

7 October 2022

Positive net inflows despite market declines

AUM closed FY22 (30 Sep) on £35.7bn, 3.3% up over Q4 (30 Jun 22: £34.5bn) and 4.1% down y-o-y (30 Sep 21: £37.2bn). The sharp market falls over 2022, particularly in growth-oriented sustainability stocks, will understandably dominate any review of the year. Indeed, the *FTSE Environmental Opportunities All-Share Index* fell 28.1% over Jan-Sep 22, which contributed to a -£4.4bn AUM impact from market movements and investment performance over FY22.

However, at a company-fundamental level, what characterises FY22 is how well Impax's ability to attract and retain client assets has held up, despite unhelpful market conditions. Net inflows totalled +£2.9bn in FY22 (+£606m in Q4), with only one quarter of relatively minor net outflows during FY22 (Apr-Jun, a period of the sharpest market falls, when net outflows were £186m).

Sustainable investments still in demand amidst widespread outflows

Impax's performance and broader market data show that even during the recent market turmoil when heavy outflows were experienced in the wider fund universe, demand for the most credible sustainable investments remained strong. In Europe, *Article 9* funds ('dark green' funds with a specific sustainable investment objective) attracted €16bn of net inflows in calendar-H1-22¹.

Meanwhile, *Article 8* funds ('light green' funds with weaker sustainability credentials that promote environmental and/or social characteristics) saw net outflows of €32bn in H1-22, and *Article 6* (conventional) funds saw €26bn of net outflows¹. This shows a growing sophistication from asset owners when it comes to sustainable investing, which certainly works in Impax's favour.

Even in the US, despite political headwinds against sustainable investing, demand was far higher than the overall market, with net inflows over H1-22 of \$9bn. As a percentage of total assets this was +2.5%, compared to around -0.5% for the overall market².

Fundamental valuation 78% above share price

Year-end AUM is in line with our previous forecast; hence our forecasts for FY22 are unchanged. We allow for some additional costs in FY23 with adj. operating profit reducing from £67.6m to £64.4m.

However, our fundamental valuation per shares adjusts to **960p per share** from 1050p, purely because of the jump in the 10-year Gilt yield (the risk-free rate used in our DCF valuation) which is now 4.2% (2.1% at the time of our previous forecast in July). Additionally, given its strong growth prospects, Impax's PER of 14.3, only just above a peer group median of 13.0, is in our view, too low.

Company Data

EPIC	IPX
Price (last close)	539p
52 weeks Hi/Lo	1508p/489p
Market Cap	£715m
ED Fair Value/share	960p
Proforma net cash	£72m
Avg. daily volume	264k

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.

AUM on 30 Sep 2022: £35.7bn

Next Event, FY22 results: Dec 22

Summary financials & forecasts

Year end 30 Sept	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	171.8	179.6
Adjusted Op. Profit*, £m	18.0	23.2	55.8	61.8	64.4
Net profit after tax	15.9	13.7	40.2	48.7	48.9
EPS basic, p	12.2	10.6	31.5	37.7	37.6
EPS adjusted & diluted, p	11.5	14.5	33.9	37.7	37.5
PER	47.0	37.3	15.9	14.3	14.4
Dividend, p	5.5	8.6	20.6	21.6	21.9
Yield	1.0%	1.6%	3.8%	4.0%	4.1%
Net assets, £m	63.2	71.4	110.5	132.6	157.5
Net cash, £m	27.2	38.8	74.2	101.7	129.0

Source: Group reports & accounts and ED estimates. PER and Yield calculations based on share price of: 539p



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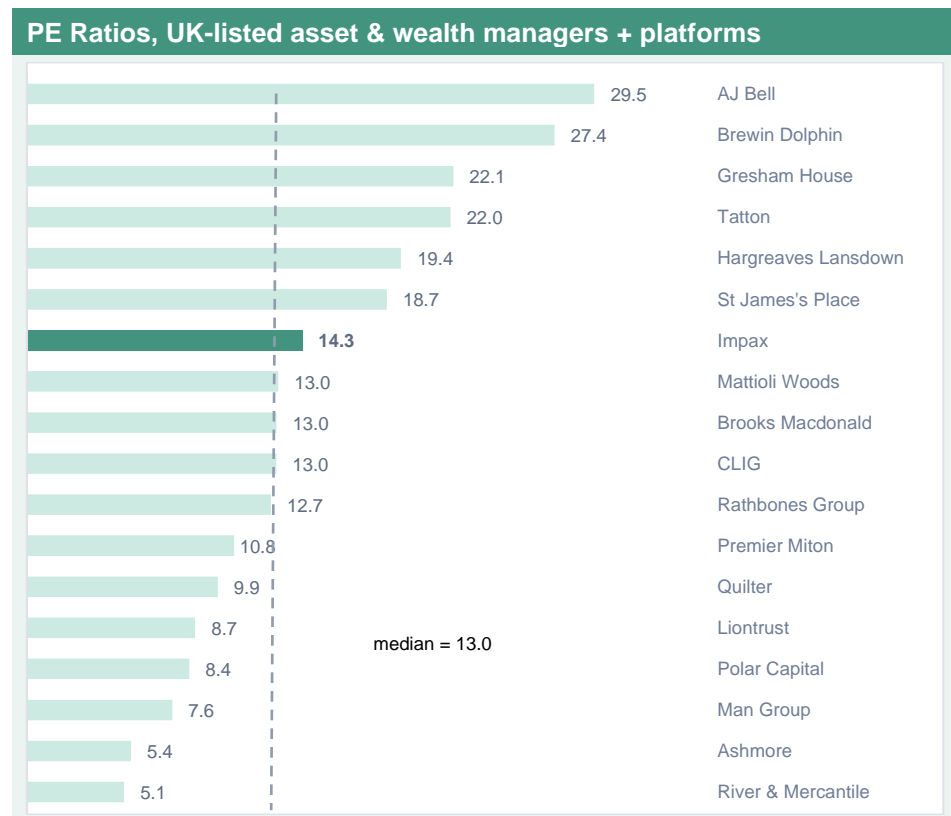
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FY22 AUM movement by asset class

AUM movement over 12m to 30 September 2022				
£'000s	Listed equities	Fixed Income	Private markets	Total firm
Total AUM 30 Sep 2021	35,637	1,257	318	37,211
Net flows	2,634	62	191	2,887
Market movement, FX & performance	(4,470)	35	12	(4,423)
Total AUM 30 Sep 2022	33,801	1,354	521	35,676

Source: Impax

Valuation undemanding compared to peers



Source: ADVFN, ED Analysis

Note: Impax PER calculated on ED estimates of FY22 earnings.

Mattioli Woods PER based on adjusted PAT which eliminates most distortions from acquisition accounting

¹ Morningstar, Article 8 and Article 9 funds: Q2 2022 in Review, 28 July 2022 (Q3 2022 data not yet available)

² Morningstar, US Fund Flows: Sustainable vs Total Market, US Sustainable Funds See Outflows for the First Time in Five Years (in Q2 22), 27 July 2022¹

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



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