Impax Asset Management

AUM +0.7% in Q4, -0.6% in FY24, dividend yield 7.4%

8 October 2024

AUM closed FY24 (1 Oct 23 - 30 Sep 24) on £37.2bn, 0.6% down y-o-y. Net outflows over FY24 totalled £5.8bn, largely offset by a positive investment performance of +£5.3bn and a contribution of +£0.3bn from the acquisition of Absalon Capital Management in Q4. As flagged, outflows were heavily impacted during the year by Impax's 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.

However, Q4 (1 Jul – 30 Sep) showed improved flows of -£1.2bn, considerably less than the -£1.9bn of Q3. Investment performance added £1.1bn. Impax noted that redemptions in European private wealth had dropped sharply in Q4 (with further improvements in flows expected as interest rates fall), it had experienced stronger market conditions more generally, and that its outlook is positive.

Early signs of improving market conditions are backed up by broader market data (see pages 2 – 4). Morningstar's report: *Global Sustainable Fund Flows: Q2 2024 in Review - Recovery continues in Europe, but redemptions persist in other parts of the world*, shows that a recent recovery in active and equities fund flows has benefitted the sustainable fund space, which attracted US$4.3bn of net inflows in calendar-Q2 '24, compared to outflows of US$2.9bn in Q1. Also, LSEG Lipper's report, *Global Responsible Investments Fund Market Statistics for August* (2024), shows that Jun, Jul, and Aug were months of positive net flows, following outflows in three of the first five months of 2024.

FY24 AUM in line, FY25 forecast reduced, still looking deeply undervalued

AUM on 30 Sep of £37.2bn is only a fraction below our forecast of £37.3bn and we maintain our FY24 forecasts. We do however reduce FY25 forecasts as a return to positive net flows looks likely to take a little longer than previously anticipated, which also impacts our fundamental valuation.

We maintain that Impax's niche positioning and unique track record in the sustainable investing space positions it well for medium to long-term growth. **But our view appears to be at odds with the current share price, which at 374p, is half of our fundamental valuation of 750p per share** (down from the 800p detailed in our 29 May 24 note *Solid H1 as investments in capacity start to pay off*).

We also flag: 1) Impax's PER of 12.3 looks undemanding (page 5) - for it to only trade at the median of a UK-listed peer group (with already-depressed PERs) does not make sense to us; and 2) **the share price fall over 2024 has resulted in Impax's dividend yield increasing to 7.4%.**

Summary financials & forecasts

Year end 30 Sep	FY21A	FY22A	FY23A	FY24E	FY25E prev.	FY25E new
AUM, £bn	37.2	35.7	37.4	37.2	43.7	40.4
Revenue, £m	143.1	175.4	178.4	175.7	183.4	167.3
Adjusted Op. Profit*, £m	55.8	67.4	58.1	52.2	57.6	50.2
Net profit after tax	40.2	59.5	39.2	38.2	43.3	37.8
EPS basic, p	31.5	46.0	30.5	29.7	33.6	29.4
EPS adj. & diluted, p	34.4	42.1	35.2	31.1	34.2	30.0
PER	11.9	8.1	12.3	12.6	11.1	12.7
Dividend, p	20.6	27.6	27.6	27.6	27.6	27.6
Yield	5.5%	7.4%	7.4%	7.4%	7.4%	7.4%
Net assets, £m	110.5	138.2	134.0	136.0	143.1	137.6
Net cash, £m	74.2	110.9	91.5	94.3	90.4	84.7

*Source: Group report & accounts and ED estimates. PER and yield based on share price of **374p**.*
** 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)	374p
52 weeks Hi/Lo	566p/355p
Market Cap	£496m
ED Fair Value/share	750p
Proforma net cash	£65m
Avg. daily volume	288k

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: FY24 results: Nov '24

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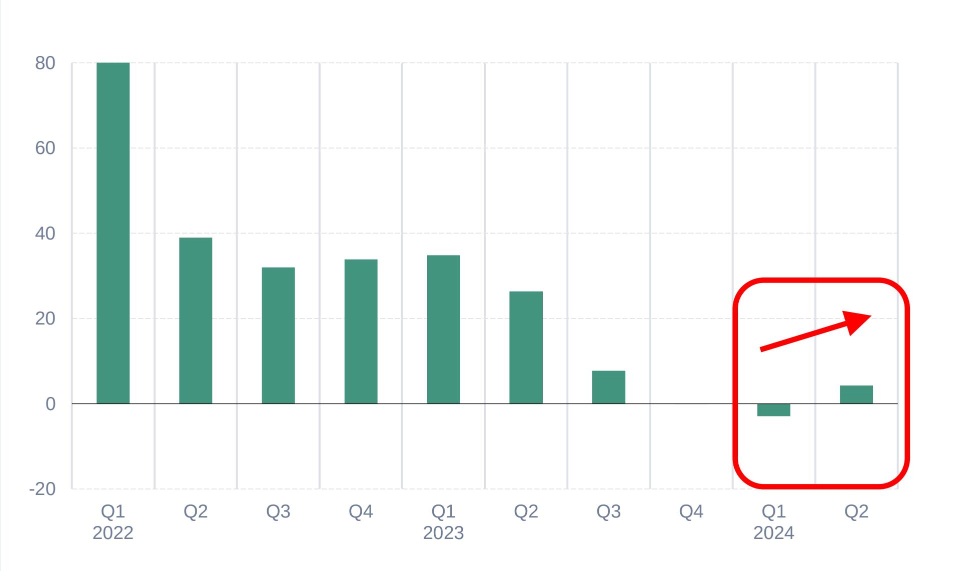
Global sustainable fund flows tick up after sell-off

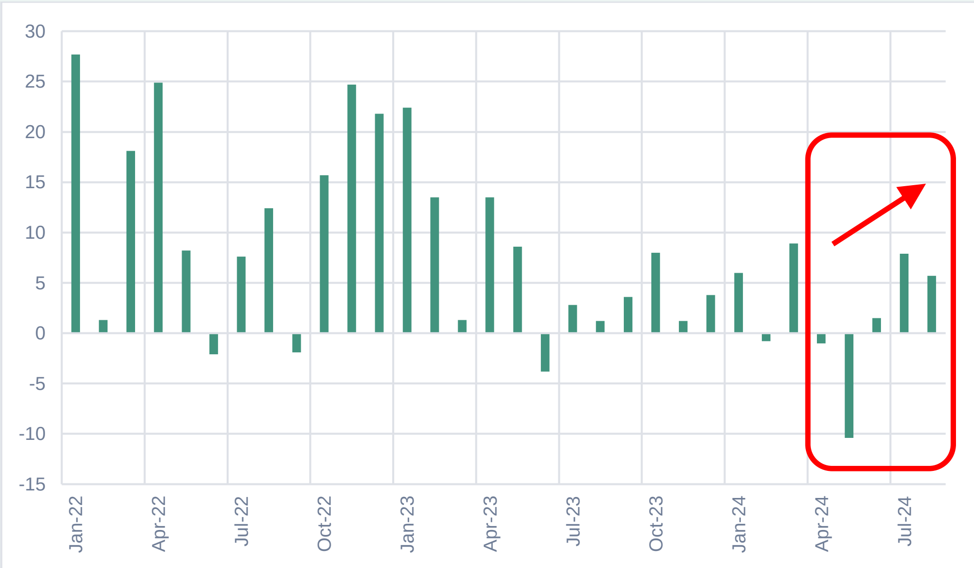
While we are cautious not to read too much into very recent data, it is encouraging to see a return to inflows for sustainable funds in recent months, following a two-year period of subdued and mostly declining flows. We shall continue to monitor market flow data and include updates in future notes.

Quarterly Global Sustainable* Fund Flows, US$bn (Morningstar)



Source: Morningstar: *Global Sustainable Fund Flows: Q2 2024 in Review - Recovery continues in Europe, but redemptions persist in other parts of the world*. Chart reproduced with permission. Q3 data not yet available.
*Global sustainable fund universe encompasses open-end funds and ETFs that, by prospectus or other regulatory filings, claim to focus on sustainability; impact; or environmental, social, and governance factors.

Monthly Global Responsible* Fund Flows, US$bn (LSEG Lipper)



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

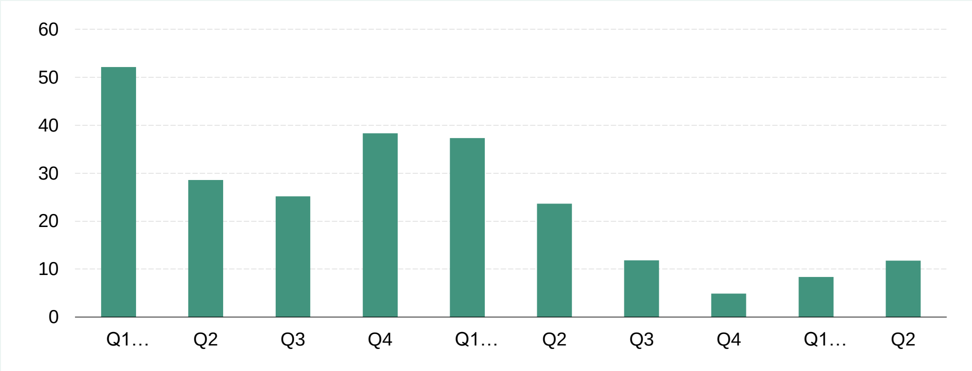
Active sustainable funds start recovering in Europe

Drilling down into some of the data presented on the previous page, **we highlight the more positive situation in Europe (84% of the global sustainable fund market), where sustainable funds attracted US$11.8bn of net inflows in Q2-24, up from US$8.4bn in Q1, and US$4.9bn in Q4-23**.

Of particular significance to Impax is that the recovery in Europe has been driven by:

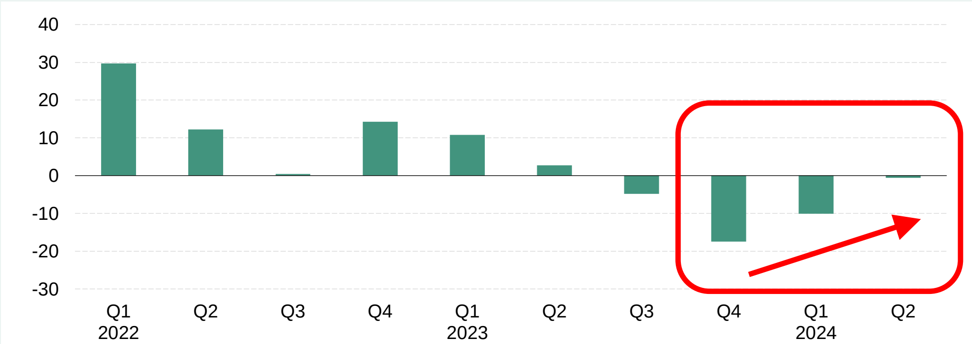
- an improving flow situation for active funds, with outflows roughly equalling inflows in Q2 (net flow rate 0.0%, versus -0.6% in Q1 and -1.0% in Q4-23); and
- an improving flow situation for equity funds, with inflows of US$3.4bn in Q2, following outflows of US$4.5bn in Q1.

European Sustainable Fund Flows (Active + Passive), US$bn



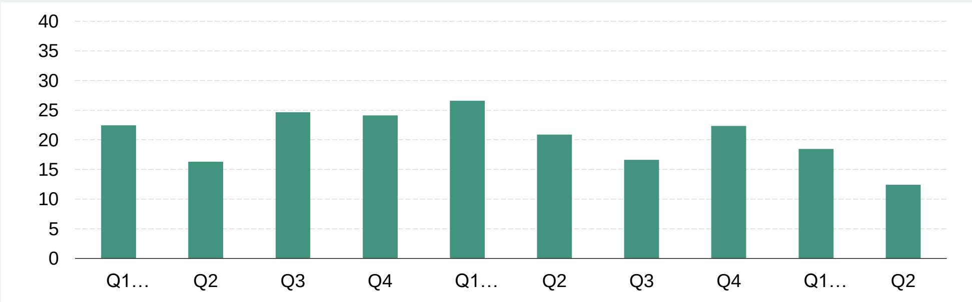
Source: Morningstar: *Global Sustainable Fund Flows: Q2 2024 in Review - Recovery continues in Europe, but redemptions persist in other parts of the world*. Chart reproduced with permission.

Active European Sustainable Fund Flows, US$bn



Source: Morningstar: *Global Sustainable Fund Flows: Q2 2024 in Review - Recovery continues in Europe, but redemptions persist in other parts of the world*. Chart reproduced with permission.

Passive European Sustainable Fund Flows, US$bn

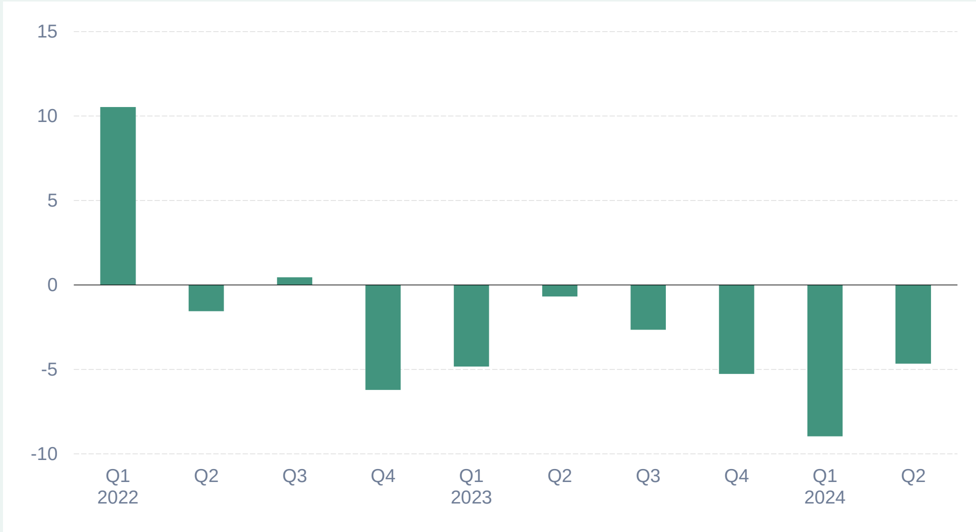


Source: Morningstar: *Global Sustainable Fund Flows: Q2 2024 in Review - Recovery continues in Europe, but redemptions persist in other parts of the world*. Chart reproduced with permission.

Sustainable fund flows still depressed in the US

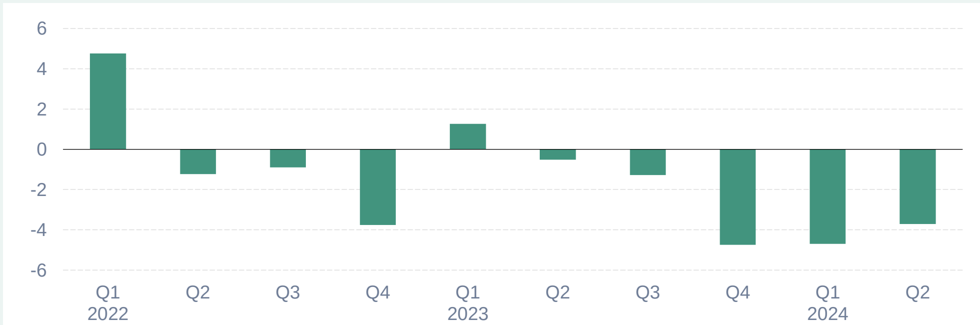
However, sustainable fund flows have remained negative for both active and passive funds in the US, even though Q2's outflows reduced significantly from Q1.

US Sustainable Fund Flows (Active + Passive), US$bn



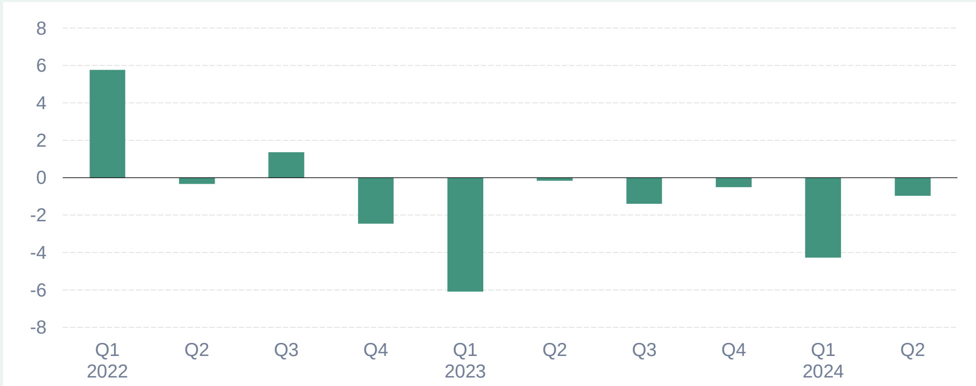
Source: Morningstar: *Global Sustainable Fund Flows: Q2 2024 in Review - Recovery continues in Europe, but redemptions persist in other parts of the world*. Chart reproduced with permission.

Active US Sustainable Fund Flows, US$bn



Source: Morningstar: *Global Sustainable Fund Flows: Q2 2024 in Review - Recovery continues in Europe, but redemptions persist in other parts of the world*. Chart reproduced with permission.

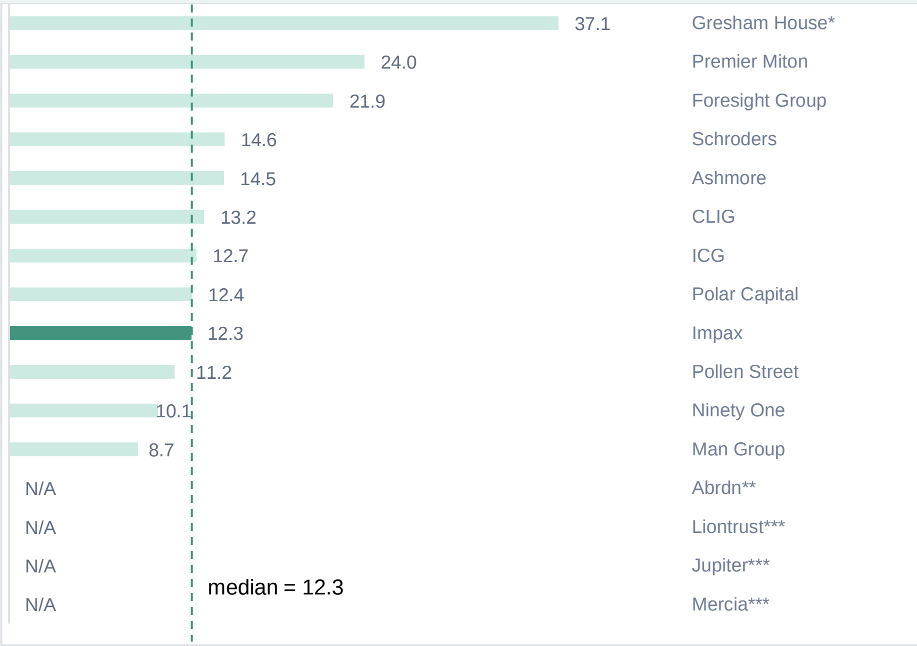
Passive US Sustainable Fund Flows, US$bn



Source: Morningstar: *Global Sustainable Fund Flows: Q2 2024 in Review - Recovery continues in Europe, but redemptions persist in other parts of the world*. Chart reproduced with permission.

Undemanding absolute and relative PER

PE Ratios, UK-listed asset managers



Source: Company reports, LSEG, ED analysis as at 7 Oct 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*
**** Liontrust, Jupiter and Mercia made statutory losses in their latest full FYs.*

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