

Impax Asset Management



7 October 2021

Inflows main contributor to 84% AUM growth in FY21

Impax continues to scale at a pace unmatched by any UK-listed asset manager. AUM grew to £37.2bn on 30 Sep (end of FY21), 84% up on the FY20 close of £20.2bn. Net inflows accounted for £10.7bn (63%) of the increase, with market movements accounting for £6.4bn (37%).

Company Data

EPIC	IPX
Price (last close)	1040p
52 weeks Hi/Lo	1330p/499p
Market cap	£1,379m
ED Core Value/share	1300p
Proforma net cash	£38.3m
Avg. daily volume	166k

Share Price, p



Source: ADFVN

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, smart beta and fixed income strategies.

FY21 results expected Dec 21

AUM, end Sep 2021: £37.2bn



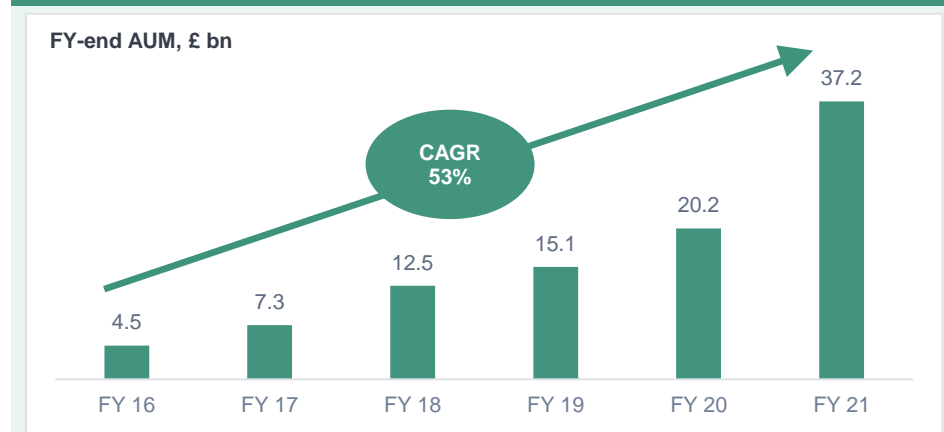
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AUM grown by over 8x in 5 years



Source: Company reports and trading updates

Q4 inflows of £1.5bn show continuing **impressive momentum in winning new business**. Over FY21, average quarterly inflows were £2.6bn, 204% up on the £865m average of FY20, which was in turn 251% up on the FY19 average of £345m.

Our fair value increases

With the structural shift towards sustainable investing continuing unabated (**in Europe, sustainable funds attracted 47% of all fund inflows in H1 21**, according to Morningstar), and **Impax growing even faster than the overall sustainable fund market** ([refer our Sep 21 note for details](#)), we remain optimistic on Impax's future growth prospects.

Couple that with the closing FY21 AUM level of £37.2bn being some distance above our previous forecast of £34.5bn, **and our fair value increases from 1,205p per share to 1,300p, still roughly 25% above the current share price**.

Summary financials & forecasts

Year end 30 Sep	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E
AUM, £bn	7.3	12.5	15.1	20.2	37.2	45.8
Revenue, £m	32.7	65.7	73.7	87.5	139.4	186.6
Adjusted Op. Profit, £m	9.3	20.0	18.0	23.2	49.7	68.1
Adjusted EPS, Diluted, p	6.2	12.4	11.5	14.5	31.5	42.0
PER	166.7	84.0	90.8	71.9	33.0	24.8
Dividend*, p	2.9	4.1	5.5	8.6	19.2	25.6
Yield	0.3%	0.4%	0.5%	0.8%	1.8%	2.5%
Net assets, £m	35.6	53.5	63.2	71.4	98.3	124.1
Net cash, £m	20.7	16.8	27.2	38.8	57.4	85.8

PER and Yield calculations based on share price of: **1,040p**

* excludes special dividend of 2.6p in FY2018

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

Listed equities dominant

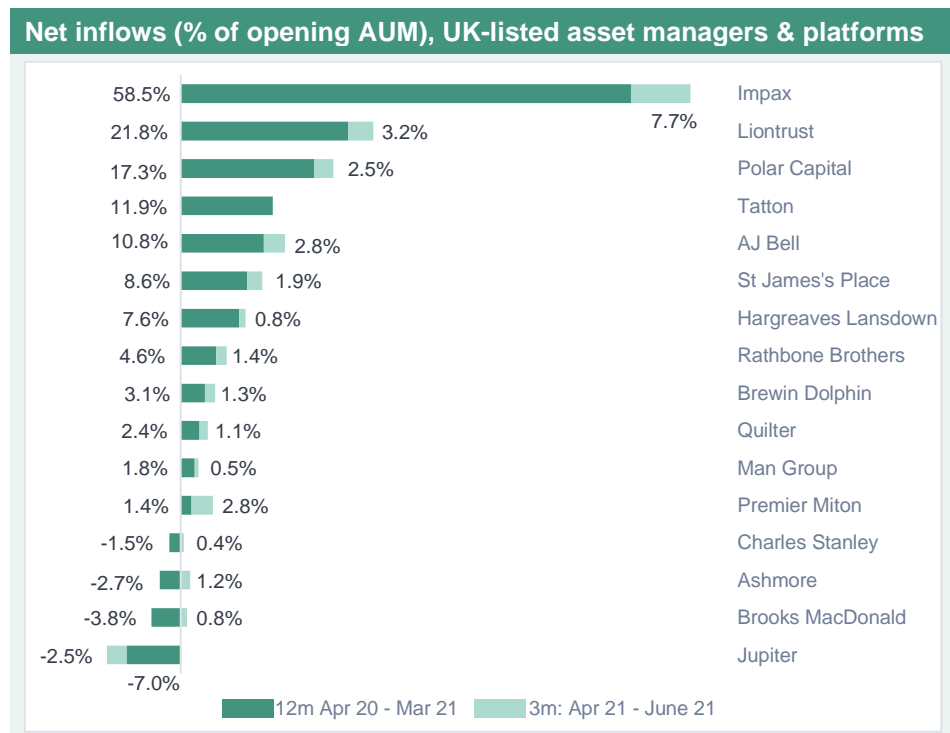
Impax's listed equities was the **standout growth engine** with AUM increasing 89% over FY21 to £35.6bn (96% of total AUM). Fixed income also had a strong year, growing 33% to £1.3bn. Private Markets (investments in renewable energy infrastructure) saw a 14% decline in AUM to £0.32bn with market movements and outflows both showing small declines. We expect an update on Impax's private market opportunities with the results release in Dec 21.

AUM movement over 12m to 30 September 2021				
£'000s	Listed equities	Fixed Income	Private markets	Total firm
Total AUM 30 Sep 2020	18,865	947	371	20,183
Net flows	10,387	322	(34)	10,676
Market movement, FX & performance	6,385	(12)	(20)	6,353
Total AUM 30 Sep 2021	35,636	1,257	318	37,211

Source: Impax

Continuing to outpace peers

Impax continues to be the runaway leader among UK-listed asset managers when it comes to attracting assets. (Note: Impax is the first to report on the Jul-Sep quarter, hence not included in chart).



Source: Company, ED. NB Quarterly inflows for Apr 21 - Jun 21 quarter n/a for Tatton.

Hargreaves Lansdowne: Dark bar = 13m period Apr 20-Apr 21, Light bar = 2m period May 21-Jun 21

Conclusion

We believe Impax's 20+ years of sustainable investing experience, the accumulated knowledge and 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 positions it well to continue outperforming.

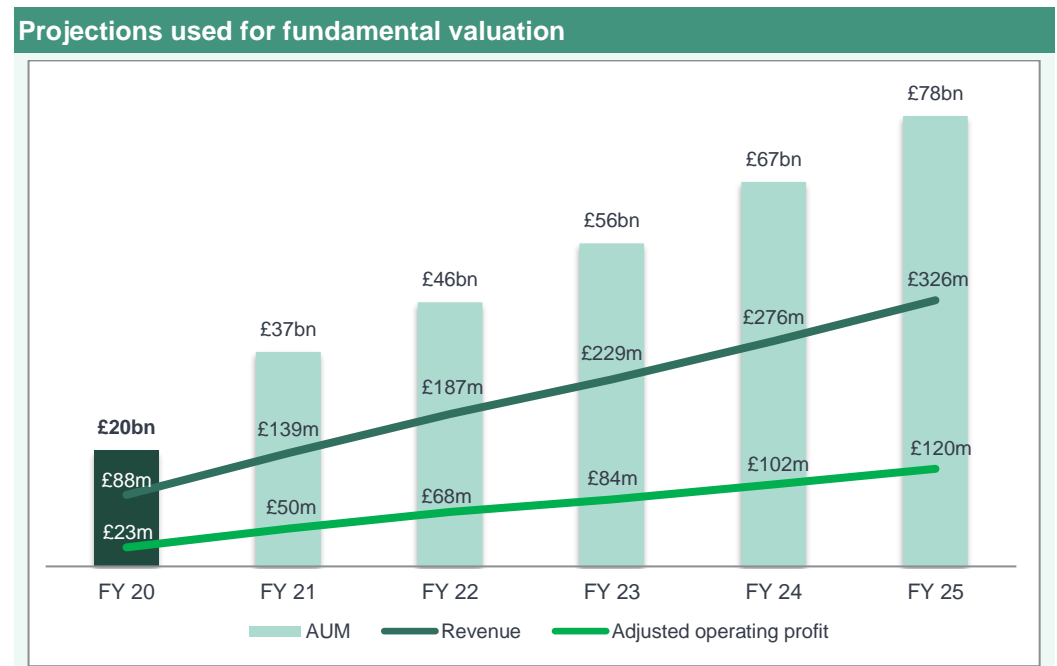
Valuation assumptions

We have increased our core value of Impax to 1300p per share, approximately 25% above the current market price.

This is based on a discounted cash flow methodology with the following main assumptions:

- AUM grows to **around £78bn by FY25** – based on net inflows of between £1.5bn and £2.0bn per quarter (below FY21 average of £2.6bn), and market movements of +5% per year. However, we stress that inflows do tend to dip with market declines so we expect to see some volatility in both inflows and market movements going forward.
- Adjusted operating margins continue to improve as the business scales, from 35.7% in FY21 to around **37% in FY25**.
- The business is sold at the end of this five-year period at a **PE multiple of 20**.

These growth projections imply that Impax achieves revenues of £326m by FY25 and adjusted operating profit of £120m as illustrated in the chart below:



Source: Impax, ED Analysis

We will refine our forecasts and valuation after Impax reports its full financial year results in early December.



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