Impax Asset Management

28 November 2024

Solid FY24 results, triggers to reignite growth visible

AUM was down a touch by 0.5% in FY24 (1 Oct 23 - 30 Sep 24) to £37.2bn. Net outflows totalled £5.8bn, largely offset by a positive investment performance of +£5.3bn and a contribution of +£0.3bn from the acquisition of fixed-income specialist Absalon Capital Management in Q4.

With average AUM also slightly down, revenue fell 4.7% to £170.1m. Adjusted operating costs were firmly under control and decreased by 2% from £120.3m to £117.4m, helped also by Impax's incentive-based remuneration model. Adjusted operating profit fell 9.3% to £52.7m, a still-solid operating margin of 31.0% (FY23: 32.6%) and slightly higher than forecast (£52.2m).

Statutory PBT was down 6.0% to £49.0m and PAT fell 7% from £36.5m. Basic EPS was down 7% to 28.5p and statutory diluted EPS down 5% to 28.2p.

Impax generated £49.2m of cash from operations (FY23: £36.7m) with a strong balance sheet and robust cash reserves of £90.8m (FY23: £87.7m), despite paying £36m in dividends. **It has no debt**. The full-year dividend is unchanged at 27.6p, **a yield of 8.6%** on the 27 Nov 24 closing share price.

We see triggers for a return to net inflows, and see IPX as undervalued

It has been a tough two years re flows for sustainable funds, active funds, and for Impax, with its growth trajectory flattening during this period (although AUM is still 146% higher than five years ago: £37.2bn v £15.1bn at the of FY19). But **we think there are pending triggers for inflows to return**:

- Interest rate falls (increasing demand for equities, and especially smaller-cap equities)
- A resurgence of US industrial stocks (significant to Impax) under a Trump presidency (this was certainly a feature of 'Trump I')
- Renewed interest in active management, as clients recognise the risks of over-concentration in mag-7 stocks, and the opportunities outside of the mag-7 for quality stock-pickers; and
- Renewed interest in sustainable investing as managers who jumped on the 'ESG bandwagon' fall by the wayside, leaving the highest-credibility managers to thrive.

There are small changes to our FY25 forecasts due to cost pressures such as NIC rises in the UK, pushed back our AUM growth slightly, and increased our risk-free rate with increased gilt yields. **We reduce our fundamental valuation to 700p per share (from 750p), but stress this is still more than double the share price**. In our view, this quality asset manager is materially undervalued with potential for a substantial re-rating, probably on the back of a return to consistent net inflows.

Summary financials & forecasts

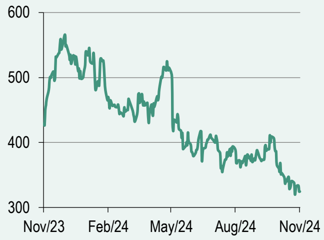
Year end 30 Sep	FY22A	FY23A	FY24 E prev.	FY24A actual	FY25E prev.	FY25E new	FY26E
AUM, £bn	35.7	37.4	37.2	37.2	40.4	40.4	44.5
Revenue, £m	175.4	178.4	175.7	170.1	167.3	167.3	181.8
Adjusted Op. Profit*, £m	67.4	58.1	52.2	52.7	50.2	44.6	53.9
Net profit after tax	59.5	39.2	38.2	36.5	37.8	33.8	41.1
EPS basic, p	46.0	30.5	29.7	28.5	29.4	26.4	32.2
EPS adj. & diluted, p	42.1	35.2	31.1	32.2	30.0	27.4	32.8
PER	7.0	10.6	10.8	11.3	10.9	12.2	10.0
Dividend, p	27.6	27.6	27.6	27.6	27.6	27.6	27.6
Yield	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
Net assets, £m	138.2	134.0	136.0	131.1	137.6	127.9	129.2
Net cash, £m	110.9	91.5	94.3	93.1	84.7	78.1	82.1

*Source: Group report & accounts and ED estimates. ER and yield based on share price of **321.5p**.*
** IFRS costs less non-recurring acq. costs, amort. of intangibles acq'd, one-off tax credits & M-T-M of NI on equity awards*

Company Data

EPIC	IPX
Price (last close)	321.50p
52 weeks Hi/Lo	566p/320p
Market Cap	£426m
ED Fair Value/share	700p
Proforma net cash	£91m
Avg. daily volume	286k

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 30 Sep 2024: £37.2bn

Next Event: AUM update: Jan '25

Paul Bryant (Analyst)
0207 065 2690
paul.bryant@equitydevelopment.co.uk

Andy Edmond
0207 065 2691
andy@equitydevelopment.co.uk

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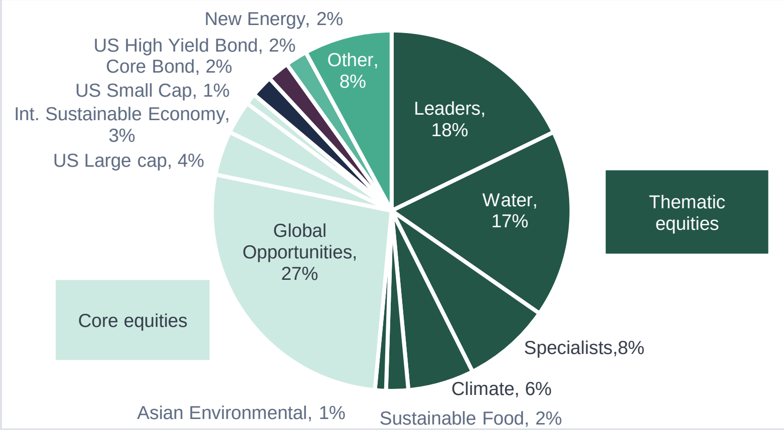
Impax at a glance

History and structure

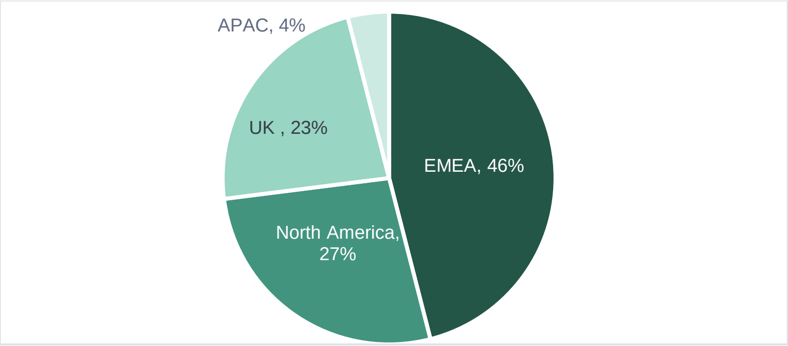
- Impax is a specialist asset manager, focused on the growth opportunities arising from the transition to a sustainable economy.
- Founded in 1998, it listed on AIM in 2001 and is still founder-led by Ian Simm (CEO), who owns >7% of the business.
- It offers a range of listed equities strategies (94% of AUM), fixed income (4%), and private markets (2%) strategies. It is looking to grow fixed income as a % of AUM and has made two recent acquisitions in this space.
- It employs 315 people, the bulk of which are based in the UK and the US, with smaller offices in Ireland, Hong Kong, Japan, and Denmark (new in FY24).

Split in AUM by investment strategy (100% = £37.2bn)



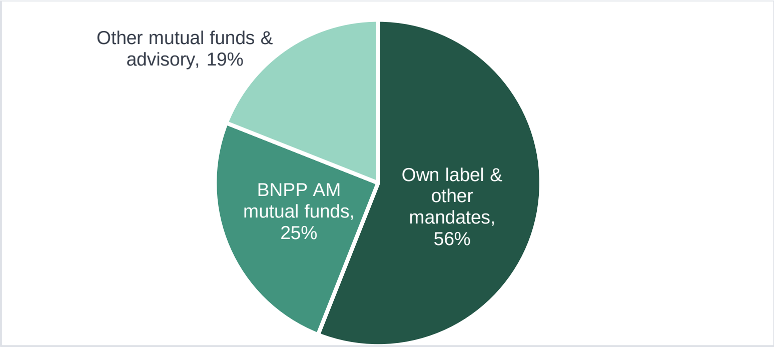
Source: Company, as at 30 Sep 24. See pages 8 & 9 for descriptions of investment strategies.
**Thematic equities focus on one area of the transition to a more sustainable economy. Core equities are sustainability strategies use a proprietary Impax framework for thinking about the risks and opportunities associated with the transition in every corner of the investable universe.*

Split in AUM by client geography *



Source: Company, as at 30 Sep 24.
**Regional data is by fund/account country of domicile. EMEA includes Impax Irish UCITS platform and SICAV funds sub-managed for BNP Paribas Asset Management and other distribution partners.*

Split in AUM by client type*



Source: Company, as at 30 Sep 24.
**'Own label' includes Irish UCITS platform in Europe, Impax Funds and Delaware Funds in US and Impax New Energy Funds; "other mandates" includes segregated mandates.*

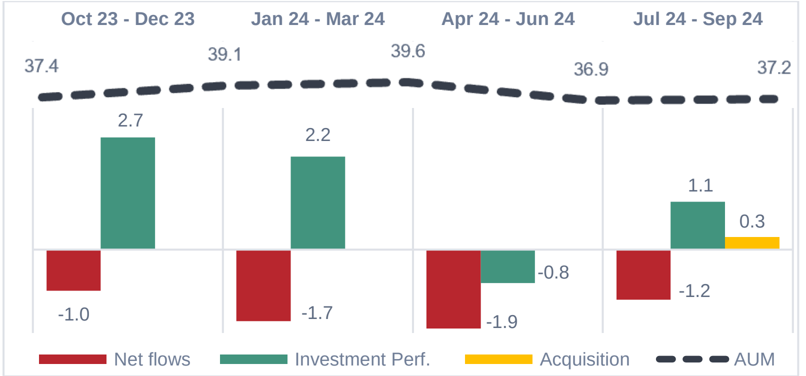
Assets under management

AUM marginally down in a year of strong returns, but heavy outflows across the sector

Multiple flow headwinds for sector & Impax

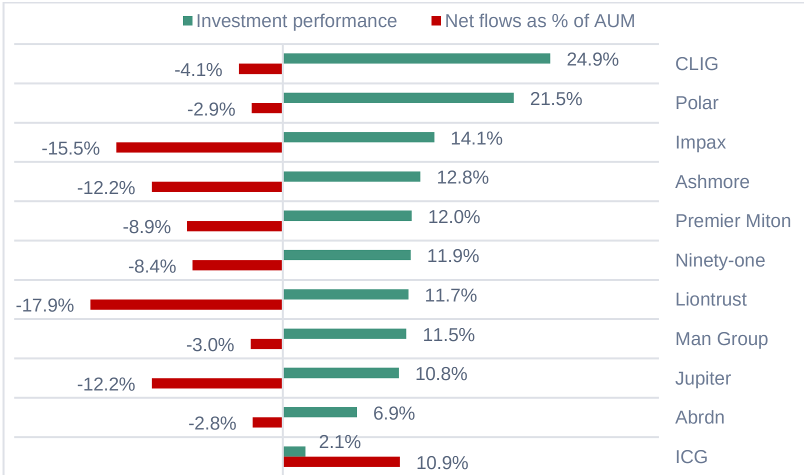
- AUM closed FY24 on £37.2bn, 0.5% down y-o-y. Net outflows totalled £5.8bn, largely offset by a **positive investment performance of +£5.3bn, an annual return of +14%, one of the strongest in the sector** (see bottom chart on right) and a contribution of +£0.3bn from the acquisition of fixed-income specialist Absalon Capital Management in Q4.
- Positive investment performance and negative flows were a feature across UK-listed asset managers. Only private markets specialist ICG, with some significant capital raises during the period, recorded positive net flows. And CLIG, Ashmore and Ninety-one enjoyed a boost to investment returns with large exposures to emerging markets, which performed strongly.
- Negative flows for active managers were driven by a continuing surge to passive funds, concentrated flows in favour of mega-cap 'mag 7' stocks and moves out of equities into cash and bonds with higher interest rates.
- Indeed**, Impax's net outflows were exacerbated during the year by its largest distribution partner, BNP Paribas, and some other clients in European private wealth, reducing their clients' weighting to equities in favour of money market funds**, to take advantage of higher interest rates.
- **Impax has noted that in Q4, it saw a sharp drop in redemptions (down 36% compared to the third quarter.**
- In Oct, (after period end), St. James's Place announced it was reallocating its Global Quality fund from Impax. At c13% of AUM that Impax manages for SJP, this is the smaller of two accounts with limited impact on revenue and Impax continues to manage the much larger SJP portfolio.

Impax AUM development over FY24, £bn



Source: Company reports

Peer investment performance & net flows (Oct 23 – Sep 24)



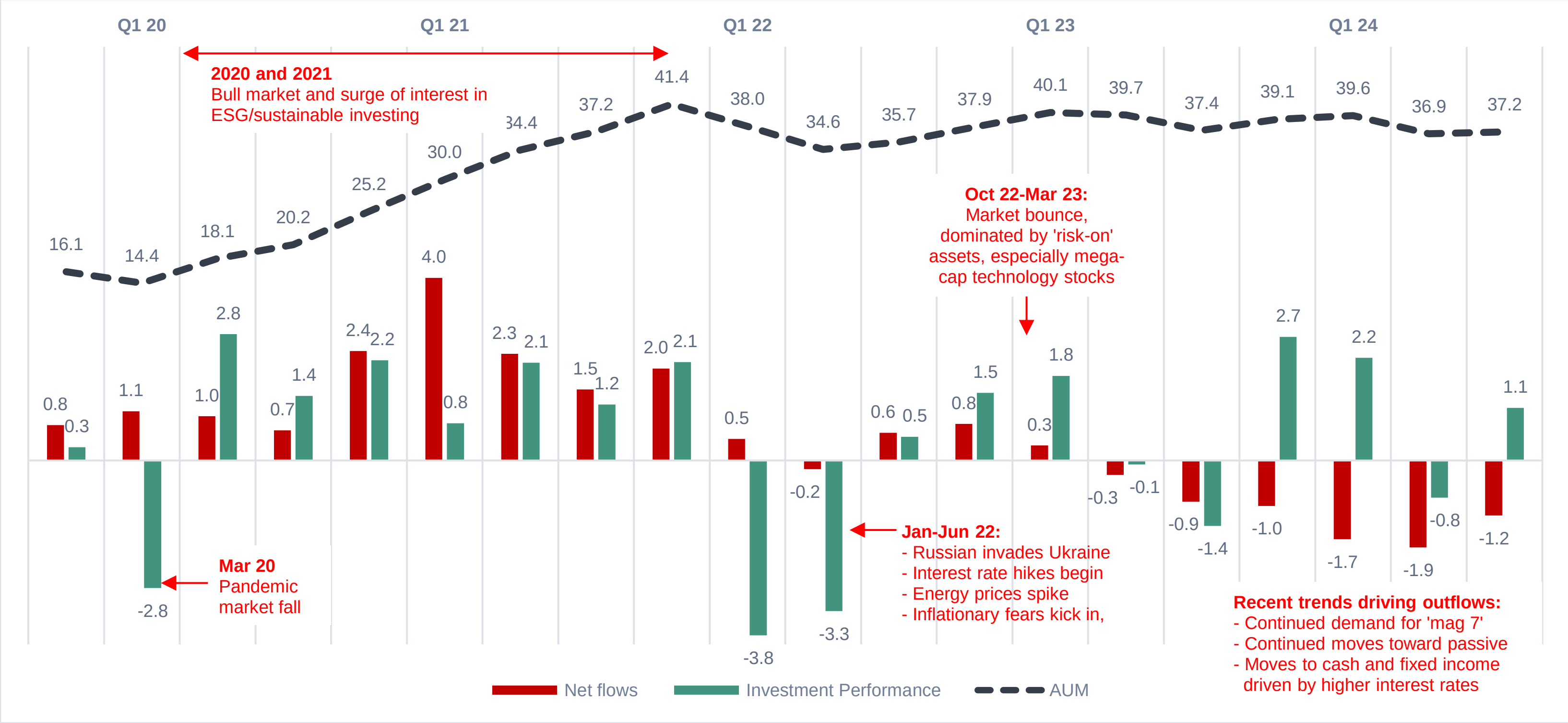
Source: Company reports, ED analysis

Triggers for a jump in flows: rate cuts, Trump, renewed interest in active, sustainable investing

Over the last two years or so, since the end of the bull market in late-21/early-22 (which saw Impax scale at a rapid rate), Impax's AUM has been mostly range-bound with swings up and down, sometimes driven by market movements, sometimes by large inflows or outflows. A combination of factors drove these moves, as illustrated in the chart below.

Looking forward, we think an upwards breakout of this range will likely be driven by: 1) interest rate falls (increasing demand for equities, and especially smaller-cap equities - the bulk of Impax's portfolios), 2) a resurgence of US industrials (significant to Impax) under a Trump presidency, 3) renewed interest in active management, as clients recognise the risks of over-concentration in mag-7 stocks, and the opportunities outside of the mag-7 for quality stock-pickers, and 4) renewed interest in sustainable investing as managers who jumped on the 'ESG bandwagon' fall by the wayside, leaving the highest-credibility managers to thrive.

Impax AUM, net flows, and market movements – last three years by calendar-quarter, £bn



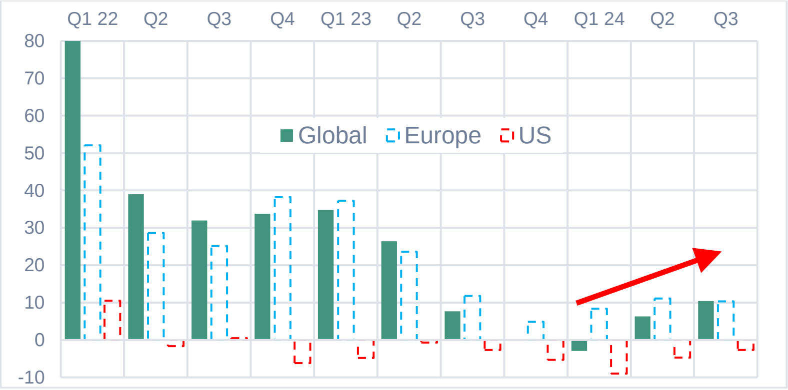
Source: Company reports, ED analysis. Calendar quarters shown, not FY quarters. AUM at end of quarter shown.

Tough two years for sustainable funds, but market has returned to net inflows

ESG boom fades, but recent demand for passive and bonds

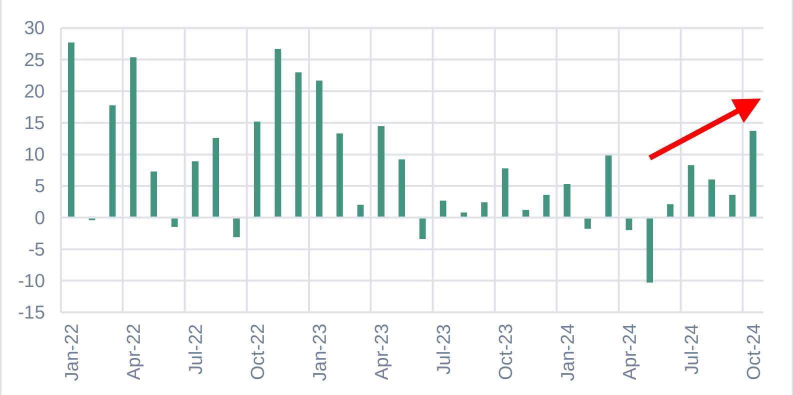
- Following the 'ESG boom' of 2020/2021 flows into sustainable and ESG funds fell off fairly dramatically around the world, initially for reasons detailed on the previous page (energy price spikes favoured fossil fuel stocks over renewables, the beginning of an interest rate hiking cycle reduced demand for growth stocks).
- Scepticism grew around the ESG movement due to greenwashing concerns, with investors starting to recognise that many asset managers were simply re-labelling existing products to attract capital. And ESG investing became heavily politicised in the US, with a powerful and vocal anti-ESG lobby.
- Additionally, demand for 'mag-7' stocks took off (and has continued), alongside increasing capital allocations towards passive funds, with both of these trends dampening demand for sustainable funds.
- **But in recent quarters, it has been encouraging to see a return to inflows for sustainable funds** (driven by inflows picking up in Europe and outflows reducing in the US). Data from both Morningstar and LSEG Lipper (charts on right) is certainly suggesting a pick-up in demand, although it is early days.
- However, recent demand has not been in the active equities space, with most of the growth in flows coming from passive funds, and in fixed income (see next page).

Quarterly sustainable fund net flows, US$bn (Morningstar)



*Source: Morningstar: Global Sustainable Fund Flows: Q3 2024 in Review. Chart reproduced with permission. *Global sustainable fund universe encompasses open-end funds and ETFs that, by prospectus or other regulatory filings, claim to focus on sustainability; impact; or ESG factors.*

Monthly responsible fund net flows, US$bn (LSEG Lipper)



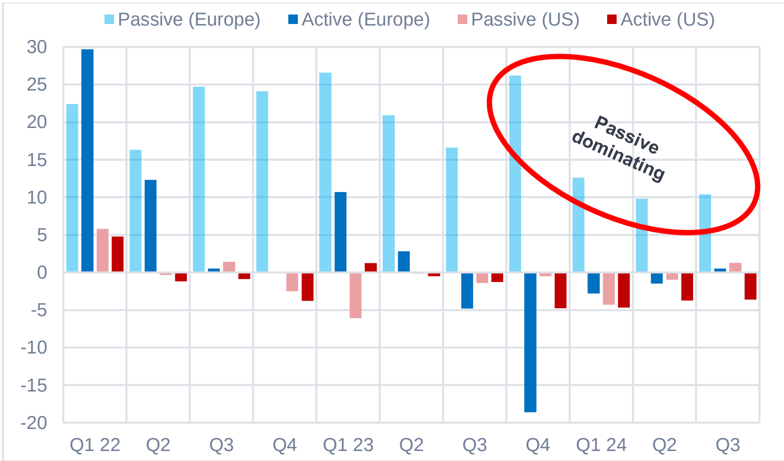
*Source: LSEG Lipper: Global Responsible Investments Fund Market Statistics for October. Chart reproduced with permission. *European funds: SFDR Article 9 funds plus all Lipper Responsible Investment Attribute funds reduced to those containing indicative sustainable keywords in fund name. US and Canadian funds align to Lipper's Responsible Investment Attributes with no further screening.*

Passive and fixed income funds dominating sustainable fund inflows

Passive demand dominates in Europe and US

- Since Q2 22, demand for passive sustainable funds in Europe (light blue bars on right) has far outstripped that of active funds (dark blue bars) which have mostly experienced net outflows since mid-2023.
- Active funds in Europe did however move into (marginally) positive territory in Q3-24.
- In the US, passive sustainable funds (light red bars) have experienced lower outflows than active sustainable funds (dark red bars) recently, and also turned marginally positive in Q3-24.

Active & passive sustainable fund net flows, US$bn

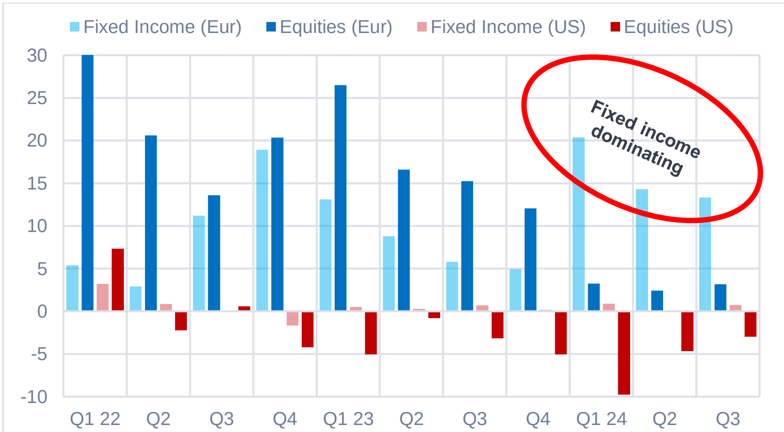


Source: Morningstar: Global Sustainable Fund Flows: Q3 2024 in Review.

Fixed income demand overtakes equities demand

- In Europe, flows into fixed income sustainable funds (light blue bars on right) leapfrogged flows into equities funds from Q1-24, the reverse of a historical trend where equities sustainable fund flows (dark blue bars) were higher in Europe (until Q4-23).
- In the US, flows into fixed income sustainable funds (light red bars) have been stronger than sustainable equities funds for some time, with small positive flows, while equities funds have mostly experienced outflows since Q2-22.
- **Notably, Impax continues to increase its fixed income capability with the acquisition of Absalon Corporate Credit and pending acquisition of SKY Harbour Capital Management.**

Fixed income & equities sustainable fund net flows, US$bn



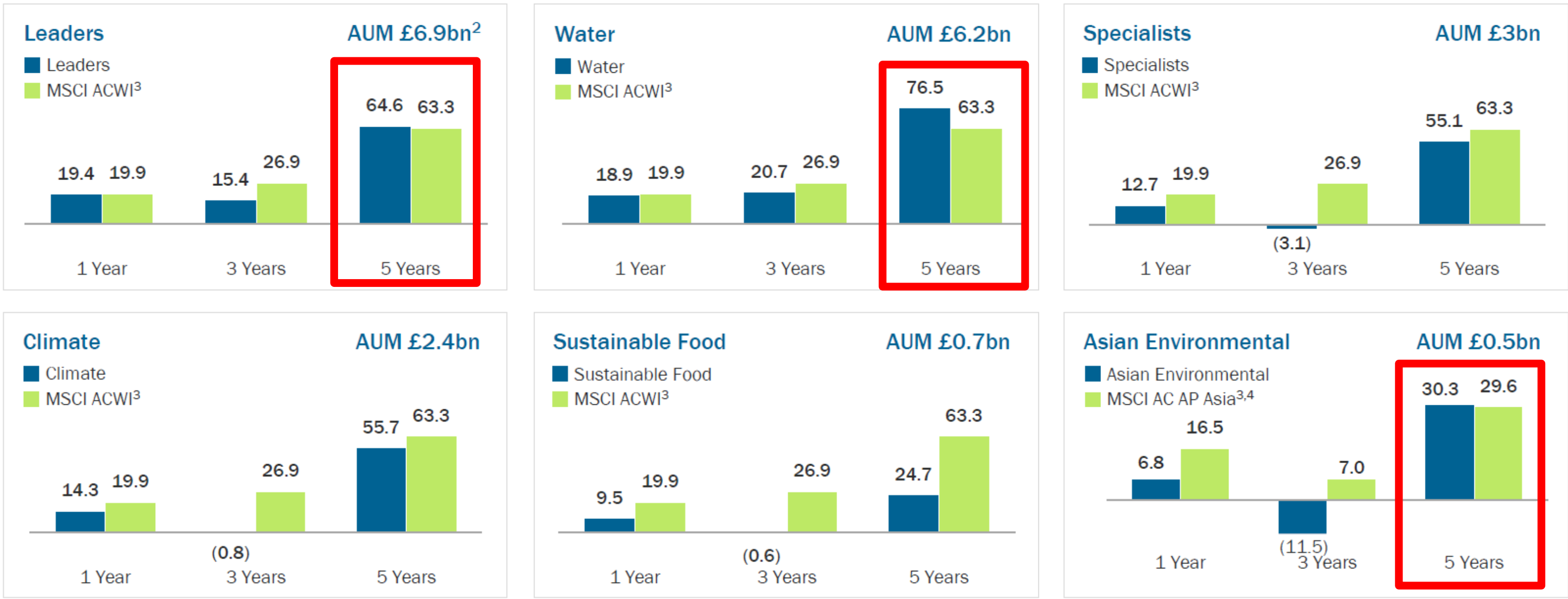
Source: Morningstar: Global Sustainable Fund Flows: Q3 2024 in Review.

Investment performance versus benchmarks hurt by low exposure to mag-7, but strong long term

Investment performance by strategy over multiple time horizons is shown below (Thematic equities; Core equities, and Fixed income, >90% of AUM).

Note that performance v. benchmark over shorter-term time horizons has been hurt by benchmarks (e.g. MSCI ACWI) enjoying a higher exposure to US mega-cap stocks. **Yet, over five years, 72% of Impax's AUM has outperformed their benchmarks (highlighted with red boxes). Impax has also flagged that in Q4 of FY24, it saw a re-rating of the "quality growth" businesses in which its main investment portfolios invest, with corresponding relative outperformance.** It said: "*This was driven by stronger market conditions, supported in part by lower bond yields and interest rate cuts (as a result of falling inflation) in the US and elsewhere*".

Thematic equities strategies, performance versus benchmark (cumulative, %)[1]



Source: Impax. 1All data is in GBP as at 30 September 2024. In line with market standards, the strategy returns are calculated including the dividends re-invested, net of withholding taxes and gross of management fees. Impax Asset Management claims compliance with Global Investment Performance Standards (GIPS)®. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Further information on composite data is available on request. 2A hybrid account is not included in the Total AUM of the Leaders strategy and the AUM of this account is £848m. 3MSCI indices are total net return (net dividend re-invested). 4MSCI AC AP Composite is a custom-made benchmark made up of 80% MSCI AC Asia-Pacific ex-Japan and 20% MSCI Japan, rebalanced monthly.

Core equities strategies, performance versus benchmark (cumulative, %)[1]

Source: Impax. 1All data in GBP as at 30 September 2024. In line with market standards, the strategy returns are calculated including the dividends re-invested, net of withholding taxes and gross of management fees. 2MSCI index is total net return (net dividend reinvested). 3S&P 500 Index is an unmanaged index of large capitalization common stocks. 4Russell 2000 Index measures the performance of the small-cap segment of the US 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 2,000 of the smallest securities based on a combination of their market cap and current index membership. 5 MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US and Canada. The MSCI EAFE (Net) Index consists of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and United Kingdom.

Fixed income strategies, performance versus benchmark (cumulative, %)[1]

Source: Impax. 1AUM is in GBP and performance data for fixed income strategies is in USD as at 30 September 2024. In line with market standards, the strategy returns are calculated including the dividends re-invested, net of withholding taxes and gross of management fees. 2 Bloomberg Barclays US Aggregate Bond Index is a broad-based index, maintained by Bloomberg L.P. often used to represent investment grade bonds being traded in United States. 3The ICE BofAML US 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%. 4The ICE BofA Global High Yield Index tracks the performance of below investment grade corporate debt of issuers domiciled in countries having an investment grade foreign currency long-term debt rating (based on an average of Moody's, S&P and Fitch). 5The JP Morgan CEMBI Broad Diversified Index tracks the performance of US dollar-denominated bonds issued by emerging market corporate entities. The diversification methodology limits the weights of the larger index countries by only including a specified portion of those countries' eligible face amount outstanding, thus reducing single issuer concentration and providing a more even distribution of weights.

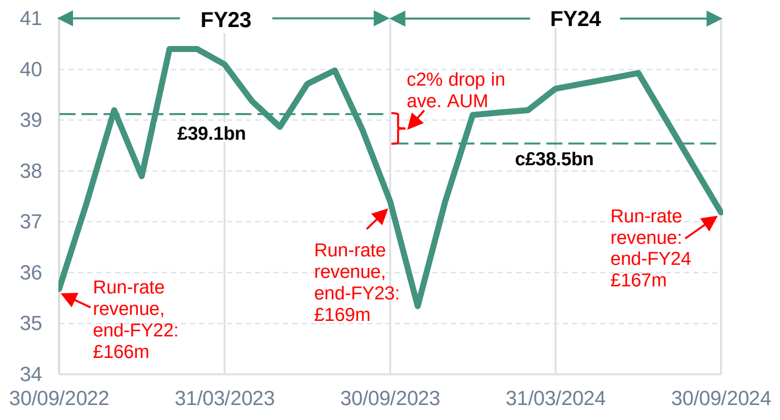
Analysis of FY24 financials

Small drop in average AUM and revenue

Average AUM and fee margin

- Because average AUM is the main driver of Impax's revenue it is important to understand AUM development over comparative periods (most clients pay a quarterly-in-arrears fee, calculated by multiplying a management fee rate – averaging 44.3 bps in FY24 - by the average AUM of the previous quarter).
- The AUM development over the last two years is presented in the chart on the right. It can be seen that there was a small drop in average AUM from FY23 to FY24, which provides a context for year-on-year revenue comparisons.
- Product mix and in turn, average fee margin also affects revenue, and with the average margin down from 45.2bps to 44.3bps (largely due to higher fixed income AUM with a lower margin), this contributed c-2% to the revenue fall.

AUM profile last 24 months, £bn



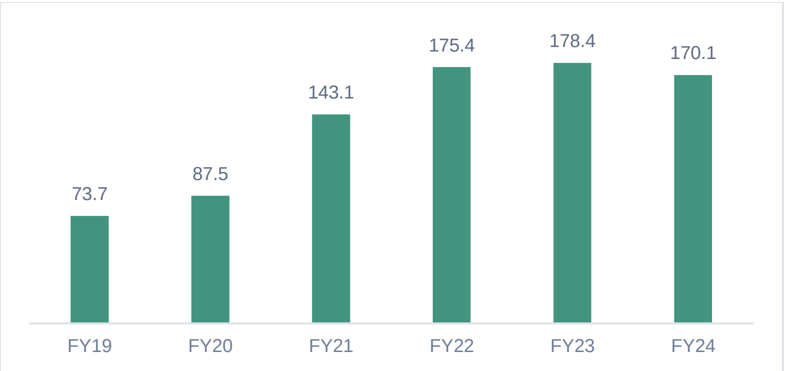
Source: Company, ED analysis

Revenue and run-rate revenue

- As expected, given the AUM profile and fall in fee margin, revenue was down by 4.7% from £178.4m in FY23 to £170.1m in FY24.
- Impax also reports run-rate revenue – an insight into current conditions and end-of-period trend. It is the monthly end-of-period revenue (i.e. for September), extrapolated for 12 months and adjusted to remove the effects of one-off transactions. End- FY24 run-rate revenue was £166.5m (FY23: 168.8m).

Source: Company

Group revenue last five years, £m



Source: Company

Adjusted operating costs decrease 2%, adjusted operating profit falls 9%

Expenses well under control in inflationary environment

- In addition to statutory accounts, Impax reports *adjusted operating profit,* which eliminates some volatile and non-cash costs and allows for a clearer view of the underlying performance of the business. Excluded costs are: amortisation of intangible assets arising from acquisitions; charges in respect of acquisition-related incentive schemes; mark-to-market effects of NIC payable on share awards; and foreign exchange gains and losses.
- The remaining ***adjusted operating costs*** **decreased by just 2% y-o-y from £120.3m in FY23 to £117.4m in FY24**.
- This small was firstly due to tight cost control, and secondly, a slowing of hiring. We remind readers that FY23 adjusted operating costs increased 11%, mostly due to increasing headcount to ensure Impax was equipped to support further growth. [Total employees Sep 22: 272; Sep 23: 300; Sep 24: 315, including the staff of acquired Absalon]. Also in FY23, further investments in systems, infrastructure, risk and compliance were made.
- And thirdly, **variable staff costs fell by £4.4m as Impax's remuneration model is heavily incentive based** i.e. variable staff pay fell due to profits falling. (see policy on right).
- Adjusted operating profit fell 9% from £58.1m in FY23 to £52.7m in FY24, with adjusted operating margin falling from 32.6% to 31.0%.
- **We expect the adjusted operating margin to fall in FY25 to around 27%, and then ratchet up to the high-30s over the medium term as the business returns to growth and benefits from operating leverage following its recent investments in capacity (see page 15).**

'Adjusted operating' income statement, £m

	FY24	FY23
Revenue	**175.7**	**178.4**
Staff costs	(82.2)	(86.1)
Revenue-related (commissions etc)	(10.1)	(10.3)
IT & Communications	(8.7)	(7.9)
Other operating costs	(16.4)	(16.1)
Total adjusted operating costs	**(117.4)**	**(120.3)**
Adjusted operating profit	**52.7**	**58.1**
Adjusted Operating Margin	31.0%	32.6%
Total number of employees	315	300
Fixed staff cost increase from prior year	+0.5	+9.6
Variable staff cost increase from prior year	(-4.4)	(5.3)
Non-staff cost increase from prior year	+1.0	+8.0

Variable staff cost/bonus policy

The Company's policy is to pay salaries and benefits that are broadly in line with market median levels and, under normal circumstances, to award a total variable performance-related remuneration amount ("the Bonus Pool") of up to 45% of adjusted operating profit.

	FY24	FY23
Actual percentage of adjusted operating profit allocated to bonus pool	40.0%	40.5%

Source: Company

PBT down 6% but still £49m (PBT margin 29%), basic EPS 28.5per share (PE ratio 8.7x)

Expenses well under control in an inflationary environment

- The main differences in costs between adjusted operating profit and statutory operating profit are:
  - Amortisation of intangibles (management contracts arising from the previous Impax NH acquisition in the US), which were slightly down from £2.8m to £2.6m
  - Acquisition equity incentive charges which fell from £1.3m to £0.4m
  - Mark to market changes on equity awards which were unchanged at £0.3m
  - Exceptional costs, which were £1.0m in FY24 (FY23: nil), related to completed and planned acquisitions.
- In turn, IFRS operating profit decreased 10% from £54.2m to £49.0m.
- Finance income (mostly interest income) was up from £3.1m to £3.9m, while finance costs reduced from -£5.3m (mostly a foreign exchange loss) to -£4.0m (also mostly a foreign exchange loss).
- PBT was down 6% from £52.1m in FY23 to £49.0m and PAT down 7% from £39.2m to £36.5m.
- Basic EPS was down 7% to 28.5p and diluted EPS down 5% to 28.2p.

Bridge from adjusted to IFRS income statement, £m

	FY24	FY23
Revenue	**170.1**	**178.4**
Total adjusted operating costs	(117.4)	(120.3)
Adjusted operating profit	**52.7**	**58.1**
Bridge to IFRS profits		
Amortisation of intangibles (acquisitions)	(2.6)	**(2.8)**
Acquisition equity incentive charges	(0.4)	(1.3)
Mark to market charge on equity awards	0.3	0.3
Exceptional acquisition costs	(1.0)	0.0
Total operating costs	**(121.1)**	**(124.1)**
Operating profit	**49.0**	**54.2**
Finance income	3.9	3.1
Finance costs	(4.0)	(5.3)
Profit before tax	**49.0**	**52.1**
Tax	(12.5)	(12.9)
Profit after tax	**36.5**	**39.2**
Basic EPS	28.5	30.5p
Diluted EPS	28.2	29.8p

Source: Company

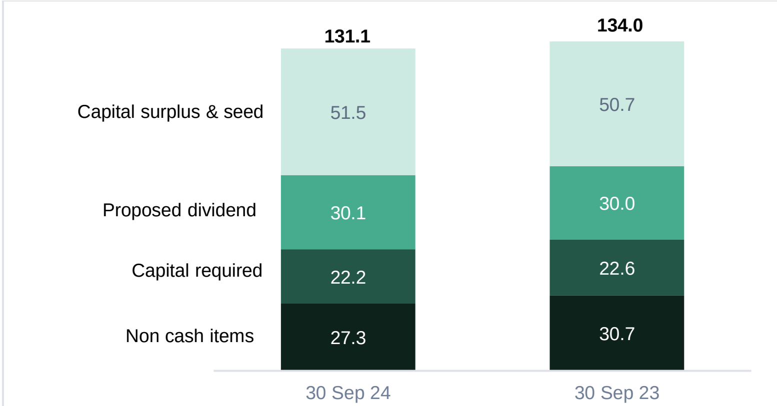
Balance sheet, cash flow, cash reserves remain strong, no debt

Key balance sheet events

- **Impax maintains its exceptionally strong balance sheet**, with net assets slightly down y-o-y to £131.1m from £134.0m. **It has no debt.**
- The group provides a capital resources breakdown (chart on right) that considers minimum regulatory cash. **This shows Impax having a capital surplus (including seed investments) of £51.5m (FY23: £50.7m), including seed capital, 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.**
- On 30 Sep 24 £16m (30 Sep 23: £13m) was invested into seed capital.

Source: Company

Capital allocation, £m



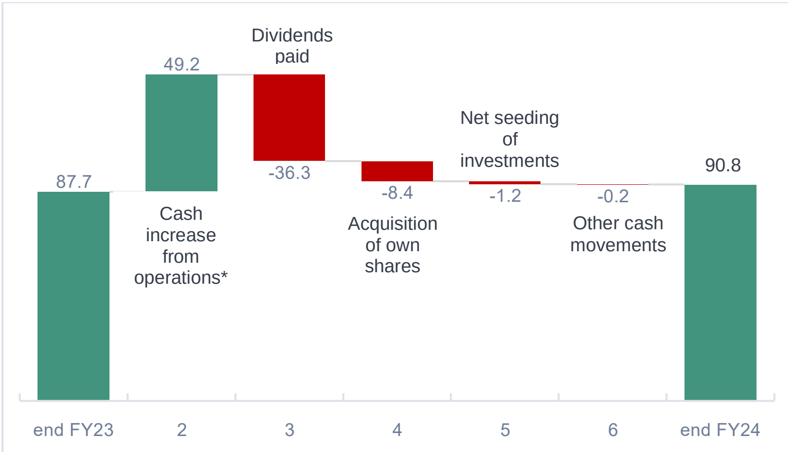
Source: Company

Cash position still exceptionally strong

- Cash generated from operating activities (after tax) was £49.2m (FY23: £36.7m).
- **Cash reserves increased y-o-y to £90.8m from £87.7m** (these reserves exclude 3rd-party interest on consolidated funds, and therefore differ slightly from accounting 'net cash' which includes these funds), with the major movements shown in the chart on the right

Source: Company

Cash movements between end-FY23 and end-FY24



Source: Company.
Excludes third-party interest on consolidated funds and cash held in Research Payment Accounts.
**Cash generated from operations after tax and lease-related charges.*

FY24 dividend unchanged @27.6p, yield 8.6%

Strong financial position & confidence in prospects

- Impax's dividend policy is 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 final dividend of 22.9p has been recommended, bringing the full year FY24 dividend to 27.6p (87% of adjusted profit after tax).
- **This produces a yield of 8.6% on the closing share price of 321.5p on 27 November 2024.**
- We detail Impax's impressive longer-term dividend payout history in the chart on the right.

Historic and proposed dividends, pence per share

Source: Company historic data

Solid outlook drives fundamental valuation of 700p / share

Underlying assumptions of fundamental valuation

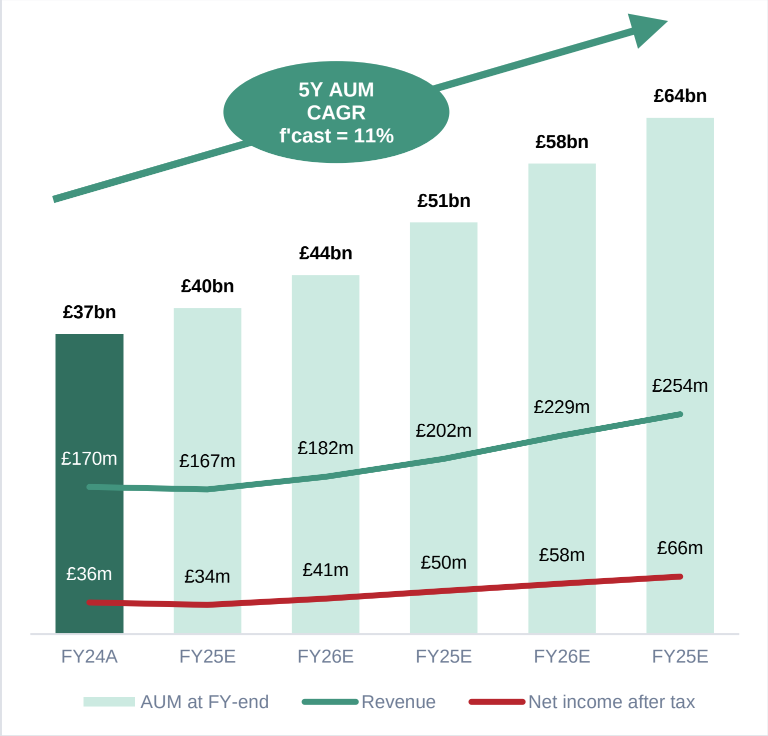
Our fundamental valuation of Impax uses a discounted cash flow methodology based on the following primary assumptions:

- Over a 5-year explicit forecast period:
  - **AUM grows at a CAGR of 11%**, which we believe is a conservative assumption, noting that AUM is driven by net flows and investment performance (assumed to be 5% per annum). We also refer to key points from Impax's outlook statements (above chart on right).
  - **Revenue grows at a CAGR of 8%**, lower than AUM growth because we have assumed some price erosion over time due to competitive pressures and a greater focus on fixed income with a lower revenue yield.
  - **Profit margins increase from the current 30% adjusted operating margin to 36-37% 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 on the right.
- 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 indicates a fundamental valuation of 700p, more than double the current share price.

Summary growth forecasts



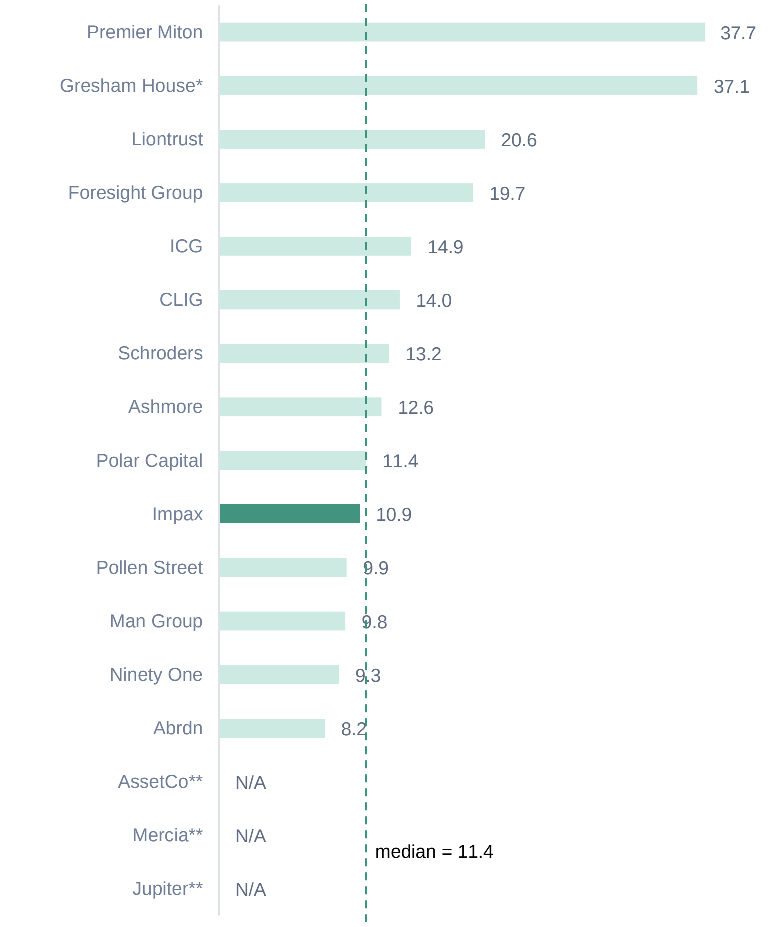
Source: Company historic data, ED forecasts and analysis

PE unjustifiably below sector median

A below sector-median PER

- We believe the UK asset management sector is undervalued, and highlight that acquirers appear to be seeing value in high performers. This is demonstrated by the premium paid for Gresham House which was acquired in Dec 23. The acquisition was concluded at a PE multiple of 37.1, far above the PER of most peers (sector median 11.4) with the acquisition price 63% above that of the pre-announcement share price.
- **Given its niche strategic positioning, strong profit margins, and strong balance sheet (£91m net cash at the end of FY24 and no debt), we would expect Impax to trade at a premium compared to peers.**
- But it trades below the peer group median PER of 11.4, at a PER of 10.9, which looks unjustified in our view.

PER (TTM) peer group comparison



Source: London Stock Exchange, company announcements. PERs based on share prices as at 27 Nov 24 and latest available basic EPS on Trailing Twelve Months (TTM) basis on that date.
**De-listed on 20 Dec 2023 after being acquired*
***All made statutory losses on TTM basis*

Appendix: Historic & forecast financials

Consolidated Income Statement + Forecasts					
FYs to 30 Sep, £m	**FY22A**	**FY23A**	**FY24A**	**FY25E**	**FY26E**
Revenue	**175.4**	**178.4**	**170.1**	**167.3**	**181.8**
IFRS Income Statement					
Operating costs	(110.2)	(124.1)	(121.1)	(125.7)	(130.5)
Operating profit	**65.2**	**54.2**	**49.0**	**41.5**	**51.3**
Fair value gain/(loss) on investments	-	-	-	-	-
Non-controlling interest	-	-	-	-	-
Investment income	8.0	3.1	3.9	3.5	3.5
Finance cost	(0.6)	(5.3)	(4.0)	-	-
Change in 3rd-party int. in cons. funds	-	-	-	-	-
IFRS profit before tax	**72.6**	**52.1**	**49.0**	**45.0**	**54.8**
Taxation	(13.1)	(12.9)	(12.5)	(11.3)	(13.7)
IFRS PAT	**59.5**	**39.2**	**36.5**	**33.8**	**41.1**
Basic EPS, p	46.0	30.5	28.5	26.4	32.2
Diluted EPS, p	44.7	29.8	28.2	26.2	31.8
Adjusted Income Statement					
Adjustments to operating costs:					
Acquisition equity incentive awards	1.3	1.3	0.4	-	-
M-T-M charge on equity awards	(1.5)	(0.3)	(0.3)	-	-
Exceptional acquisition costs	-	-	1.0	0.5	-
Amortisation of goodwill/intangibles	2.4	2.8	2.6	2.6	2.6
Credit from cont. cons.	-	-	-	-	-
Adjusted operating profit	**67.4**	**58.1**	**52.7**	**44.6**	**53.9**
Fair value gain/(loss) on investments	-	-	-	-	-
Non-controlling interest	-	-	-	-	-
Investment income	8.0	3.1	3.9	3.5	3.5
Finance cost	(0.6)	(1.3)	(1.0)	(1.0)	(1.0)
Adjusted profit before taxation	**74.8**	**60.0**	**55.7**	**47.2**	**56.4**
Taxation	(12.3)	(13.6)	(14.1)	(11.8)	(14.1)
Adjusted PAT	**62.5**	**46.4**	**41.6**	**35.4**	**42.3**
Adjusted Basic EPS, p	48.3	36.0	32.6	27.7	33.1
Adjusted Diluted EPS, p	42.1	35.2	32.2	27.4	32.8
Dividends					
Interim dividend, p	4.7	4.7	4.7	4.7	6.9
Final dividend, p	22.9	22.9	22.9	22.9	20.7
FY dividends per share, p	**27.6**	**27.6**	**27.6**	**27.6**	**27.6**

Source: Group report & accounts and ED estimates

Consolidated Balance Sheet + Forecasts

FYs as at 30 Sep, £m	FY22A	FY23A	FY24A	FY25E	FY26E
Assets					
Non-current assets					
Goodwill	13.9	12.9	11.9	25.9	25.9
Intangible assets	18.3	14.2	11.2	8.7	6.2
Property, plant and equipment	9.3	8.8	7.9	6.5	5.1
Deferred tax assets	4.8	3.7	4.2	4.2	4.2
Total non-current assets	**46.3**	**39.6**	**35.2**	**45.3**	**41.4**
Current assets					
Trade and other receivables	38.8	42.5	36.9	36.3	39.4
Investments	7.3	13.3	16.0	16.0	16.0
Current tax account	0.2	1.6	1.2	1.2	1.2
Cash: money mkt & LT deposits	58.7	53.5	67.8	67.8	67.8
Cash and cash equivalents	52.2	38.0	25.3	10.3	14.3
Total current assets	**157.1**	**149.0**	**147.2**	**131.5**	**138.7**
Total Assets	**203.5**	**188.5**	**182.4**	**176.8**	**180.1**
Equity and Liabilities					
Equity					
Ordinary shares	1.3	1.3	1.3	1.3	1.3
Share premium incl. merger reserve	10.8	9.3	9.3	9.3	9.3
Exchange translation reserve	3.1	2.9	1.3	1.3	1.3
Merger reserve	-	1.5	1.5	1.5	1.5
Hedging reserve	-	-	-	-	-
Retained earnings	123.0	118.9	117.7	114.4	115.7
Total equity	**138.2**	**134.0**	**131.1**	**127.9**	**129.2**
Current Liabilities					
Trade and other payables	53.6	44.8	42.7	42.0	45.6
Lease liability	1.5	1.5	2.1	1.9	1.7
Current tax liability	2.2	1.0	0.8	0.8	0.8
Total current liabilities	**57.3**	**47.3**	**45.6**	**44.6**	**48.1**
Non-current Liabilities					
Accruals	-	-	-	-	-
Lease liabilities	7.6	7.2	5.7	4.3	2.9
Deferred tax liability	0.4	-	-	-	-
Total non-current liabilities	**8.0**	**7.2**	**5.7**	**4.3**	**2.9**
Total equity and liabilities	**203.5**	**188.5**	**182.4**	**176.8**	**180.1**

Source: Group report & accounts and ED estimates

Consolidated Cash Flow Statement + Forecasts					
FYs to 30 Sep, £m	**FY22A**	**FY23A**	**FY24A**	**FY25E**	**FY26E**
Profit before taxation	**72.6**	**52.1**	**49.0**	**45.0**	**54.8**
Adjustment for:					
Investment income	(8.0)	(3.1)	(3.9)	(3.5)	(3.5)
Interest expense	0.6	5.3	4.0	-	-
Depreciation and amortisation	4.3	5.1	4.6	4.8	4.8
Fair value (gains)/losses	-	-	-	-	-
Non-controlling interests	-	-	-	-	-
Contingent consideration adjustment	-	-	-	-	-
Share-based payment charges	6.2	6.5	6.7	6.7	6.7
Loss on disposal of of PPE	-	0.0	-	-	-
Op CF before movement in working capital	**75.6**	**65.9**	**60.3**	**53.1**	**62.8**
(Increase)/decrease in receivables	1.0	(3.8)	5.8	0.6	(3.2)
(Decrease)/increase in payables	3.7	(8.9)	(2.5)	(0.7)	3.7
Cash generated from operations	**80.3**	**53.2**	**63.6**	**53.0**	**63.3**
Corporation tax paid	(9.0)	(14.6)	(13.0)	(11.3)	(13.7)
Net cash generated from operating activities	**71.3**	**38.7**	**50.6**	**41.7**	**49.6**
Investing activities					
Deconsolidation of investment fund	-	-	-	-	-
Investment income received	0.6	2.9	3.3	3.5	3.5
Settlement of investment related hedges	0.1	(0.4)	(1.2)	-	-
Net redemptions/(investments) from uncons. funds	0.4	(5.3)	(1.2)	-	-
(Incr.)/decr. in cash in money market & LT deposit	(19.1)	5.1	(14.3)	-	-
Purchase of Impax NH shares	-	-	-	-	-
Acquisition of PPE and intangible assets	(0.8)	(0.8)	(1.1)	(0.9)	(0.9)
Net cash used in investing activities	**(18.9)**	**1.5**	**(14.4)**	**(11.4)**	**2.6**
Financing activities					
Acquisiton of non-controlling interest	(0.2)	-	-	-	-
Repayment of bank debt	-	-	-	-	-
Interest paid on bank debt	(0.1)	(0.1)	-	-	-
Dividends paid	(28.7)	(36.4)	(36.3)	(35.3)	(38.1)
Acquisition of own shares	(8.8)	(15.1)	(8.4)	(8.4)	(8.4)
Payment of lease liabilities	(1.7)	(2.0)	(1.6)	(1.6)	(1.6)
Cash received on exercise of Impax share options	0.5	1.3	0.4	-	-
Net cash generated from /(used in) fin. activities	**(39.0)**	**(52.3)**	**(46.0)**	**(45.3)**	**(48.1)**
Net (decr.)/incr. in cash and equivalents	**13.4**	**(12.1)**	**(9.7)**	**(15.0)**	**4.1**
Cash and cash equivalents at beginning of year	36.2	52.2	38.0	25.3	10.3
Effect of foreign exchange rate changes	2.6	(2.1)	(2.9)	-	-
Cash and cash equivalents at end of year	**52.2**	**38.0**	**25.3**	**10.3**	**14.3**

Source: Group report & accounts and ED estimates

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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More information is available on our website www.equitydevelopment.co.uk

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

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