

29 May 2024

Solid H1 as investments in capacity start to pay off

AUM was up by £2.2bn or 6% over H1-24, reaching £39.6bn on 31 Mar 24 (30 Sep 23: £37.4bn). This was a top-third growth rate among a London-listed peer group (page 2). While sustainable investing flows around the world have been subdued, we are seeing some early signs of a return to stronger flows (page 4). And encouragingly, Impax has announced the successful close of its fourth private markets infrastructure fund, raising €459m, its largest raise to date.

H1-24 revenue of £86.2m was down 2% y-o-y from £88.0m in H1-23 on lower average AUM levels and an unchanged average fee margin of 45bps. **However, an AUM recovery during the period saw run-rate revenue increase from £169.0m on 30 Sep 23 to £177.1m.**

Adjusted operating costs* increased a touch over H2-23 from £59.7m to £60.3m and were in fact below the £60.6m of H1-23, indicating that **cost increases are dropping off** as previously guided by Impax. We remind readers that over FY23 adjusted operating costs increased by 11% mostly due to a period of increasing staffing levels to ensure the business was equipped to support further growth, and further investments in systems, infrastructure, risk, and compliance were made.

Adjusted operating profit fell 5% from £27.3m to £25.8m, and adjusted operating margin fell to 30.0% from 31.1% in H1-23. **We expect this margin to be around the 30% mark for FY24 and then ratchet up to the high-30s or even 40% over the medium term** as the business adds AUM and benefits from operating leverage following its recent investments in capacity.

Impax has a **net cash position of £65m, no debt, and a regulatory capital surplus of £60.7m** (H1-23: £59.8m). This surplus can be used to pursue organic or acquisitive growth opportunities, buy shares for the employee benefit trust (to avoid dilution from share awards), and the like.

Still appears materially undervalued

Taking a slightly cautious view on net flows and market movements for the remainder of FY24, we have adjusted our AUM and revenue forecasts marginally downwards. But we have also decreased our cost forecasts, on lower-than-expected operating costs. Our longer-term forecasts are therefore virtually unchanged, and **our fundamental valuation remains 800p per share, c 60% above the share price. We also see Impax's PER of 16.5 as an undemanding rating.**

Summary financials & forecasts

Year end 30 Sep	FY22A	H1 23A	FY23A	H1 24A	FY24E		FY25E	
					prev.	new	prev.	new
AUM, £bn	35.7	40.1	37.4	39.6	41.1	40.6	46.1	45.6
Revenue, £m	175.4	88.0	178.4	86.2	180.5	179.4	198.6	196.2
Adj. op. costs*, £m	108.0	60.6	120.3	60.3	126.3	125.5	133.4	131.7
Adj. op. profit, £m	67.4	27.3	58.1	25.8	54.2	53.9	65.2	64.5
Net profit after tax	59.5	16.8	39.2	18.2	40.3	39.4	48.6	48.5
EPS basic, p	46.0	13.0	30.5	14.3	31.3	30.6	37.8	37.7
EPS adj. diluted, p	42.1	17.2	35.2	16.0	32.3	32.1	38.6	38.1
PER	10.9	19.3	16.5	17.6	16.4	16.4	13.3	13.3
Dividend, p	27.6	4.7	27.6	4.7	27.6	27.6	27.6	27.6
Yield	5.5%	0.9%	5.5%	0.9%	5.5%	5.5%	5.5%	5.5%
Net assets, £m	138.2	119.7	134.0	117.9	142.5	137.2	162.1	149.5
Net cash, £m	110.9	67.1	91.5	65.0	102.2	95.6	124.2	111.0

Source: Group report & accounts and ED estimates. PER and yield based on share price of 502p.

* IFRS costs less non-recurring acq. costs, amort. of intangibles acquired, one-off tax credits & M-T-M of NI on equity awards.

Company Data

EPIC	IPX
Price (last close)	502p
52 weeks Hi/Lo	789p/369p
Market Cap	£666m
ED Fair Value/share	800p
Proforma net cash	£65m
Avg. daily volume	251k

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 listed equities, fixed income, systematic, and private markets strategies.

AUM on 31 Mar 2024: £39.6bn

Next Event Q3 AUM update: July '24



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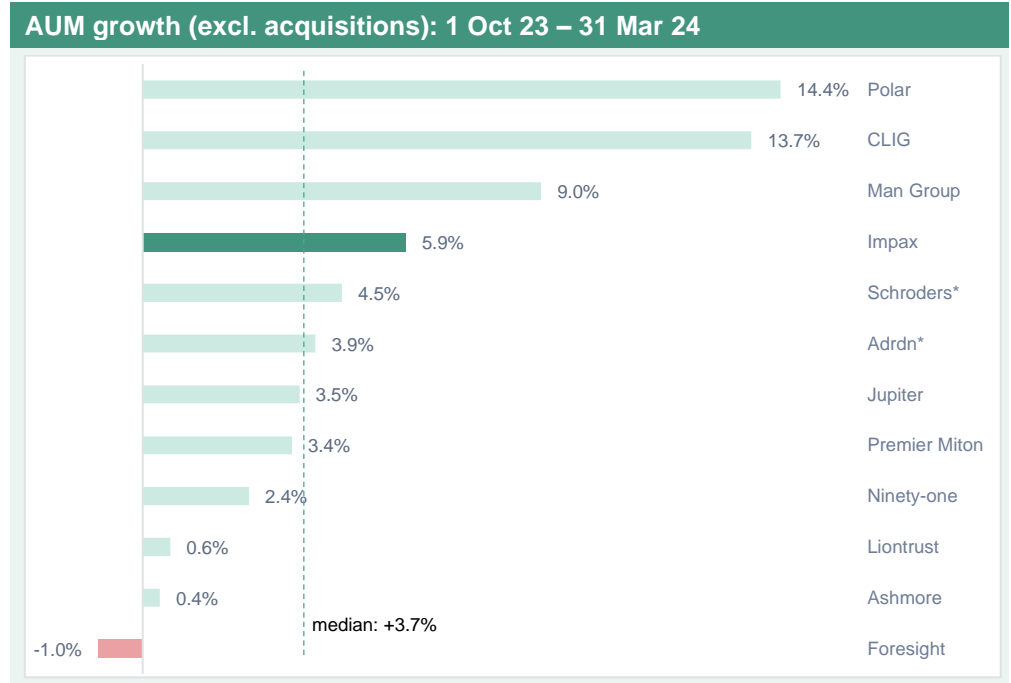
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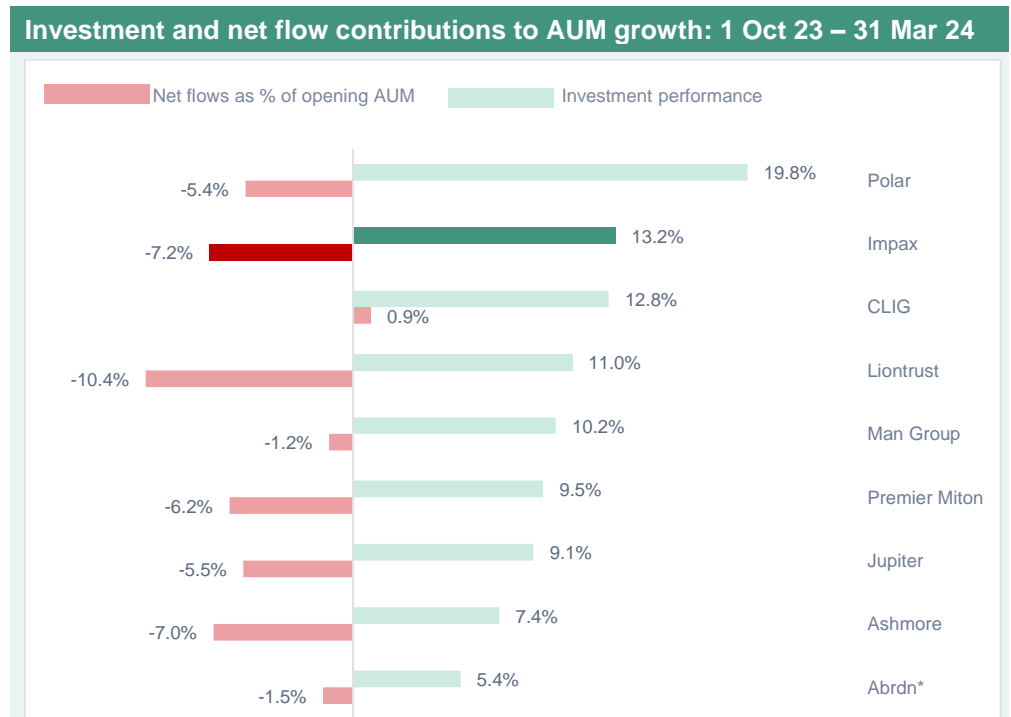
H1 AUM growth driven by strong investment returns

AUM grew by £2.2bn (+6%) over H1 from £37.4bn on 30 Sep 23 to £39.6bn on 31 Mar 24. This was a solid performance compared to most UK-listed asset managers.



Source: Company reports, ED analysis. *Asset management units only, excluding wealth management units.

Across the sector, it was a period characterised by strong investment performances, but of substantial net outflows. **Impax's investment performance was particularly strong, contributing +£4.9bn to AUM (+13% over the 6-month period), the second highest among UK-listed active managers** (with only technology-stock-heavy Polar Capital having a higher return, boosted by a buoyant tech sector).



Source: Company reports, ED analysis.

*Asset management unit only. Data not available for: Foresight, Schroders, Ninety-one.

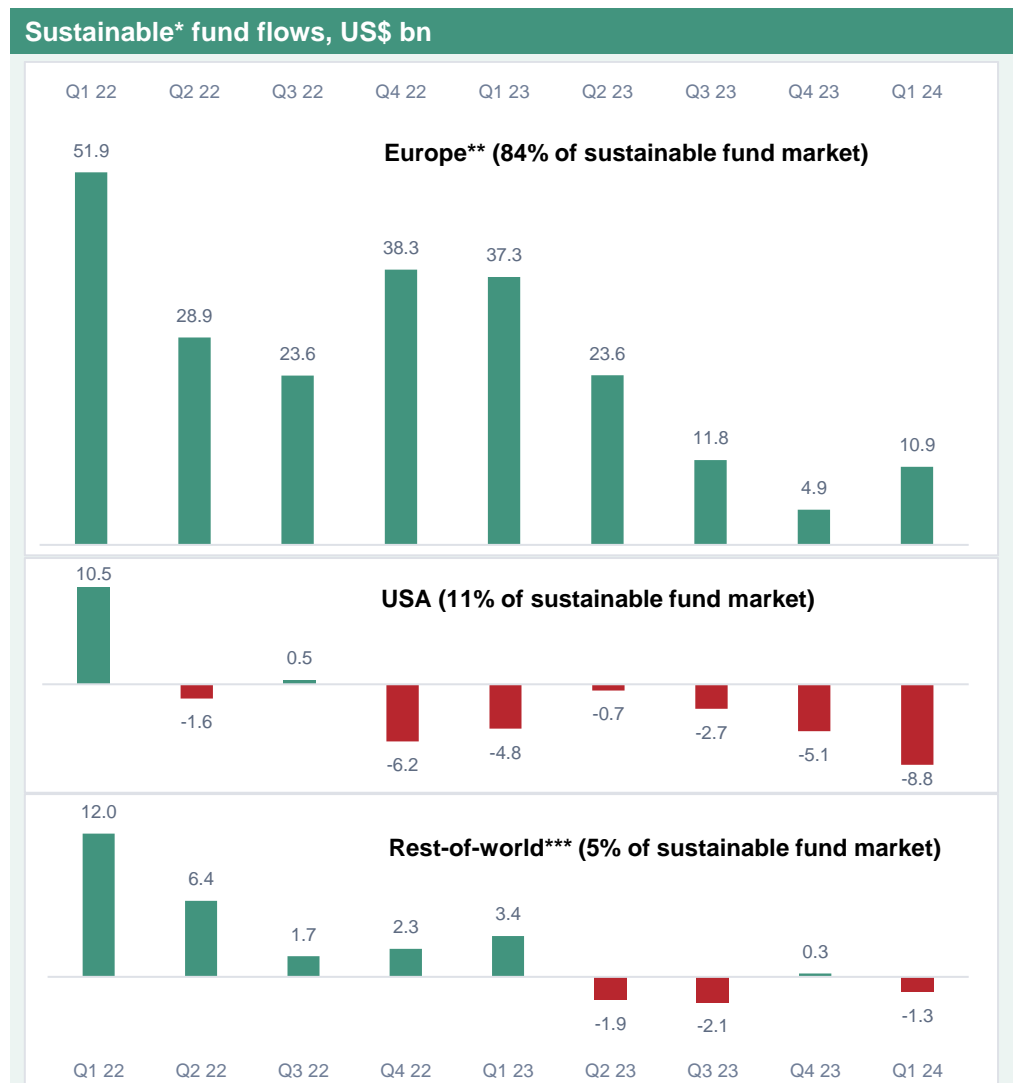
Cautious optimism by Impax on flows...

While Impax's net flows over H1 were -£2.7bn, these were driven by only a few clients and Impax has struck a cautiously optimistic tone: "Net outflows were £2.7bn, following asset allocation decisions by clients primarily within our wholesale channel in Europe, who rotated to a more 'risk-off' stance amid a higher interest rate environment. Meanwhile, our institutional channel continues to be more robust and we saw an increase in the net number of institutional accounts due to some significant new client wins; **our new business pipeline also remains healthy.**"

And: "asset owner sentiment around the transition to a more sustainable economy and associated areas of Impax expertise has improved in recent months. We believe that companies providing innovative solutions that address environmental and social challenges remain compelling."

...following a subdued period for sustainable funds

The context of Impax's net flow situation is one of weak or negative flows for sustainable funds around the world. In Europe, overall flows have remained marginally positive but weak compared to historical levels, while flows have been negative in the US and in most of Asia.



Source: Morningstar: Global Sustainable Fund Flows: Q1 2024 in Review. Chart reproduced with permission.

*Open-end funds & ETFs that, by prospectus or regulatory filings, claim to focus on sustainability; impact; or ESG factors.

**Greater Europe i.e. EU plus other key fund markets such as the UK and Switzerland

*** Regions included in 'Rest-of-world' by Morningstar: Asia (China, Hong Kong, Japan, Taiwan, South Korea, India, Singapore, Indonesia, Thailand, Malaysia), Canada, Australia & New Zealand.

We highlight three factors which have certainly had an impact on this:

- Interest rates have remained higher for longer than expected in several markets, with many sustainable investments (including the bulk of Impax's AUM) falling firmly into the 'growth stocks' category, which are hurt by a higher interest rate environment.
- The ongoing politicisation and strength of the 'anti-ESG' movement in the US. (Having said that, this does not appear to be having a huge impact on Impax, with very small outflows recorded in North America, far lower than the outflows recorded in Europe. And Impax has stated it sees an opportunity in the ETF space in the US.)
- Regulatory uncertainty in key markets:
 - In the EU, the European Commission has delayed the revision of Sustainable Finance Disclosure Regulation (SFDR) regulatory technical standards, and the European Securities and Markets Authority (ESMA) has delayed publication of guidelines on the use of ESG terms in fund names.
 - In the US, an SEC rule to enhance and standardise climate-related disclosures for investors (due to come into effect in phases from 2025) is undergoing a legal challenge from several states.

Early signs of some green shoots

There has, however, been **some positive data emerging in early-2024** which backs up Impax's commentary.

And although it is too early to indicate a move to much stronger net flows in the near-term, this does suggest a swing towards investors allocating more capital towards sustainable funds and to listed equities, both important segments for Impax:

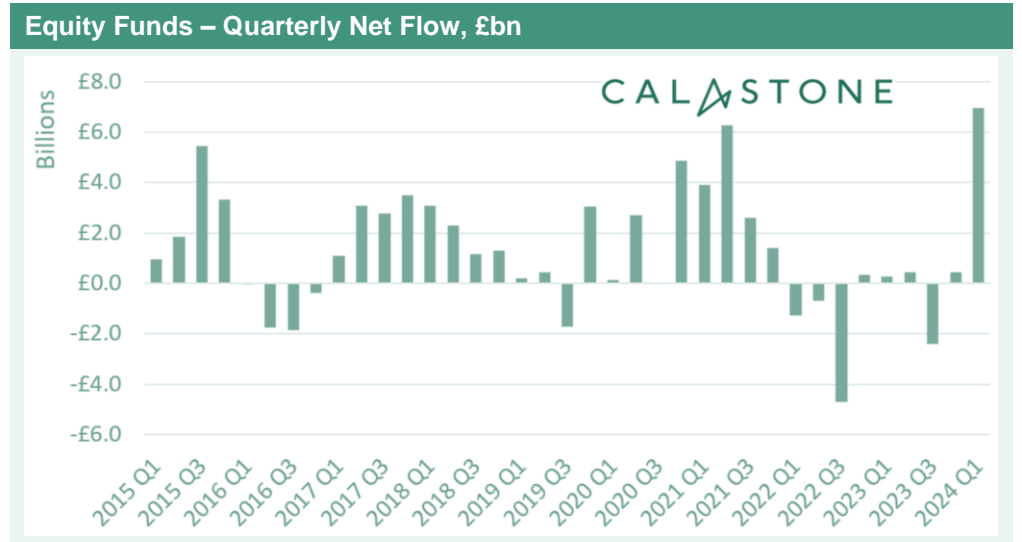
- Morningstar reports that Europe's sustainable fund market saw a significant uptick in flows in Q1 of 2024 from \$4.9bn to \$10.9bn (see chart on previous page).
- LSEG Lipper reports¹ that under its definition of 'Responsible Investment' funds (Mutual Funds including Fund of Funds and ETFs), global net inflows were +\$2.8bn in Dec 23, +\$5.3bn in Jan 24, - \$1.4bn in Feb 24, jumping to +\$8.0 in Mar 24.
- Calastone² reports that UK investors contributed £691m of net inflows into ESG funds in Mar 24 and £1.54bn in Feb 24, stating:

"The renewed interest in ESG funds after months of outflows in 2023 made February's inflows the fourth best month on record after January marked the all-time high... January was also the first month since April 2023 to see inflows to ESG funds. Outflows had swelled to £3.72bn between April and the end of the year, though they slowed to a mere trickle in December. The rebound in January was so strong that ESG equity funds enjoyed record inflows of £1.63bn during the month and were a major contributor to the strength of US and European equity fund inflows overall."

- Calastone also reported that:
"UK investors continued their stampede into equity funds in March ... They added a net £2.30bn to their holdings and ensured Q1 2024 was a record for equity-fund inflows, totalling £6.97bn since January." See chart overleaf. (Note: these figures will include flows into passive funds)

¹ [Global Responsible Investments Fund Market Statistics for March, April 15, 2024.](#)

² [Record inflows to equity funds in Q1 as 2024 starts with a bang, 3 April 2024.](#) [US market rally drives surging inflows to equity funds, 4 March 2022.](#) [Bullish investors flood back to equity funds at the fastest rate in three years, 6 February 2024.](#)

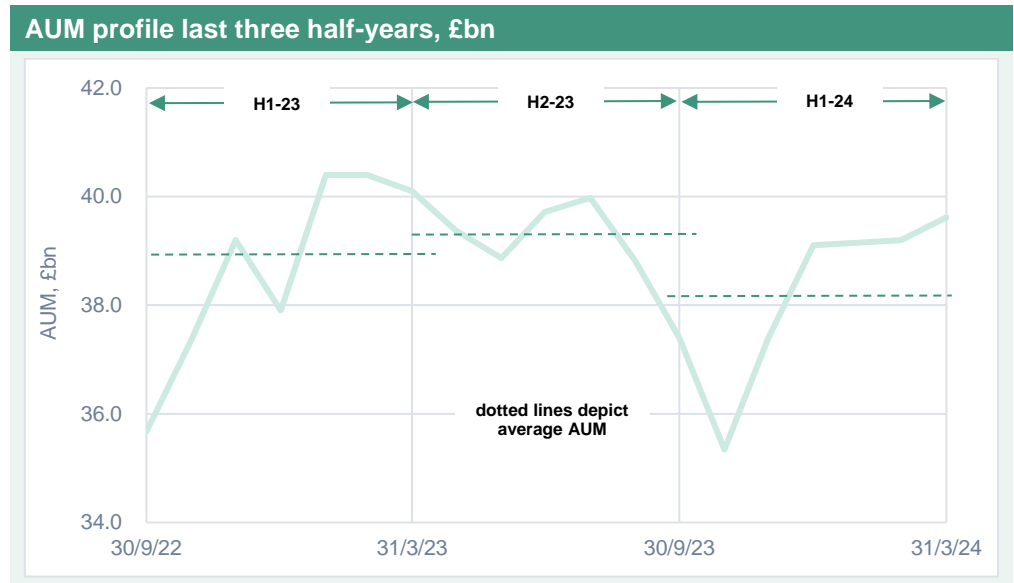


Source: Calastone². Chart reproduced with permission.

H1-24 financials

Revenue

H1-24 revenue of £86.2m was down 2% y-o-y from £88.0m in H1-23 on lower average AUM levels as shown in the AUM profile below and an unchanged average fee margin of 45bps. **Yet, the AUM recovery during the period saw run-rate revenue increase from £169.0m on 30 Sep 23 to £177.1m.** [Run rate revenue measures monthly end-of-period revenue (Mar for H1, Sep for H2), extrapolates this for 12 months and adjusts to remove the effects of one-off transactions.]



Costs and profitability

Adjusted operating costs increased a touch over H2-23 from £59.7m to £60.3m and were down on the £60.6m of H1-23, indicating that **cost increases are dropping off as previously guided.** [Adjusted operating costs are IFRS operating costs less non-recurring acquisition costs, on-going amortisation of intangibles acquired, and mark-to-market charges on equity award schemes].

We remind readers that over FY23 adjusted operating costs increased by 11% mostly due to a period of increasing staffing levels to ensure the business was equipped to support further growth, and further investments in systems, infrastructure, risk and compliance were made. **But Impax stated in Nov 23 that hiring was expected to slow with the business well equipped to handle an increase in scale. This has happened.** The total number of (FTE) employees was 289 in Mar 23, 300 in Sep 23, and 306 in Mar 24.

Adjusted operating profit fell 5% from £27.3m to £25.8m, and adjusted operating margin fell to 30.0% from 31.1% in H1-23. However, the run-rate annualised adjusted operating profit was £54.2m, up from £51.9m at the end of Sep 23, driven by the above illustrated recovery in AUM.

We expect adjusted operating margin to be around the 30% mark for FY24 and then ratchet up to the high-30s or even 40% over the medium term as the business adds AUM and benefits from operating leverage following its recent investments in capacity.

IFRS PBT increased 15% y-o-y from £21.4m in H1 23 to £24.6m in H1 24 (the movement in PBT differed significantly from the movement in adj. op. profit primarily because of a lower finance cost: H1-23 had a £4.6m foreign exchange loss versus £1.2m in H1-24).

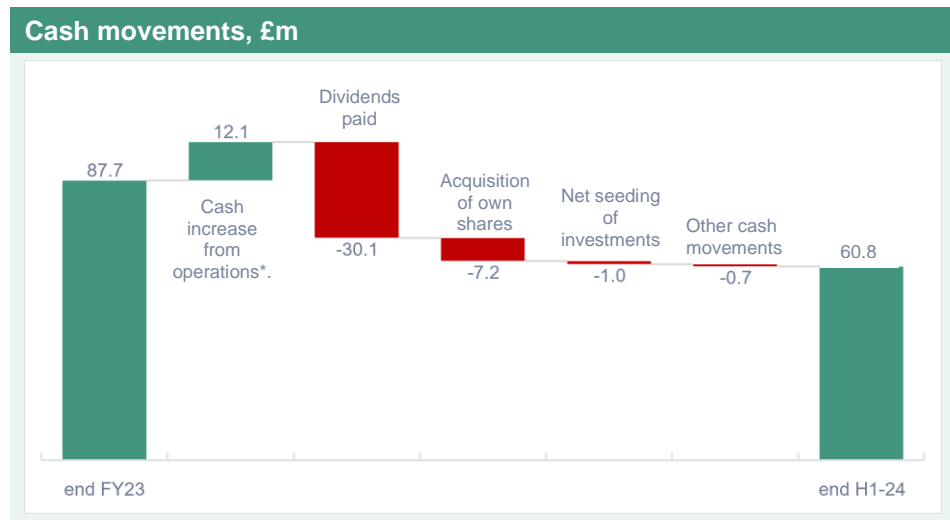
Balance sheet and cash position both remain robust

The Balance sheet remained robust, with net assets declining slightly y-o-y to £117.9m from £119.7m.

The business is generating a significant amount of cash, has robust cash reserves, and no debt.

Cash generated from operating activities (after tax) was £12.1m. Cash reserves declined slightly y-o-y to £60.8m from £61.8m (these reserves exclude 3rd-party interest on consolidated funds, and therefore differ slightly from accounting 'net cash' which includes these funds).

We also flag that end-H1 is usually the low-point of the Impax annual cash cycle due to the payment of the prior-year final dividend (£30.1m) and annual staff bonuses being paid during this period. Additionally, Impax spent £7.1m acquiring its own shares (an ongoing practice to minimise dilution from staff awards),

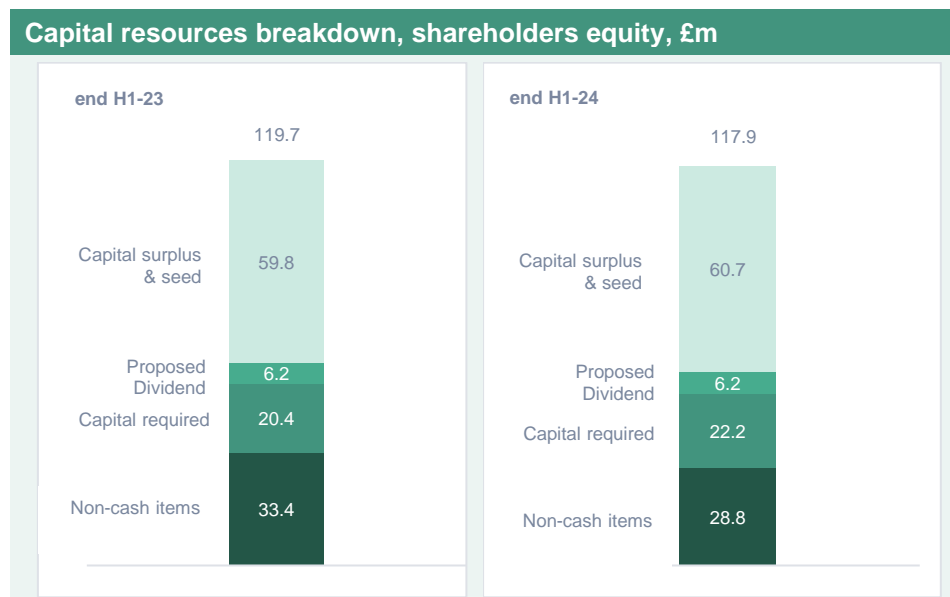


Source: Impax.

Excludes third-party interest on consolidated funds and cash held in Research Payment Accounts.

*Cash generated from operations after tax and lease-related charges.

The group also provides a capital resources breakdown (see chart below) that takes into account minimum regulatory cash. **This shows Impax having a capital surplus (including seed investments) of £60.7m (H1-23: £59.8m) which can be utilised to pursue organic or acquisitive growth opportunities, buy shares for the employee benefit trust (to avoid dilution from share awards), and the like.**



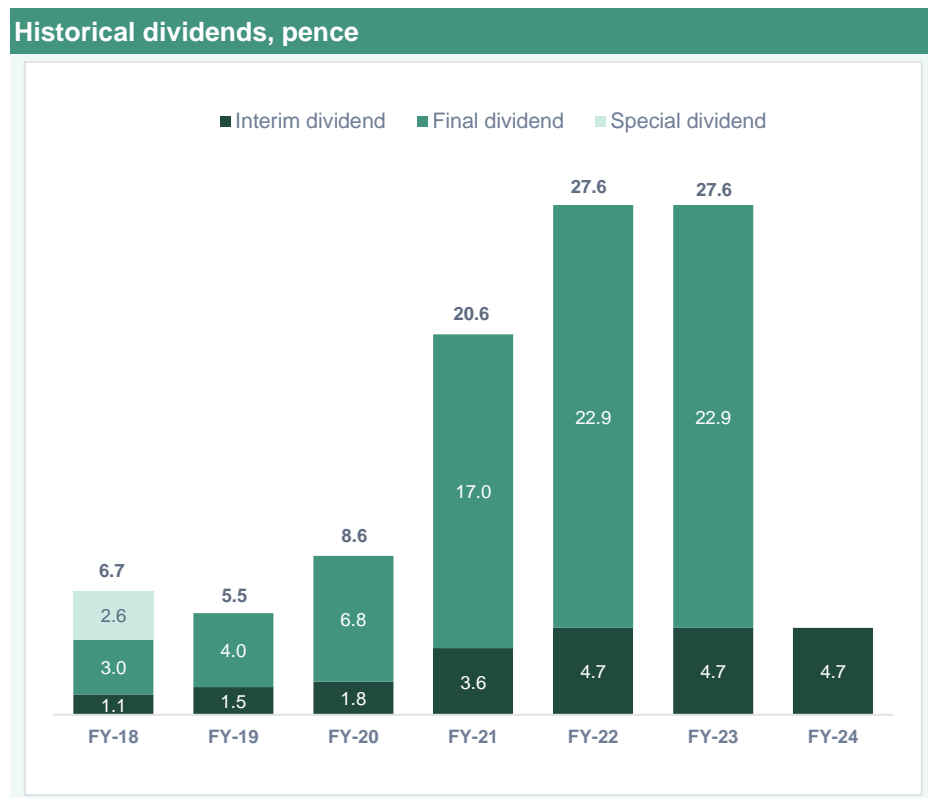
Source: Impax

Supportive dividend yield

Impax has made an amendment to its dividend policy. Previously, the target dividend payout ratio was, in 'normal' circumstances, to pay an annual dividend within a range of 55%-80% of adjusted profit after tax. This has been amended to pay an annual dividend of at least 55% of adjusted profit after tax, while ensuring sufficient capital is retained to invest in future growth.

Given the strong financial position of the group and the Board's confidence in prospects, an unchanged interim dividend of 4.7p has been recommended. We note that the full year FY23 dividend of 27.6p produces a yield of 5.5% on the closing share price of 502p on 28 May 2024.

We detail Impax's impressive longer-term dividend payout history below:



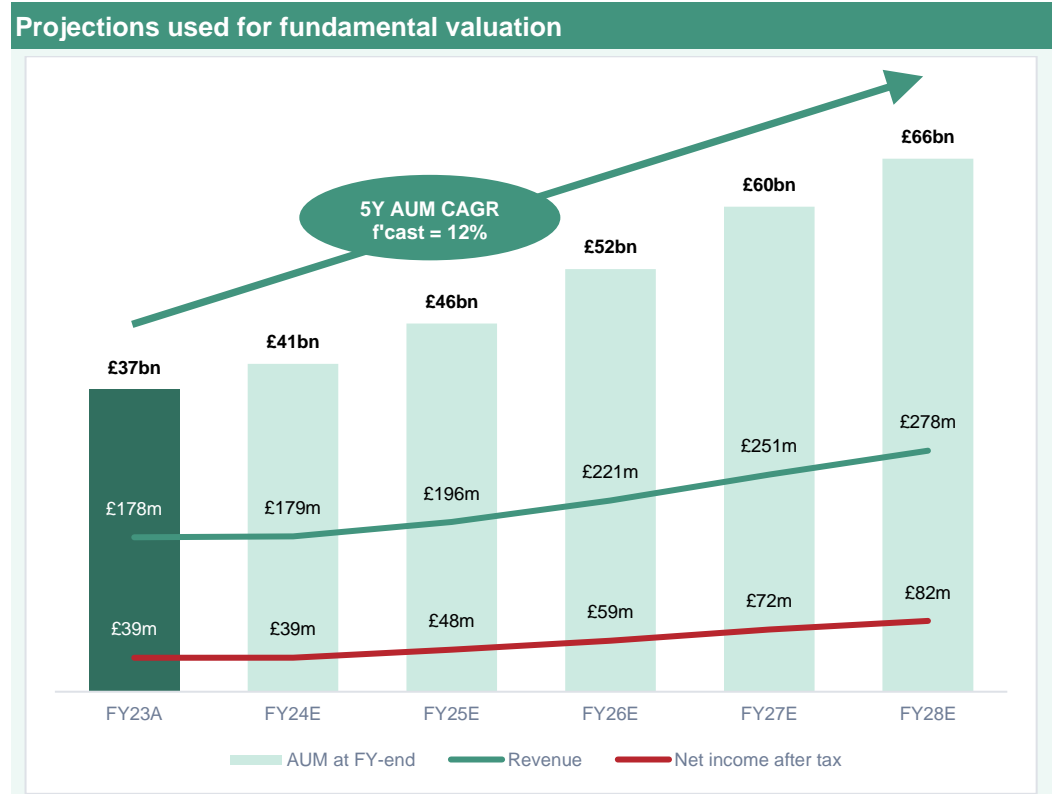
Source: Company

Valuation headroom

Our fundamental valuation of Impax uses a discounted cash flow methodology based on the following primary assumptions:

- Over a 5-year explicit forecast period:
 - **AUM grows at a CAGR of 12%**, which we believe is a conservative assumption, noting that AUM is driven by net flows and investment performance (assumed to be 5% per annum).
 - **Revenue grows at a CAGR of 10%**, lower than AUM growth because we have assumed some price erosion over time due to competitive pressures.
 - **Profit margins increase from the current 30% adjusted operating margin to 39% over five years as operational leverage is captured**, particularly in light of the recent investments made in human resources and infrastructure to be able to build and service a higher AUM base. We also note that Impax has previously achieved adjusted operating margin levels of 39% (in FY21).

These forecasts are summarised in the chart below.



Source: Impax, ED Analysis

Note: the reduction in net income in FY23 is partly due to the increase in the rate of UK corporation tax from 19% to 25% in April 2023

- The business is acquired at a PER of 20 after year 5 (the terminal value in our DCF calculation), which we again believe to be a conservative assumption (see next page for sector PERs).
- All future cash flows are discounted at a rate of 13%.

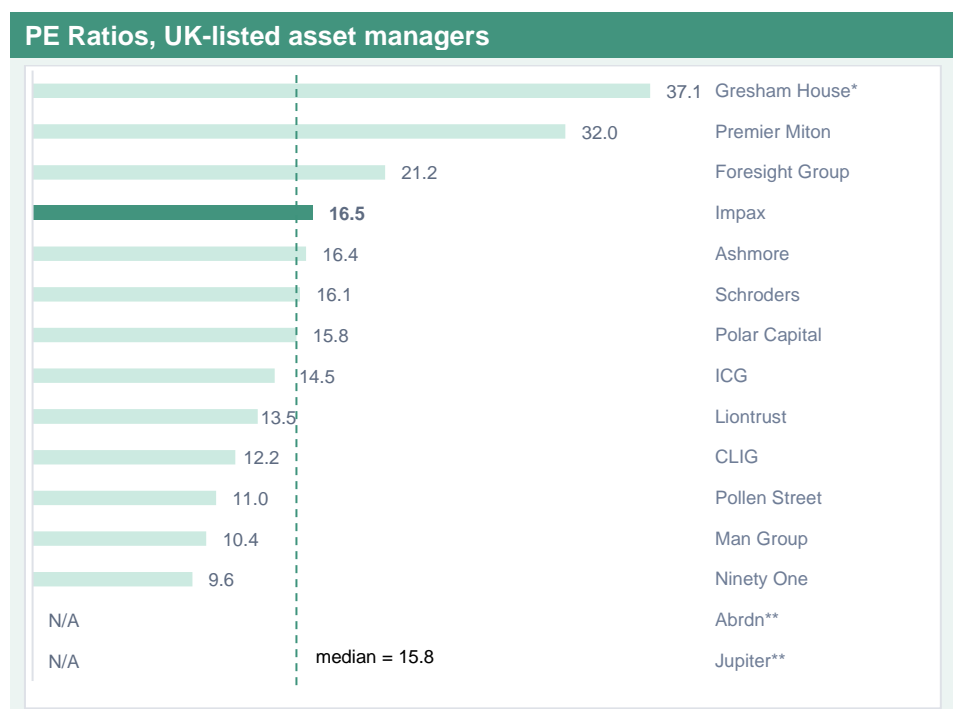
This methodology fundamental valuation of 800p, 59% above the current share price.

Undemanding PER on an absolute basis and compared to peers

Impax does currently trade at a small premium to a UK-listed active manager peer-group median (16.5 v 15.8).

Nonetheless, given its unique positioning as a pioneer and leader in the most specialist areas of sustainable investing (and hence its unique offering to asset-owner clients), we believe a much more significant premium is fully justified.

To this end, we highlight the recent premium paid for another specialist high-performing asset manager, Gresham House. This acquisition was concluded on at a **PE multiple of 37.1** in Dec 23, far above most sector peers and the current peer group median of 15.8. This suggests that significant value is being seen in the sector by some (the acquisition price was 63% above the price on the day prior to the announcement of the acquisition).



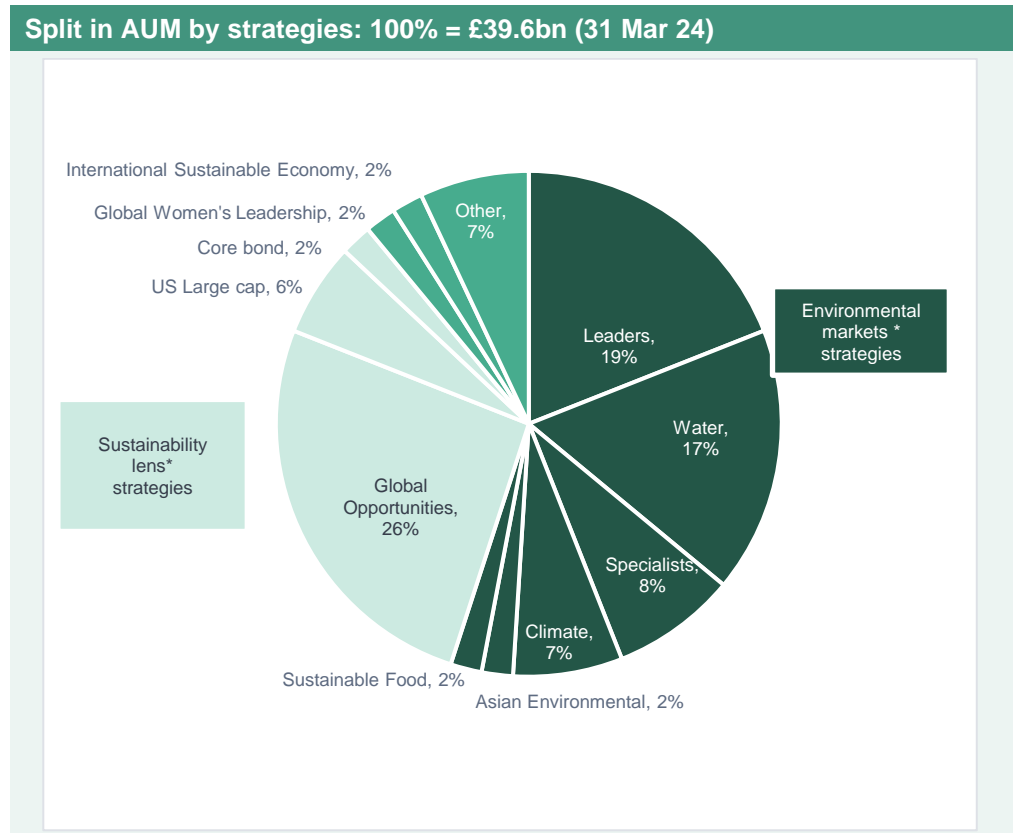
Source: Company reports, LSEG, ED analysis as at 28 May 24

*De-listed on 20 Dec 2023 after being acquired.

**Abrdn made a very small statutory profit of 0.1p per share in its latest full FY so has a hugely distorted PER, Jupiter made a statutory loss of -2.5p per share in its latest full FY.

Appendix 1: Investment performance v benchmarks

We remind readers of the AUM split of Impax's investment strategies in the chart below.



Source: Company, as at 31 Mar 24. See tables below for more detailed descriptions of investment strategies.

*Environmental markets strategies are thematic strategies, each focused on one area of the transition to a more sustainable economy. Sustainability lens strategies use a proprietary Impax framework for thinking about the risks and opportunities associated with the transition in every corner of the investable universe.

We show Impax's investment performance by strategy over multiple time horizons in the tables overleaf (performance shown for largest two strategies which make up around 90% of AUM - Sustainability Lens Strategies and Environmental Markets Strategies).

It is worth noting that performance versus benchmark over shorter-term time horizons has certainly been hurt by benchmarks (such as the MSCI ACWI) enjoying a higher exposure to US mega-cap stocks, which have mostly performed extremely strongly recently, especially the technology-biased 'mag-7'.

Yet, over five years, six out of 10 of Impax's largest strategies have outperformed benchmarks.

This is illustrated in the tables below, with above benchmark performance shaded in green, and below benchmark performance in red:

Sustainability Lens Strategies* to 31 Mar 2024, % annualised return
GLOBAL OPPORTUNITIES: AUM £ 10.3bn

All-cap global equity strategy that invests in companies possessing sustainable competitive advantages which are well positioned to seize the opportunities and mitigate the risks arising from the transition to a more sustainable economy.

Investment period	1Y	3Y	5Y
Impax performance	12.4%	9.7%	12.9%
Benchmark – MCSI All Country World Index	20.6%	10.1%	11.6%

US LARGE CAP: AUM £2.2bn

A core equity strategy that fully integrates analysis of sustainability risks and opportunities and invests in companies that have strong prospects and attractive valuations.

Investment period	1Y	3Y	5Y
Impax performance	22.7%	12.2%	17.0%
Benchmark – S&P 500 Index	27.1%	14.8%	15.8%

US SMALL CAP: AUM £0.6bn

A core strategy that fully integrates analysis of ESG risks and opportunities and focuses on high quality companies at reasonable prices. The strategy uses a proprietary sustainability lens and ESG research to better manage sustainability risks and identify opportunities, and it is fossil fuel free.

Investment period	1Y	3Y	5Y
Impax performance	13.1%	6.2%	10.0%
Benchmark – Russell 2000 Index	17.2%	2.9%	8.8%

CORE BOND STRATEGY: AUM £0.7bn

An investment-grade bond strategy focused on the opportunities and risks arising from the transition to a more sustainable economy.

Investment period	1Y	3Y	5Y
Impax performance	0.3%	1.1%	1.4%
Benchmark – Bloomberg Barclays US Aggregate Index	-0.5%	0.5%	1.0%

HIGH YIELD BOND STRATEGY: AUM £0.4bn

A high yield bond strategy leveraging proprietary sustainability tools and research to better identify opportunities and mitigate risks. Focuses on companies with stable profits and manageable debt loads and growing businesses with improving credit profiles.

Investment period	1Y	3Y	5Y
Impax performance	7.1%	4.1%	4.6%
Benchmark – ICE BofA Merrill Lynch US High Yield BB-B (Constrained 2%) Index	7.8%	5.1%	4.6%

Source: Impax, ED analysis

*For more details see "An Introduction to the Sustainability-Lens".

All numbers show annualised returns. Returns and AUM as at 31 Mar 2023.

Strategy returns are calculated including the dividends re invested, net of withholding taxes, gross of management fee.

MSCI indices are total net return (net dividend re invested).

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 capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

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 the major domestic or Eurobond markets, with total index allocation to an individual issuer limited to 2%.

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.

Environmental Markets Strategies to 31 Mar 2024, % annualised return
LEADERS: AUM £ 7.4bn

Invests globally in companies developing innovative solutions to resource challenges in environmental markets. These markets address long term macro-economic themes: growing populations, rising living standards, increasing urbanisation, rising consumption, and depletion of limited natural resources. Investee companies have >20% of their underlying revenue generated by sales of products or services in environmental markets.

Investment period	1Y	3Y	5Y
Impax performance	12.9%	7.9%	12.1%
Benchmark – MCSI All Country World Index	20.6%	10.1%	11.6%

WATER: AUM £6.6bn

Invests globally in companies active in the rapidly growing water value chain. Investments are made in companies which have >20% of their underlying revenue coming from across the water value chain.

Investment period	1Y	3Y	5Y
Impax performance	16.7%	11.4%	14.7%
Benchmark – MCSI All Country World Index	20.6%	10.1%	11.6%

SPECIALISTS: AUM £ 3.3bn

Invests globally in companies developing innovative solutions to resource challenges in environmental markets, addressing long term macro-economic themes: growing populations, rising living standards, increasing urbanisation, rising consumption, and depletion of limited natural resources. Investments are made in “pure-play” small and mid-cap companies which have >50% of their underlying revenue generated by sales of products or services in environmental markets.

Investment period	1Y	3Y	5Y
Impax performance	3.9%	3.0%	11.1%
Benchmark – MCSI All Country World Index	20.6%	10.1%	11.6%

CLIMATE: AUM £ 2.8bn

Invests globally in listed companies with exposure to products and services enabling mitigation of climate change or adaptation to its consequences and aims to invest across a diverse range of sub-sectors. Investee companies typically have >50% of their revenues in this space according to Impax’s Climate Opportunities Taxonomy.

Investment period	1Y	3Y	5Y
Impax performance	7.0%	3.1%	11.2%
Benchmark – MCSI All Country World Index	20.6%	10.1%	11.6%

ASIAN ENVIRONMENTAL: AUM £ 0.7bn

Invests regionally in Asia-Pacific companies developing innovative solutions to resource challenges in environmental markets, addressing long term macro-economic themes: growing populations, rising living standards, increasing urbanisation, rising consumption, depletion of limited natural resources. Investee companies have >20% of their underlying revenue generated by sales of products and services in environmental markets.

Investment period	1Y	3Y	5Y
Impax performance	-7.9%	-3.6%	4.3%
Benchmark – MCSI AC AP Composite	6.9%	-0.4%	4.6%

SUSTAINABLE FOOD: AUM £ 0.8bn

Invests in companies helping to address the sustainability challenges facing the food sector, which generate >20% of their revenues from sustainable food activities. This includes companies that are helping to lower the environmental impact of agriculture and food production, facilitating the provision of safe and nutritious food, and promoting animal welfare standards along the food value chain.

Investment period	1Y	3Y	5Y
Impax performance	-1.1%	0.7%	5.4%
Benchmark – MCSI All Country World Index	20.6%	10.1%	11.6%

Source: Impax, ED analysis

All numbers show annualised returns. All returns and AUM shown in GBP as of 31 Mar 24.

Figures are presented gross of management fees and include the reinvestment of all income.

MSCI indices are total net return (net dividend re-invested).

MSCI AC AP Composite is a custom-made benchmark made up of 80% MSCI AC Asia Pacific ex Japan and 20% MSCI Japan, rebalanced daily

Appendix 2 – Historic and forecast Financials

Consolidated Income Statement + Forecasts							
FYs to 30 Sep, HY's to 31 Mar, £m	FY21A	FY22A	H1-23A	FY23A	H1-24A	FY24E	FY25E
Revenue	143.1	175.4	88.0	178.4	86.2	179.4	196.2
<u>IFRS Income Statement</u>							
Operating costs	(95.6)	(110.2)	(63.1)	(124.1)	(62.0)	(128.3)	(134.5)
Operating profit	47.4	65.2	24.8	54.2	24.1	51.0	61.6
Fair value gain/(loss) on investments	-	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	-
Investment income	0.3	8.0	1.5	3.1	1.9	3.0	3.0
Finance cost	(2.0)	(0.6)	(4.9)	(5.3)	(1.5)	(1.5)	-
Change in 3rd-party interest in cons. funds	-	-	-	-	-	-	-
IFRS profit before tax	45.7	72.6	21.4	52.1	24.6	52.6	64.6
Taxation	(5.5)	(13.1)	(4.6)	(12.9)	(6.3)	(13.1)	(16.2)
IFRS PAT	40.2	59.5	16.8	39.2	18.2	39.4	48.5
Basic EPS, p	31.5	46.0	13.0	30.5	14.3	30.6	37.7
Diluted EPS, p	30.3	44.7	12.8	29.8	14.0	30.0	36.8
<u>Adjusted Income Statement</u>							
Adjustments to operating costs:							
Acquisition equity incentive scheme awards	1.6	1.3	0.7	1.3	0.4	-	-
Mark to market charge on equity awards	4.2	(1.5)	0.5	(0.3)	0.0	-	-
Exceptional acquisition costs	-	-	-	-	-	-	-
Amortisation of goodwill/intangibles	2.4	2.4	1.3	2.8	1.3	2.8	2.8
Credit: contingent consideration adjustment	0.2	-	-	-	-	-	-
Adjusted operating profit	55.8	67.4	27.3	58.1	25.8	53.9	64.5
Fair value gain/(loss) on investments	-	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	-
Investment income	0.2	8.0	1.5	3.1	1.9	3.0	3.0
Finance cost	(1.1)	(0.6)	(0.6)	(1.3)	(0.4)	(0.6)	(0.6)
Adjusted profit before taxation	54.9	74.8	28.2	60.0	27.4	56.3	66.9
Taxation	(9.3)	(12.3)	(5.7)	(13.6)	(6.6)	(14.1)	(16.7)
Adjusted PAT	45.7	62.5	22.5	46.4	20.8	42.2	50.1
Adjusted Basic EPS, p	35.8	48.3	17.5	36.0	16.2	32.8	38.9
Adjusted Diluted EPS, p	34.4	42.1	17.2	35.2	16.0	32.1	38.1
<u>Dividends</u>							
Interim dividend, p	3.6	4.7	4.7	4.7	4.7	4.7	4.7
Final dividend, p	17.0	22.9		22.9		22.9	22.9
FY dividends per share, p	20.6	27.6		27.6		27.6	27.6

Source: Group report & accounts and ED estimates

Consolidated Balance Sheet + Forecasts							
FYs as at 30 Sep, HYs as at 31 Mar, £m	FY21A	FY22A	H1-23A	FY23A	H1-24A	FY24E	FY25E
Assets							
Non-current assets							
Goodwill	11.8	13.9	12.7	12.9	12.5	12.9	12.9
Intangible assets	17.5	18.3	15.4	14.2	12.4	11.4	8.6
Property, plant and equipment	9.4	9.3	8.3	8.8	8.2	7.4	6.1
Deferred tax assets	11.9	4.8	5.3	3.7	3.9	3.7	3.7
Total non-current assets	50.6	46.3	41.7	39.6	37.0	35.4	31.3
Current assets							
Trade and other receivables	39.8	38.8	44.0	42.5	39.2	42.8	46.8
Investments	7.6	7.3	10.1	13.3	15.4	15.3	15.3
Current tax account	0.1	0.2	2.4	1.6	1.1	1.6	1.6
Cash: money mkt & LT deposits	38.1	58.7	20.2	53.5	44.1	44.1	44.1
Cash and cash equivalents	36.2	52.2	46.9	38.0	20.9	51.5	66.9
Total current assets	121.7	157.1	123.6	149.0	120.7	155.3	174.7
Total Assets	172.4	203.5	165.3	188.5	157.7	190.7	205.9
Equity and Liabilities							
Equity							
Ordinary shares	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Share premium incl. merger reserve	10.8	10.8	10.8	9.3	9.3	9.3	9.3
Exchange translation reserve	0.4	3.1	2.6	2.9	2.2	2.9	2.9
Merger reserve	-	-	-	1.5	1.5	1.5	1.5
Hedging reserve	-	-	-	-	-	-	-
Retained earnings	98.0	123.0	105.0	118.9	103.5	122.1	134.4
Total equity	110.5	138.2	119.7	134.0	117.9	137.2	149.5
Current Liabilities							
Trade and other payables	50.1	53.6	35.2	44.8	31.0	45.1	49.3
Lease liability	1.3	1.5	1.4	1.5	2.0	1.4	1.2
Current tax liability	1.9	2.2	2.0	1.0	0.7	1.0	1.0
Total current liabilities	53.4	57.3	38.5	47.3	33.6	47.4	51.5
Non-current Liabilities							
Accruals	-	-	-	-	-	-	-
Lease liabilities	8.1	7.6	6.7	7.2	6.2	6.1	4.9
Deferred tax liability	0.4	0.4	0.4	-	-	-	-
Total non-current liabilities	8.5	8.0	7.1	7.2	6.2	6.1	4.9
Total equity and liabilities	172.4	203.5	165.3	188.5	157.7	190.7	205.9

Source: Group report & accounts and ED estimates

Consolidated Cash Flow Statement + Forecasts							
FYs to 30 Sep, HY's to 31 Mar, £m	FY21A	FY22A	H1-23A	FY23A	H1-24A	FY24E	FY25E
Profit before taxation	45.7	72.6	21.4	52.1	24.6	52.6	64.6
Adjustment for:							
Investment income	(0.3)	(8.0)	(1.5)	(3.1)	(1.9)	(3.0)	(3.0)
Interest expense	2.0	0.6	4.9	5.3	1.5	1.5	-
Depreciation and amortisation	4.1	4.3	2.4	5.1	2.4	5.1	5.1
Fair value (gains)/losses	-	-	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-
Contingent consideration adjustment	-	-	-	-	-	-	-
Share-based payment charges	4.9	6.2	2.6	6.5	3.4	6.5	6.5
Loss on disposal of PPE	-	-	-	0.0	0.0	-	-
Op CF before movement in working capital	56.4	75.6	29.9	65.9	30.0	62.7	73.3
(Increase)/decrease in receivables	(19.0)	1.0	(5.2)	(3.8)	3.3	(0.2)	(4.0)
(Decrease)/increase in payables	22.5	3.7	(18.5)	(8.9)	(13.8)	0.3	4.2
Cash generated from operations	59.8	80.3	6.2	53.2	19.5	62.7	73.5
Corporation tax paid	(4.4)	(9.0)	(5.9)	(14.6)	(6.4)	(13.1)	(16.2)
Net cash generated from operating activities	55.4	71.3	0.3	38.7	13.1	49.5	57.3
Investing activities							
Deconsolidation of investment fund	-	-	-	-	-	-	-
Investment income received	0.1	0.6	1.3	2.9	1.8	3.0	3.0
Settlement of investment related hedges	(0.5)	0.1	(0.5)	(0.4)	(1.0)	(1.0)	-
Net redemptions/(investments): uncons. Impax funds	(2.5)	0.4	(2.2)	(5.3)	(1.0)	(1.0)	-
(Incr.)/decr. in cash, money market & LT deposit	(19.6)	(19.1)	38.5	5.1	9.4	9.4	-
Purchase of Impax NH shares	(0.7)	-	-	-	-	-	-
Acquisition of PPE and intangible assets	(0.3)	(0.8)	(0.4)	(0.8)	(0.6)	(0.9)	(0.9)
Net cash used in investing activities	(23.4)	(18.9)	36.7	1.5	8.6	9.5	2.1
Financing activities							
Acquisition of non-controlling interest	(0.2)	(0.2)	-	-	-	-	-
Repayment of bank debt	-	-	-	-	-	-	-
Interest paid on bank debt	(0.1)	(0.1)	(0.0)	(0.1)	-	-	-
Dividends paid	(13.6)	(28.7)	(30.2)	(36.4)	(30.1)	(35.5)	(35.5)
Acquisition of own shares	-	(8.8)	(10.1)	(15.1)	(7.2)	(7.2)	(7.2)
Payment of lease liabilities	(1.7)	(1.7)	(1.0)	(2.0)	(0.7)	(1.3)	(1.3)
Cash received on exercise of Impax share options	0.6	0.5	1.3	1.3	0.4	-	-
Net cash generated/(used) financing activities	(15.0)	(39.0)	(40.1)	(52.3)	(37.6)	(44.0)	(44.0)
Net (decr.)/incr. in cash and cash equivalents	16.9	13.4	(3.1)	(12.1)	(16.0)	15.0	15.4
Cash and cash equivalents at beginning of year	20.2	36.2	52.2	52.2	38.0	38.0	51.5
Effect of foreign exchange rate changes	(1.0)	2.6	(2.2)	(2.1)	(1.1)	(1.5)	-
Cash and cash equivalents at end of year	36.2	52.2	46.9	38.0	20.9	51.5	66.9

Source: Group report & accounts and ED estimates



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