparison with a London-listed peer group of asset managers, it ranked first in net AUM inflows<sup>2</sup> during the Jan-Mar 2020 quarter and was in the top quartile over the year Apr 19 – Mar 20.

We believe this is indicative of the macro-trend of huge amounts of capital shifting to Sustainable Investing, and of Impax being a leader in that space.

### Summary financials & forecasts

(Year-end 30 Sep)	2018A	H1 2019A	2019A	H1 2020A	2020E	2021E
AUM, £bn	12.5	13.3	15.1	14.4	17.2	19.0
Revenue, £m	65.7	33.8	73.7	41.2	77.9	86.8
Adj Op. Profit, £m	20.0	7.7	18.0	10.5	20.9	23.4
Adj EPS, diluted, p	12.4	4.4	11.5	6.3	12.5	13.7
PER	30.8	43.0	33.3	30.4	30.4	27.8
Dividend*, p	4.1	1.5	5.5	1.8	7.0	7.8
Yield	1.1%	0.4%	1.4%	0.5%	1.8%	2.0%
Net assets, £m	53.5	55.7	63.2	63.2	65.9	72.9
Net cash**, £m	16.8	9.7	27.2	20.6	32.1	42.2

Source: Group report & accounts and ED estimates \* Excludes special dividend of 2.6p in FY18, \*\*includes funds in money market & LT deposit accounts and 3<sup>rd</sup>-party interest on consolidated funds (therefore differs from 'cash reserves' which excludes 3<sup>rd</sup>-party interest on cons. funds)  
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 381p.

<sup>1</sup> Refinitiv Lipper (U.S. Mutual Funds & ETFS Q1 2020 Snapshot): "Assets Under Management Plunge \$3.2 Trillion." Morningstar Research, US Fund Flows: "In March, long-term funds suffered record monthly outflows. Investors pulled \$326 billion from mutual funds and exchange-traded funds. In contrast, during the global financial crisis monthly outflows peaked in October 2008 at \$104 billion. Money market funds—perceived as safe havens but often short-term parking spaces for cash as well—gathered a record \$685 billion."

<sup>2</sup> As a % of opening AUMs for the period

### Company Data

EPIC	IPX
Price	381p
52 weeks Hi/Lo	405p/191p
Market cap	£497m

### 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 May 2020 was £17.3bn



**Paul Bryant (Analyst)**

0207 065 2690

[paul.bryant@equitydevelopment.co.uk](mailto:paul.bryant@equitydevelopment.co.uk)

**Hannah Crowe**

0207 065 2692

[hannah@equitydevelopment.co.uk](mailto:hannah@equitydevelopment.co.uk)

### AUM inflows strong though pandemic crisis

London-managed listed equities (79% of AUM, sourced mainly from institutional investors), ended H1 on £11.4bn AUM, up 14% year-on-year from £10.1bn on 31 March 2019. **Net fund flows continued to impress during the Covid-19 market crash, with £0.8bn added in Q1 and £ 1.1bn in Q2, versus average net quarterly inflows during FY 19 of just over £0.4bn.**

AUM flows from clients domiciled in the UK and Ireland was particularly strong, with AUMs growing 37% over H1 to £2.2bn. The continued success of a mandate won from St James’s Place (incepted in December 2018) and a new mandate from West Midlands Pension Fund are notable mentions.

**Another significant event was the inclusion into the FTSE 250 of Impax Environmental Markets plc**, the Group’s flagship UK investment trust which had £641m AUM as at 30 April 2020. This should result in an uptick in AUMs from index funds, as well as further raising the profile of the trust and Impax AM more generally.

US retail operations managed by Impax NH (18% of total AUM), ended H1 on £2.6bn AUM, down 5% year-on-year. However, this performance during a turbulent H1 – where net flows were positive in both Q1 (£6m) and in Q2 (£12m) - reflects **a pleasingly different situation** in comparison to the December 2018 equity market dip, which saw significant outflows from retail investors. NB: all of our figures are adjusted to remove the double-counting from London-managed funds distributed through Impax NH in the US.

The Chief Executive’s report in the interim results suggests that the expected cross-selling opportunities between Impax London and Impax NH continue to materialise. With a larger local presence in North America and additional markets expertise, new business has been won from a range of institutional investors including endowments and family offices, and a notable additional ‘balanced’ mandate from an existing client - NEI Investments in Canada. Also, the inflows during a market crash appear to be indicative of Impax NH benefitting from being part of a larger asset management group - armed with access to a wider range of funds and benefitting from economies of scale.

#### AUM movement over H1 2020

£m	Impax Asset Management Ltd, Impax Asset Management (AIFM) Ltd (London managed)		Impax Asset Management LLC (US managed)		Group total
	Listed equities	Real assets	Fixed income, smart beta, US equities	Recon *	
<b>AUM, 30 Sep 2019</b>	11,656	445	3,659	(709)	15,052
<b>Net flows</b>	1,903	(79)	134	(115)	1,843
<b>Market moves, FX &amp; performance</b>	(2,125)	(3)	(487)	128	(2,487)
<b>AUM, 31 Mar 2020</b>	11,435	363	3,306	(696)	14,408

Source: Impax

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

London-managed private equity (3% of AUM), which focuses mainly on renewable energy, closed H1 on £363m, down 17% year-on-year from £436m on 31 March 2019, primarily as a result of net outflows. No capital raises or significant exits occurred during the period.

However, new investments continue to be made by the €357m NEF III fund into European renewable energy infrastructure (primarily wind and solar energy projects), with €210m now invested. Positive returns are expected from these in the years to come.

**In the post-results period, Group AUM have recovered strongly, standing at £17.3bn as at 31 May 2020, 20% up on the £14.4bn level at 31 March 2020.** This is clearly a mix of continued inflows and a bounce-back in equity prices, although no breakdowns are available yet (full breakdowns of AUM movements, split by net flows and market movements are provided quarterly, with the next one due shortly after the close of the quarter ending 30 June 2020).

### Revenue, adj operating profit, cash, and dividend sharply up

**Revenue grew to £41.2m for H1, 22% up on H1 2019 (£33.8m) and surprisingly 3% up on H2 2019 (given that in H2 2019 equity markets were strong, and the market crash happened in H1 2020).**

Pricing levels have been largely static, with the weighted average run rate revenue margin in H1 2020 being 53 basis points, compared to the 52 basis points of H2 2019.

**Adjusted operating profit grew 36% compared to H1 2019 (£10.5m vs £7.7m), with adjusted diluted EPS rising 43% from 4.4p to 6.3p.** IFRS operating profit (£8.0m) fell 14% compared to H1 2019 (£9.3m); with basic EPS down 23% from 6.2p to 4.8p and diluted EPS down 21% from 6.1p to 4.8p.

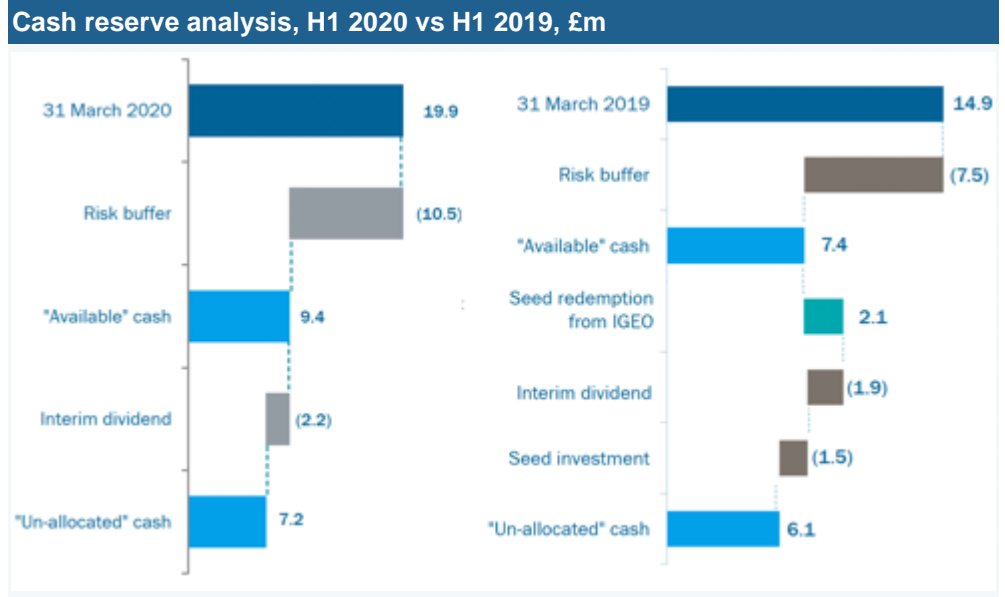
The higher adjusted operating profit figure is primarily as a result of eliminating ongoing amortisation of intangibles acquired (£1.3m) – management contracts relating to the PAX acquisition (now Impax NH) - and mark-to-market charges on equity award schemes (£0.8m).

**Adjusted operating margin continued to improve as the business scales,** with H1 2020 margin reaching 25.5% compared to 22.8% in H1 2019. This margin is sensitive to top-line AUM though and has the potential to tick up or down with large AUM movements.

**Year-on-year, the balance sheet position of the group also improved,** with H1 2020 seeing £2.9m of cash being generated from operating activities (after tax), compared to £0.5m in H1 2019.

**Net cash increased to £20.6m from £9.7m** (these are IFRS net cash balances and include cash held in consolidated funds and research payment accounts which is not available for use – the net cash balances reduce to £19.9m and £8.3m respectively if these amounts are eliminated). Impax has no debt and has access to a US\$ 13m revolving credit facility.

The group also provides a cash reserve analysis that takes into account minimum regulatory cash requirements and upcoming payments and drills down to an 'un-allocated cash' figure of £7.2m (H1 2019: £6.1m). This is essentially the cash available to fund growth initiatives (such as seeding new investment vehicles), share-buybacks, or unforeseen expenses and is shown in the charts below.

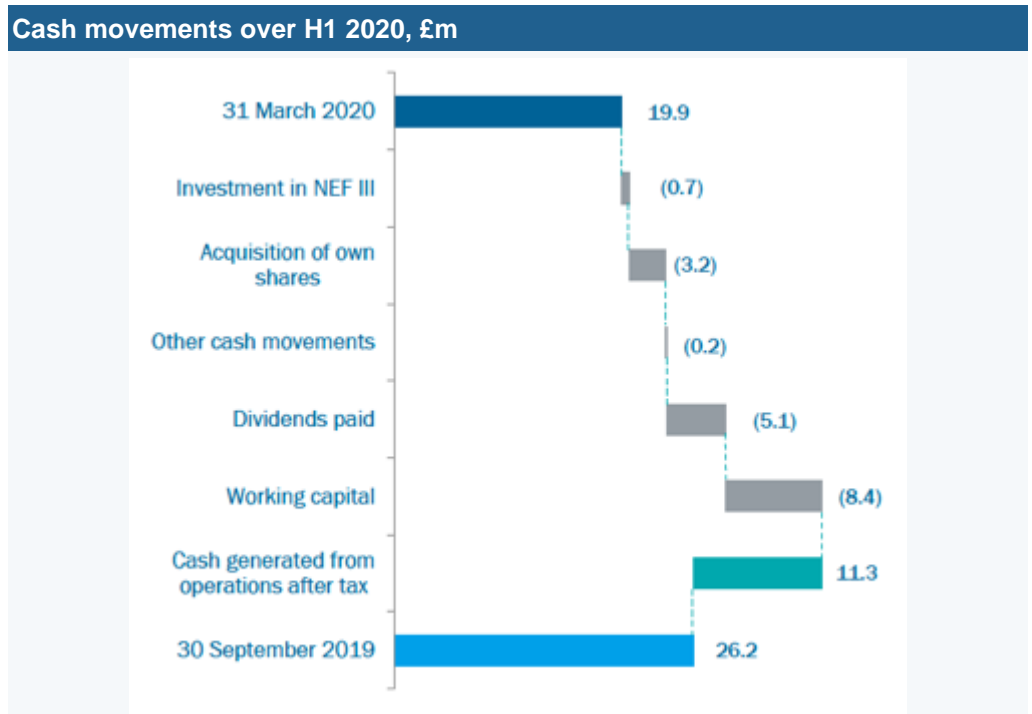


Source: Impax

Note: Cash balances are gross of debt and exclude third party interest on consolidated funds and cash held in RPAs.

It is worth highlighting that the end of H1 represents a low-point in the annual cash cycle, primarily as a result of paying the final dividend for the previous FY (£5.1m paid in H1 2020), and annual staff variable remuneration (a significant part of the £8.4m change in working capital shown in the chart below). **We would therefore expect a jump in the net cash position of the group in H2 – estimated to reach around £32m by 30 Sep 2020.**

Also noteworthy is the £3.2m of cash utilised for the acquisition of Impax’s own shares – a policy followed when market conditions are deemed appropriate and to mitigate the dilution effect of staff share schemes.



Source: Impax

Note: Cash balance excludes third party interest on consolidated funds and cash held in RPAs.

An accounting change to the balance sheet also took place in H1, as a result of the adoption of IFRS 16 which covers the accounting treatment of leases (in the case of Impax, the impact relates to the accounting treatment of its office buildings). The balance sheet now includes the recognition of a £10.1m right-of-use asset and an £11.4m lease liability.

**Impax has increased its interim dividend by 20% to 1.8p (2019 interim: 1.5p).**

### **Strategically even stronger post-crisis**

**Evidence is now available that the Covid-19-crisis is resulting in a further acceleration towards sustainable investments.**

In a study of 3,297 sustainable funds from all over the world, Morningstar found that these funds had inflows of US\$ 45.6 billion in the first quarter of 2020, compared to outflows of US\$ 384.7 billion for the overall fund universe<sup>3</sup>.

**Sustainable investing strategies have also showed more resilience to the recent crash.**

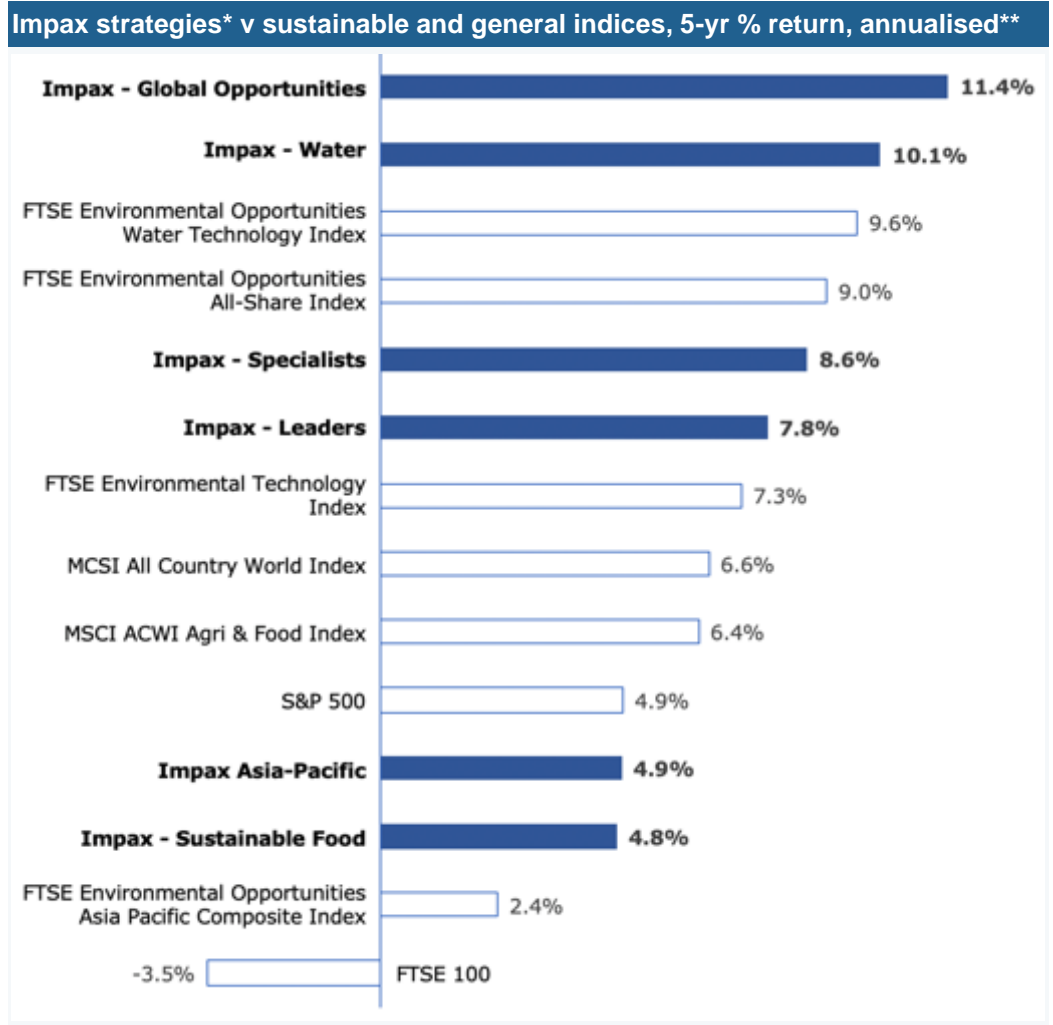
Morningstar found<sup>4</sup> that for the period Jan-Mar 2020: *"Seven out of 10 sustainable equity funds finished in the top halves of their Morningstar Categories, and 24 of 26 environmental, social, and governance-tilted index funds outperformed their closest conventional counterparts."*

**Furthermore, in our April 2020 note, we had already identified the superior longer-term performance of sustainable investing strategies more generally, and within that, the superior performance of most Impax strategies (see chart below).**

Note that Impax's top performers - *Global opportunities, Water, Specialists* and *Leaders* - are also the four largest strategies when it comes to Group AUM, collectively making up over £9bn out of the £14.4bn total.

<sup>3</sup> Morningstar, May 2020 - *Global Sustainable Fund Flows ESG funds show resilience during COVID-19 sell-off*

<sup>4</sup> Morningstar, April 2020 - *Sustainable Funds Weather the First Quarter Better Than Conventional Funds*



Source: Company data, FactSet/Bloomberg/WM Reuters, LSE, Yahoo Finance.

\*Listed equities (London) only

\*\*All numbers show annualised returns in GBP for the period ending 31 March 2020, except the S&P 500 (USD).

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 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.

Given this continuing momentum towards sustainable investing, the financial business case for it, and Impax’s superior performance, we think **Impax is in an extremely strong strategic position** and expect it to outperform when it comes to winning and maintaining AUM mandates.

This is already playing out.

Over the most recent (very turbulent) Jan-Mar quarter, Impax topped a peer group of London-listed asset managers in terms of net AUM flows (as a % of AUM) and was in the top quartile over a 12-month period (see chart below).

**Peer group comparison – net AUM flows**

	AUM, bn 31 Mar 2020	AUM inflows/ (outflows)* 1 Jan 2020 - 31 Mar 2020	AUM inflows/ (outflows)* 1 Apr 2019 - 31 Mar 2020
<b>Impax AM</b>	<b>£14.4</b>	<b>7%</b>	<b>18%</b>
Tatton	£6.7	N/A	19%
Schroders	£470.5	6%	N/A
Liontrust	£16.1	3%	21%
River & Mercantile	£40.5	1%	14%
Man Group	US\$104.2	0%	0%
Polar Capital	£12.2	-1%	-9%
Premier Miton	£9.1	-1%	-10%
Brooks MacDonald	£12.2	-2%	-6%
Charles Stanley	£20.2	-2%	-7%
Ashmore	US\$76.8	-4%	6%
Jupiter	£35.0	-5%	-14%

\*As a % of starting AUM for the period (excluding AUMs added through acquisitions)

Source: Company reports and public trading updates, ED analysis

## Valuation

We value Impax on a discounted cash flow basis, using five-year projections, with the main assumptions being:

- AUM grows to around £25bn by 30 Sep 2024 – based on between £1.0bn and £1.5bn of net inflows per year, and market movements of +4% per year, both of which we believe are conservative, although market movements are likely to be volatile.
- The business is sold at the end of this five-year period at a PE multiple of 20 (between the current PE ratio of 31 and the market median of 14 – which, given the growth prospects of Impax we believe may also be conservative).

**This approach values Impax at between 360p and 370p, just a fraction below the current market price of 381p.**

**If Impax outperforms when it comes to attracting £1.0 - £1.5bn of net inflows per annum, and if asset prices recover faster than the assumed 4% per annum, then there is still substantial upside potential for shareholders.**

It is also worth comparing Impax's valuation in relation to peers. We note that the share prices of those asset managers which have robust AUM inflows and overall AUM growth tend to command a premium valuation, and Impax is obviously in that group.

Indeed, AUM performance appears to be having a far greater influence on market valuation metrics than traditional financial revenue and profit metrics, where the correlation between superior performance and superior valuation metrics is not as clear.

**Peer group comparison - Valuation multiples and AUM growth/inflows**

Valuation multiples: top bar = PE Ratio, bottom bar = price-to-book	AUM growth (incl. market performance) 1 Apr 2019 – 31 Mar 2020	AUM inflows/ (outflows)* 1 Jan 2020 – 31 Mar 2020	AUM inflows/ (outflows)* 1 Apr 2019 – 31 Mar 2020
Liontrust 12.1 39	5%	3%	21%
Brooks MacDonald 2.9 38	-14%	-2%	-6%
Impax 7.7 31	9%	7%	18%
Tatton 9.5 30	8%	N/A	19%
Schroders 1.8 17	9%	6%	N/A
Ashmore 3.9 17	-10%	-4%	6%
River & Mercantile 2.4 11	12%	1%	14%
Charles Stanley 1.2 10	-16%	-2%	-7%
Premier Miton 3.9 10	-35%	-1%	-10%
Jupiter 1.9 9	-21%	-5%	-14%
Man Group 1.6 9	-7%	0%	0%
Polar Capital 4.2 8	-12%	-1%	-9%

Source: ADVFN, Company reports and trading updates, ED analysis

\*As a % of starting AUM for the period (excluding AUMs added through acquisitions)

Valuation multiples as at 8 June 2020

**Peer group comparison - Valuation multiples and other financial metrics**

	PE Ratio	Price-to-book	Rev Growth 1 year	Op Margin	EPS Growth	Return on Equity	Div Yield
Liontrust	39	12.1	27%	20%	90%	30%	2.1%
Brooks MacDonald	38	2.9	6%	6%	6%	7%	3.3%
<b>Impax</b>	<b>31</b>	<b>7.7</b>	<b>12%</b>	<b>26%</b>	<b>36%</b>	<b>25%</b>	<b>1.5%</b>
Tatton	30	9.5	13%	35%	114%	32%	3.2%
Schroders	17	1.8	-3%	25%	-2%	13%	3.7%
Ashmore	17	3.9	11%	70%	18%	21%	3.7%
River & Mercantile	11	2.4	4%	21%	-14%	20%	6.3%
Charles Stanley	10	1.2	12%	10%	58%	12%	3.2%
Premier Miton	10	3.9	-1%	26%	-11%	24%	9.5%
Jupiter	9	1.9	-9%	36%	-14%	20%	6.8%
Man Group	9	1.6	16%	28%	9%	18%	5.5%
Polar Capital	8	4.2	33%	36%	59%	48%	7.0%
<b>Median</b>	<b>14</b>	<b>3.4</b>	<b>12%</b>	<b>26%</b>	<b>13%</b>	<b>21%</b>	<b>3.7%</b>

Source: ADVFN, Company reports and trading updates, ED analysis

Data is for latest available annual results.

Valuation multiples as at 8 June 2020.



To an extent, this emphasis on AUM makes sense because AUM figures provide a more up to date picture of the top-line fortunes of asset managers – they are typically available sooner than financial statements (usually made available monthly or quarterly).

There is, however, a danger in paying too much attention to AUMs as poor operations can negate the positive effects of a strong AUM performance, but investors in Impax do not appear to be in danger of falling foul of that danger. **For all of the financial metrics above, with the exception of dividend yield, it is either a first or second quartile performer.**

**With Impax being a high performer when it comes to both AUM metrics and financial metrics, its valuation appears justified when looked at from a peer-comparison basis.**

**Appendix 1 – Historic and forecast Financials**

<b>Consolidated Income Statement + Forecasts</b>						
<b>12 months to end Sept, £'000s</b>	<b>2018A</b>	<b>H1 2019A</b>	<b>2019A</b>	<b>H1 2020A</b>	<b>2020E</b>	<b>2021E</b>
Revenue	65,683	33,794	73,695	41,191	77,911	86,780
<b><u>IFRS Income Statement</u></b>						
Operating costs	(50,200)	(23,871)	(54,883)	(32,851)	(60,383)	(65,853)
<b>Operating profit</b>	<b>15,483</b>	<b>9,923</b>	<b>18,812</b>	<b>8,340</b>	<b>17,528</b>	<b>20,928</b>
Fair value gain/(loss) on investments	(337)	(301)	842	105	105	-
Non-controlling interest	184	91	156	-	-	-
Finance cost	(670)	(399)	(912)	(400)	(800)	(800)
Change in 3rd-party int. in cons. funds	(40)	2	-	-	-	-
<b>IFRS profit before tax</b>	<b>14,620</b>	<b>9,316</b>	<b>18,898</b>	<b>8,045</b>	<b>16,833</b>	<b>20,128</b>
Taxation	(3,219)	(1,293)	(3,028)	(1,718)	(3,821)	(4,302)
<b>IFRS PAT</b>	<b>11,401</b>	<b>8,023</b>	<b>15,870</b>	<b>6,327</b>	<b>13,012</b>	<b>15,826</b>
Basic EPS, p	9.0	6.2	12.2	4.8	10.0	12.1
Diluted EPS, p	8.9	6.1	12.1	4.8	9.9	11.8
<b><u>Adjusted Income Statement</u></b>						
Adjustments to operating costs:						
Acquisition equity incentive awards	236	44	(21)	67	67	-
Mark to market charge, equity awards	1,896	42	202	828	828	-
Exceptional acquisition costs	866	-	-	-	-	-
Amortisation of goodwill/intangibles	1,676	1,247	2,528	1,257	2,514	2,514
Credit from cont. consideration adj	(170)	(3,543)	(3,543)	-	-	-
<b>Adjusted operating profit</b>	<b>19,987</b>	<b>7,713</b>	<b>17,978</b>	<b>10,492</b>	<b>20,937</b>	<b>23,442</b>
Fair value gain/(loss) on investments	(253)	(203)	897	(29)	(29)	-
Non-controlling interest	184	91	156	-	-	-
Finance cost	(670)	(399)	(912)	(400)	(800)	(800)
Change in 3rd-party int. in cons. funds	(40)	2	-	-	-	-
<b>Adjusted profit before taxation</b>	<b>19,208</b>	<b>7,204</b>	<b>18,119</b>	<b>10,063</b>	<b>20,108</b>	<b>22,642</b>
Tax credit on adjustments	(448)	13	-	-	0	0
Taxation	(3,667)	(1,280)	(3,037)	(1,850)	(3,821)	(4,302)
<b>Adjusted PAT</b>	<b>15,541</b>	<b>5,924</b>	<b>15,082</b>	<b>8,213</b>	<b>16,287</b>	<b>18,340</b>
Adjusted Basic EPS, p	12.5	4.5	11.6	6.4	12.6	14.1
Adjusted Diluted EPS, p	12.4	4.4	11.5	6.3	12.5	13.7
<b><u>Dividends</u></b>						
Interim dividend, p	1.1	1.5	1.5	1.8	1.8	2.0
Final dividend, p	3.0	-	4.0	-	5.2	5.9
FY dividends per share, p	4.1	1.5	5.5	-	7.0	7.8
Special dividends per share, p	2.6	-	-	-	-	-

Source: Group report & accounts and ED estimates

**Consolidated Balance Sheet + Forecasts**

As at end Sept, £'000s	2018A	H1 2019A	2019A	H1 2020E	2020E	2021E
<b>Assets</b>						
<b>Non-current assets</b>						
Goodwill	12,171	12,185	12,804	12,732	12,804	12,804
Intangible assets	25,565	24,343	24,518	23,005	22,004	19,490
Property, plant and equipment	1,836	1,784	1,779	11,777	11,225	9,831
Deferred tax assets	4,450	3,472	3,757	3,599	3,757	3,757
<b>Total non-current assets</b>	<b>44,022</b>	<b>41,784</b>	<b>42,858</b>	<b>51,113</b>	<b>49,790</b>	<b>45,882</b>
Current assets						
Trade and other receivables	15,858	19,823	16,740	18,096	17,698	19,712
Investments	4,349	3,020	4,626	4,950	4,819	4,819
Current tax account	890	869	239	311	239	239
Cash: money mkt & LT deposits	11,211	10,233	15,235	11,268	11,268	11,268
Cash and cash equivalents	15,529	6,131	11,939	9,363	20,837	30,946
<b>Total current assets</b>	<b>47,837</b>	<b>40,076</b>	<b>48,779</b>	<b>43,988</b>	<b>54,861</b>	<b>66,984</b>
<b>Total Assets</b>	<b>91,859</b>	<b>81,860</b>	<b>91,637</b>	<b>95,101</b>	<b>104,651</b>	<b>112,866</b>
<b>Equity and Liabilities</b>						
<b>Equity</b>						
Ordinary shares	1,304	1,304	1,304	1,304	1,304	1,304
Share premium	9,291	9,291	9,291	9,291	9,291	9,291
Exchange translation reserve	1,014	968	1,936	1,869	1,936	1,936
Hedging reserve	(44)	144	(54)	(48)	(54)	(54)
Retained earnings	41,054	42,934	50,751	50,830	53,401	60,456
Equity attr. to owners of the co.	52,619	54,641	63,228	63,246	65,878	72,933
Non-controlling interests	898	1,012	-	-	-	-
<b>Total equity</b>	<b>53,517</b>	<b>55,653</b>	<b>63,228</b>	<b>63,246</b>	<b>65,878</b>	<b>72,933</b>
Current Liabilities						
Trade and other payables	24,755	15,755	23,581	15,394	24,930	27,768
Loans	3,326	3,316	-	-	-	-
3rd-party int. in cons. funds	87	-	-	-	-	-
Lease liability	-	-	-	1,421	1,124	915
Current tax liability	130	208	124	89	124	124
<b>Total current liabilities</b>	<b>28,298</b>	<b>19,279</b>	<b>23,705</b>	<b>16,904</b>	<b>26,178</b>	<b>28,807</b>
Non-current Liabilities						
Accruals	228	280	704	748	704	704
Debt facilities	6,652	3,316	-	-	-	-
Lease liability	-	-	-	9,975	7,891	6,422
Deferred tax liability	3,164	3,332	4,000	4,228	4,000	4,000
<b>Total non-current liabilities</b>	<b>10,044</b>	<b>6,928</b>	<b>4,704</b>	<b>14,951</b>	<b>12,595</b>	<b>11,126</b>
<b>Total equity and liabilities</b>	<b>91,859</b>	<b>81,860</b>	<b>91,637</b>	<b>95,101</b>	<b>104,651</b>	<b>112,866</b>

Source: Group report & accounts and ED estimates

<b>Consolidated Cash Flow Statement + Forecasts</b>						
<b>12 months to end Sept, £'000s</b>	<b>2018A</b>	<b>H1 2019A</b>	<b>2019A</b>	<b>H1 2020A</b>	<b>2020E</b>	<b>2021E</b>
<b>Profit before taxation</b>	<b>14,620</b>	<b>9,316</b>	<b>18,898</b>	<b>8,045</b>	<b>16,833</b>	<b>20,128</b>
Adjustment for:						
Investment income	(279)	-	(236)	-	-	-
Interest expense	670	399	912	400	800	800
Depreciation and amortisation	2,051	1,411	2,952	2,117	3,908	3,908
Fair value (gains)/losses	616	301	(606)	(105)	(105)	-
Non-controlling interests	(184)	(91)	(156)	-	-	-
Contingent consideration adjustment	-	(3,543)	(3,543)	-	-	-
Share-based payment charges	1,822	666	1,160	938	1,200	1,200
(Credit)/charges: legacy LT incentives	-	-	-	-	-	-
Change in 3rd party int. in cons. funds	40	(2)	-	-	-	-
<b>Op CF before movement in WC</b>	<b>19,356</b>	<b>8,457</b>	<b>19,381</b>	<b>11,395</b>	<b>22,636</b>	<b>26,036</b>
(Increase)/decrease in receivables	(2,011)	(1,784)	(1,135)	(1,356)	(958)	(2,015)
(Decrease)/increase in payables	6,091	(5,848)	2,602	(6,995)	1,349	2,838
<b>Cash generated from operations</b>	<b>23,436</b>	<b>825</b>	<b>20,848</b>	<b>3,044</b>	<b>23,027</b>	<b>26,859</b>
Corporation tax paid	1,583	(306)	(580)	(152)	(3,821)	(4,302)
<b>Net cash generated from op. activities</b>	<b>25,019</b>	<b>519</b>	<b>20,268</b>	<b>2,892</b>	<b>19,207</b>	<b>22,557</b>
<b>Investing activities</b>						
Acq. of subsidiary, net of cash acquired	(23,893)	-	-	-	-	-
Deconsolidation of investment fund	(255)	(67)	(67)	-	-	-
Investment income received	279	151	236	48	48	-
Settlement of investment related hedges	(987)	74	258	469	469	-
Net redemptions : unconsolidated funds	3,938	(1,041)	(485)	-	-	-
Net inv. disposals: consolidated funds	932	-	-	(702)	(702)	-
(Incr)/decr in money mkt & LT deposits	(3,431)	1,045	(4,024)	3,967	3,967	-
Acquisition of PPE & intangible assets	(1,690)	(128)	(402)	(147)	(147)	-
<b>Net cash used in investing activities</b>	<b>(25,107)</b>	<b>34</b>	<b>(4,484)</b>	<b>3,635</b>	<b>3,635</b>	<b>-</b>
<b>Financing activities</b>						
Proceeds from bank debt	17,616	-	-	-	-	-
Repayment of bank debt	(8,779)	(3,337)	(10,371)	-	-	-
Interest paid on bank debt	(464)	(310)	(670)	(38)	(800)	(800)
Dividends paid	(7,386)	(3,864)	(5,792)	(5,140)	(7,377)	(8,970)
Acquisition of own shares	(2,534)	(2,502)	(2,505)	(3,186)	(4,186)	(1,000)
Payment of lease liabilities	-	-	-	(839)	(1,678)	(1,678)
Cash received on exe. of share options	4,477	100	111	97	97	-
(Distr.)/inv's: 3rd party inv. cons funds	17	(39)	-	-	-	-
<b>Net cash from /(used by) financing</b>	<b>2,947</b>	<b>(9,952)</b>	<b>(19,428)</b>	<b>(9,106)</b>	<b>(13,944)</b>	<b>(12,448)</b>
<b>Net (decr.)/incr. in cash &amp; equivalents</b>	<b>2,859</b>	<b>(9,399)</b>	<b>(3,644)</b>	<b>(2,579)</b>	<b>8,898</b>	<b>10,109</b>
Cash & equivalents at beginning of year	12,932	15,529	15,529	11,939	11,939	20,837
Effect of foreign exchange rate changes	(262)	1	54	3	-	-
<b>Cash &amp; equivalents at end of year</b>	<b>15,529</b>	<b>6,131</b>	<b>11,939</b>	<b>9,363</b>	<b>20,837</b>	<b>30,946</b>

Source: Group report &amp; accounts and ED estimates



## Investor Access

**Hannah Crowe**

Direct: 0207 065 2692

Tel: 0207 065 2690

[hannah@equitydevelopment.co.uk](mailto:hannah@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.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom ('FSMA'). Any person who is not a relevant person under this section should not act or rely on this document or any of its contents. 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 not deemed to be independent, as defined by the FCA, but is 'objective' in that the authors are stating their own opinions. This document is prepared for clients under UK law. 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](http://www.fisma.org)

ED may in the future provide, or may have in the past provided, investment banking services to the Company. ED, its Directors or persons connected may have in the future, or have had in the past, a material investment in the Company.

More information is available on our website

[www.equitydevelopment.co.uk](http://www.equitydevelopment.co.uk)

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