

No material outflows but markets impact AUM

7 July 2022

On 30 June 2022 (end-Q3 of Impax's FY22), AUM totalled £34.5bn, 9% down on the end-Q2 AUM of £38.0bn and fractionally up y-o-y (30 Jun 21: £34.4bn). While the drop in AUM is significant in absolute terms, relative performance over the quarter is actually impressive.

Market movements and investment performance accounted for £3.28bn of the £3.47bn AUM fall, which equates to -8.6% of opening AUM. However, one of the best benchmarks to compare Impax's investment performance to, the *FTSE Environmental Opportunities All-Share Index*, fell more than double that amount during the same quarter (-19.0%)¹, while the MSCI ACWI fell 17.2%².

Net outflows were marginally negative at -£0.19bn (0.5% of opening AUM, and mostly in June according to Impax). But we highlight that during periods of such large market falls it is common for actively managed funds, which are Impax's focus, to also see large outflows (see chart overleaf). So, although comparable peer-data is not yet available, it wouldn't surprise us if this net outflow performance ends up looking impressive compared to peers. An advantage in this regard is that Impax primarily has a client base of institutional investors whose assets tend to be 'stickier' than retail investors. Institutions do however tend to delay investment decisions in periods of market turmoil which does have a negative impact on short-term net flows, but less on flows over the longer term.

Forecasts and valuation

We have adjusted our FY22 (12m to 30 Sep 22) AUM forecasts downwards from £40.5bn to £35.7bn to take into account the recent large equity market and AUM falls, which in turn results in a revised revenue forecast of £172m (down from £180m but still +20% y-o-y) and a revised adjusted operating profit forecast of £62m (down from £65m but +11% y-o-y). However, given the continuing strong prospects of the sustainable investing market generally, and Impax specifically (refer to our recent note [Hugely impressive H1 despite market fall in Q2](#) for full details) we remain confident that Impax will continue to deliver significant growth over the medium-to-longer term.

Our fundamental valuation per shares adjusts to **1,050p per share** from 1,225p per share, which is still 80% above current levels.

Company Data

EPIC	IPX
Price (prior close)	583p
52 weeks Hi/Lo	1508p/551p
Market Cap	£773m
ED Fair Value/share	1050p
Proforma net cash	£72m
Avg. daily volume	262k

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, as well as smart beta and fixed income strategies.

AUM on 30 June 2022: £34.5bn

Next Event, Q4 AUM update: Oct 22



Paul Bryant (Analyst)

0207 065 2690

paul.bryant@equitydevelopment.co.uk

Andy Edmond

0207 065 2691

andy@equitydevelopment.co.uk

Summary financials & forecasts

Year end 30 Sep	FY19A	FY20A	FY21A	FY22E	FY23E
AUM, £bn	15.1	20.2	37.2	35.7	41.9
Revenue, £m	73.7	87.5	143.1	171.9	179.8
Adjusted Op. Profit*, £m	18.0	23.2	55.8	61.8	67.6
Net profit after tax	15.9	13.7	40.2	48.7	51.4
EPS basic, p	12.2	10.6	31.5	37.7	39.5
EPS adjusted & diluted, p	11.5	14.5	33.9	37.7	39.4
PER	50.9	40.3	17.2	15.5	14.8
Dividend, p	5.5	8.6	20.6	21.6	22.5
Yield	0.9%	1.5%	3.5%	3.7%	3.9%
Net assets, £m	63.2	71.4	110.5	132.6	159.8
Net cash, £m	27.2	38.8	74.2	101.7	131.4

Source: Group report & accounts and ED estimates

PER and Yield calculations based on share price of: **583p**

* eliminates non-recurring acquisition costs, amort. of intangibles acquired, one-off tax credits & MTM of NI on equity awards

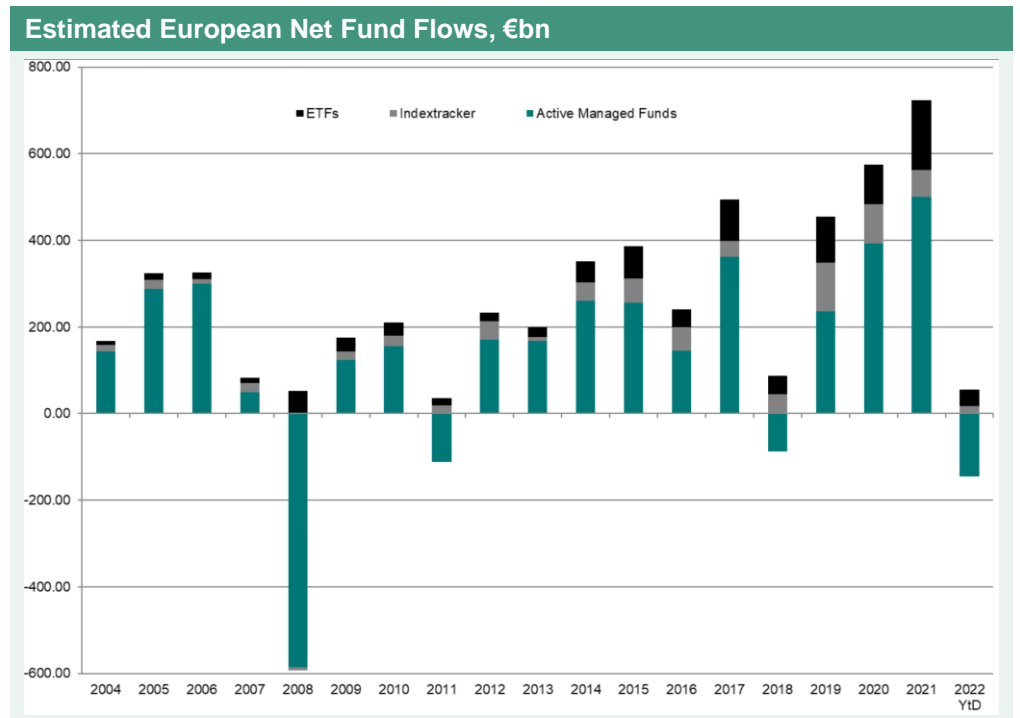
¹ FTSE Russell Factsheet, FTSE Environmental Opportunities Index Series, 30 June 2022 data

² [msci.com/our-solutions/indexes/acwi](https://www.msci.com/our-solutions/indexes/acwi)

Active managers typically experience outflows during market falls

Impax's marginally negative net outflows during the quarter (-£0.19bn or 0.5% of opening AUM), and positive net flows in the previous Jan-Mar 22 quarter (+£0.47bn or 1.1% of opening AUM), actually looks impressive in the context of the historical net outflow patterns of active fund managers.

Indeed, in the chart below it can be seen that significant aggregate market outflows from actively managed funds coincided with the market falls of 2008 (financial crisis), 2011 (sovereign debt crisis), 2018 (multiple factors), and early 2022 (Russian invasion of Ukraine, interest rate rises and inflation concerns etc). It is also notable that flows into actively managed funds tend to recover and continue their growth trajectory following market falls.



Source: Refinitiv: European Fund Flow Report: Q1 2022, chart reproduced with permission



Contacts

Andy Edmond

Direct: 020 7065 2691

Tel: 020 7065 2690

andy@equitydevelopment.co.uk

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

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Equity Development, Park House, 16-18 Finsbury Circus, London EC2M 7EB

Contact: info@equitydevelopment.co.uk | 020 7065 2690