

9 January 2024

AUM up 4.6% in Q1 and fixed income acquisition

Impax recorded a solid Q1 of FY24, with AUM growing by £1.7bn (+4.6%) to £39.1bn on 31 Dec 23 (30 Sep 23: £37.4bn). This is above the trajectory required to meet our FY24 AUM forecast of £41.1bn (+10% annual AUM growth), but as it is very early in the financial year and markets remain volatile, we have taken a conservative approach and not yet adjusted our forecasts.

Market movements, forex and investment performance contributed £2.7bn of the increase, while net outflows of £988m were recorded. Impax has noted that all material clients have been maintained with some significant wins as well, but asset allocation decisions at wholesale clients resulted in net outflows.

Impax has also announced an acquisition in the fixed income segment. While not huge in the context of the group (£351m or just under 1% of group AUM), fixed income is seen as strategically important and a significant growth opportunity, particularly in the US. Impax Asset Management Ireland Limited has entered into an agreement (subject to closing conditions) to acquire the assets of **Absalon Corporate Credit**, a fixed income manager of two strategies: *Global High Yield* (launched in 2006) and *Emerging Market Corporate Debt* (launched in 2010). These are available as Luxembourg-based SICAV funds and as Danish-based funds.

A highly experienced team of four will be joining Impax, and will boost the growing fixed income team, which is based in the US. The new funds add to Impax's existing fixed income offerings of *US Investment Grade* and *US High Yield* funds. Post-acquisition, the combined team will have assets under management and advice of around £1.6bn.

The precise timing of the acquisition is not yet finalised, and its financial terms and financial impact have not yet been disclosed. We will therefore update our forecasts when these are available.

We again highlight an apparently material undervaluation

As detailed in our recent November '23 note, [A tough year, but clear fundamental value](#), we remain bullish about the prospects of the sustainable investing market generally, and of Impax specifically. The positive AUM update for Q1-24 and the Absalon acquisition reinforce this view.

Our fundamental valuation remains 800p per share, 50% above the current share price. We also think this undervaluation is backed up by the potential for Impax's PER to rerate (page 2).

Company Data

EPIC	IPX
Price (last close)	534p
52 weeks Hi/Lo	883p/369p
Market Cap	£708m
ED Fair Value/share	800p
Proforma net cash	£92m
Avg. daily volume	229k

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 31 Dec 23: £39.1bn

Next Event, Q2 AUM update: Apr 24

Summary financials & forecasts

Year-end 30 Sep	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
AUM, £bn	20.2	37.2	35.7	37.4	41.1	46.1
Revenue, £m	87.5	143.1	175.4	178.4	180.5	198.6
Adjusted Op. Profit*, £m	23.2	55.8	67.4	58.1	54.2	65.2
Net profit after tax	13.7	40.2	59.5	39.2	40.3	48.6
EPS basic, p	10.6	31.5	46.0	30.5	31.3	37.8
EPS adjusted & diluted, p	14.5	34.4	42.1	35.2	32.3	38.6
PER	50.4	16.9	11.6	17.5	17.0	14.1
Dividend, p	8.6	20.6	27.6	27.6	27.6	27.6
Yield	1.6%	3.9%	5.2%	5.2%	5.2%	5.2%
Net assets, £m	71.4	110.5	138.2	134.0	142.5	162.1
Net cash, £m	38.8	74.2	110.9	91.5	102.2	124.2

Source: Group report & accounts, ED estimates. PER & Yield based on share price of: 534p.



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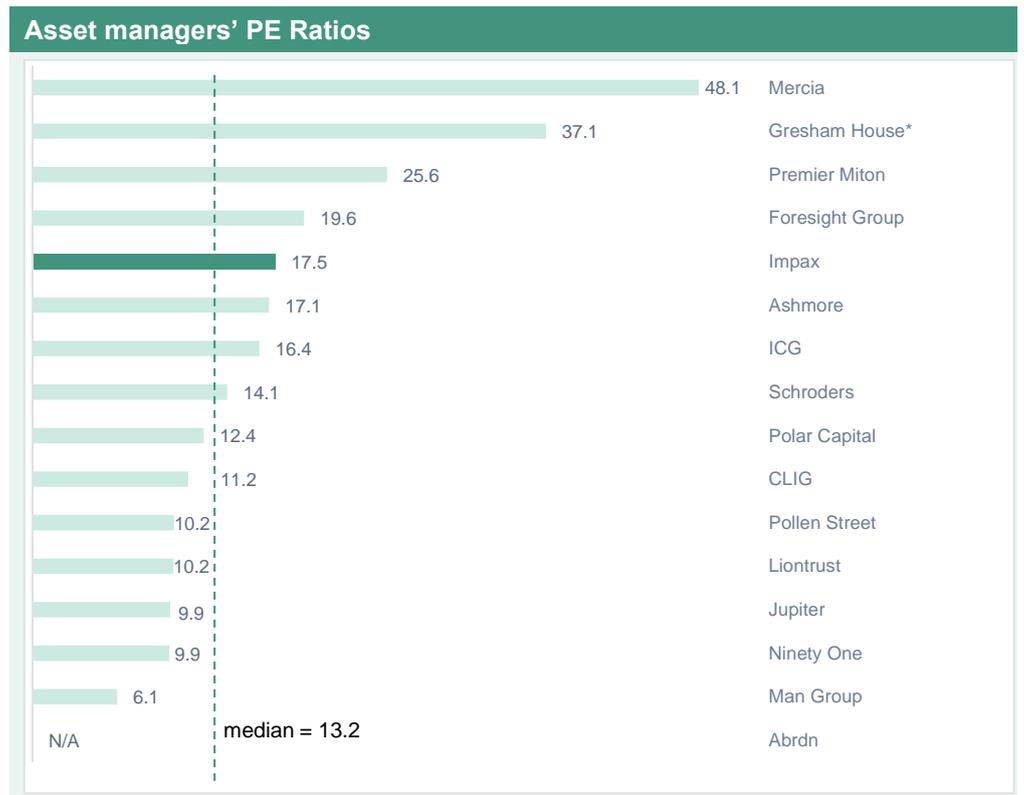
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Value in asset management sector, especially Impax

Impax does command an above-median PER among UK-listed asset managers (17.5 v 13.2). However, **we believe a much more significant premium is fully justified given that Impax has been such a standout leader in attracting and retaining assets** (see our Nov '23 report for full details) and given its growth potential.

To this end, we highlight the recent premium paid for another high-performing asset manager, Gresham House. This acquisition was concluded on at a **PE multiple of 37.1**, far above most sector peers and the current peer group median of 13.2. This suggests that significant value is being seen in the sector by some (the acquisition price is 63% above the price on the day prior to the announcement of the acquisition).



Source: ADVFN as at 8 Jan 24, ED analysis
 De-listed on 20 Dec 2023



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