

Outlook hit by markets, but price fall looks extreme

8 April 2025

AUM fell to £25.3bn on 31 March '25 (Q2, FY25), down 25.7% from £34.1bn on 31 Dec '24, with £7.8bn of net outflows and £0.99bn negative investment performance. We knew net outflows would be significant in the quarter due to the previously announced termination of a £5.1bn St James's Place mandate being reflected in Q2, and some other smaller mandate losses.

Investment performance was strong relative to broader market indices at -3.3% of average AUM. US markets experienced particularly heavy declines: the S&P mid-cap 400 fell 6% and the Russell 2000 fell 10% in the quarter (Impax's portfolios have a small-mid-cap equities bias). CEO Ian Simm commented: *"Since the start of the calendar year, relative to generic indices, our investment strategies have benefitted from the broadening of market performance away from the US-listed mega-cap stocks that had previously dominated global equity returns."*

Post-quarter end, on 1 April '25, Impax closed its acquisition of fixed-income specialist Sky Harbor Capital Management, increasing AUM by c. £1.1bn. This further boosts Impax's fixed income business, which may prove advantageous given current market (and potentially economic) turmoil.

Forecasts and valuation lower on 'tariff turmoil' and uncertainty

Unsurprisingly, Impax has said that it now expects FY25 results to be below market expectations. Taking the 31 March '25 AUM level into account, adjusting for the sharp market falls of recent days, assuming relatively steady markets thereafter until 30 Sep 25, and allowing for some mandate wins Impax has flagged, our end-FY25 forecast AUM level falls c. 20% from our previous forecast of £31.5bn to £25.0bn. This has knock on effects for revenue and profits in FY25 and in subsequent years (primarily because of reduced average AUM levels), as shown in the table below.

Running these changes through our DCF model results in a reduced fundamental value / share of 400p, down from 600p. But this valuation remains more than double the current share price which we believe does not reflect the underlying strength of the business. See page 2.

As we publish in a period of extremely high market volatility, we would hope to have more visibility on conditions and the impact of tariffs when Impax releases its interim results towards the end of May, and we envisage updating our forecasts and valuation then (or sooner if market conditions change again). Moreover, we flag that at its recent AGM Impax indicated it would update its capital allocation strategy with its interim results, and we leave the forecast dividend unchanged until that time.

Company Data

EPIC	IPX.L
Price (last close)	151p
52 weeks Hi/Lo	525p/151p
Market cap	£200m
ED Fair Value / share	400p
Proforma net cash	£91m
Avg. daily volume	527k

Share Price, p



Source: Investing.com

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 March 2025: £25.3bn

Next event

H1-25 results May 2025

Summary financials & forecasts

Year end 30 Sep	FY22A	FY23A	FY24A	FY25E		FY26E	
				prev.	new	prev.	new
AUM, £bn	35.7	37.4	37.2	31.5	25.0	34.8	28.8
Revenue, £m	175.4	178.4	170.1	155.0	143.5	155.8	127.4
Adj. Op. Profit*, £m	67.4	58.1	52.7	40.2	34.2	42.6	27.8
Net profit after tax	59.5	39.2	36.5	30.5	26.0	32.7	21.5
EPS basic, p	46.0	30.5	28.5	23.8	20.3	25.6	16.8
EPS adj. & diluted, p	42.1	35.2	32.2	24.8	21.3	26.2	17.6
PER	3.3	5.0	5.3	6.3	7.4	5.9	9.0
Dividend, p	27.6	27.6	27.6	27.6	27.6	27.6	27.6
Yield	18.3%	18.3%	18.3%	18.3%	18.3%	18.3%	18.3%
Net assets, £m	138.2	134.0	131.1	124.6	120.0	117.4	101.7
Net cash, £m	110.9	91.5	93.1	74.3	69.4	69.5	52.8

Source: Group report & accounts and ED estimates. ER and yield based on share price of 150.8p.

* IFRS costs less non-recurring acq. costs, amort. of intangibles acq'd, one-off tax credits & M-T-M of NI on equity awards

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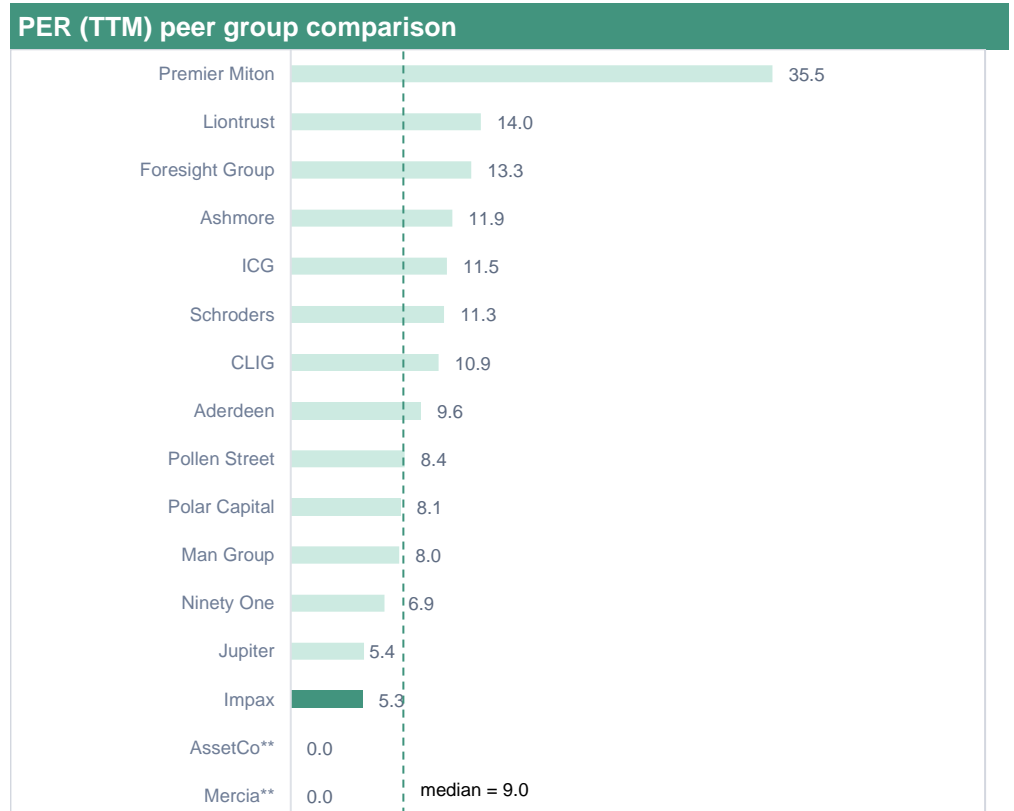
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Fundamentals of business not reflected in share price

With such a big discrepancy between our fundamental valuation and share price, it is worth highlighting some data points which seem to support the view that Impax's current share price seems far too low:

- Impax invests in high quality companies in high-growth markets focused on the transition to a more sustainable economy. Despite current negativity, driven in no small part by politics, these sectors are likely to remain fast growing and crucial to overall future global economic growth (energy, energy efficiency, food, water, agriculture, etc). Hence, we see **solid fundamental demand for Impax's funds**;
- Impax has one of the **longest and most credible track records in the sustainable investing space**, and is surely positioned to capture more than its fair share of this market;
- If CEO Ian Simm is correct in his view that **smaller-cap growth equities (Impax's bias), which have been out of favour in recent years, should start seeing a mean reversion in their valuations** (which although it is early days, already appears underway), Impax's AUM (and hence revenue) could be boosted;
- Impax's **growth in the fixed income space** has the potential to further boost AUM;
- **The share price now trades at one of the lowest PE multiples in the sector (5.3x), which is far below the sector median PER of 9.0** (see below) and looks unjustified in our view given the quality of this company and its niche, differentiated positioning. **Moreover, the sector median PE has fallen from 12.4 to 9.0 in just over a month** (since 5 March '25).
- **Net cash of £93m on 30 Sep '24 and on-balance-sheet investments of £16m (e.g. invested into seed funds) make up c. 55% of the share price**, making the low PER appear even stranger;
- CEO Ian Simm acquired £40k of shares on 28 Feb '25 (he owns around 7.5% of the group).



Source: London Stock Exchange, company announcements. PERs based on share prices on 7 Apr 25 and latest available basic EPS on Trailing Twelve Months (TTM) basis on that date.

**Made statutory losses on TTM basis

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