Impax Asset Management

Hugely impressive H1 despite market fall in Q2

1 June 2022

H1-22 results highlight just how impressive Impax's progress over the last year has been, given that sharp equity market falls resulted in an 8.1% drop in AUM over Q2 alone. AUM was up 27% year-on-year (31 Mar 21: £30.0bn), revenue 46% (£88.6m v £60.6m in H1-21), adjusted operating profit 64% (£34.0m v £20.7m), and net cash 88% (£72.0m v £38.3m). Impax maintained positive net inflows of +£2.5bn over the half-year (and importantly, +£0.5bn during the turbulent Q2), sourced from a diverse range of clients, geographies, and channels.

Over the short-term, continuing equity market weakness, particularly in 'sustainable economy' and 'growth-oriented' stocks which are common in Impax's strategies (the FTSE Environmental Opportunities All-Share Index was down 16.1% between 1 Jan 22 and 29 Apr 22) has pegged back our FY22 growth forecasts slightly. We now expect AUM to grow by around 9% y-o-y to £40.5bn on 30 Sep 22, and revenue to grow by 26% to around £180m.

Medium-longer term tailwinds strengthen

However, we believe that for the sustainable investing market generally, and for Impax specifically, **the medium-longer term growth outlook remains bullish**.

At a market level, even during the turmoil of (calender) Q1-22, flows into sustainable funds remained positive. According to Morningstar, the European sustainable fund market (81% of global sustainable fund assets) attracted US$78bn of net inflows while conventional funds saw US$21bn of net outflows. Moves to reduce dependency on Russian fossil fuels will almost certainly accelerate the shift to renewable energy. And regulatory changes continue to favour a shift to sustainable investing.

Additionally, a growing backlash against greenwashing will favour the most credible sustainable investment managers such as Impax.

Valuation

We have reduced our core value slightly from 1260p to 1225p, primarily because of the slightly reduced AUM and revenue outlook for the full FY22 year. However, even our reduced value remains over 65% above the current share price.

Summary financials & forecasts

Year end 30 Sep	FY19A	FY20A	*H1 21A*	FY21A	*H1 22A*	FY22E	FY23E
AUM, £bn	15.1	20.2	*30.0*	37.2	*38.0*	40.5	47.5
Revenue, £m	73.7	87.5	*60.6*	143.1	*88.6*	180.1	203.7
Adjusted Op. Profit*, £m	18.0	23.2	*20.7*	55.8	*34.0*	64.9	76.6
Net profit after tax	15.9	13.7	*14.4*	40.2	*26.6*	51.3	58.4
EPS basic, p	12.2	10.6	*11.1*	31.5	*20.6*	39.6	44.9
EPS adjusted & diluted, p	11.5	14.5	*11.8*	33.9	*21.5*	39.6	44.6
PER	63.9	50.6	*31.1*	21.6	*17.0*	18.5	16.4
Dividend, p	5.5	8.6	*3.6*	20.6	*4.7*	22.7	25.5
Yield	0.8%	1.2%	*0.5%*	2.8%	*0.6%*	3.1%	3.5%
Net assets, £m	63.2	71.4	*81.1*	110.5	*112.3*	135.2	166.9
Net cash, £m	27.2	38.8	*38.3*	74.2	*72.0*	104.8	140.3

Source: Group report & accounts and ED estimates

PER and Yield calculations based on share price of: ***732p*** *(PER for half-years = price/(H1profit x2)*

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

Company Data

EPIC	IPX
Price	732p
52 weeks Hi/Lo	1508p/650p
Market Cap	£971m
ED Fair Value/share	1225p
Proforma net cash	£72m
Avg. daily volume	246k

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 Apr 2022: £37.0bn

Next Event, Q3 AUM update: Jul 22

THE QUEEN'S AWARDS FOR ENTERPRISE: SUSTAINABLE DEVELOPMENT 2020

SHARES AWARDS 2021 WINNER AIM Company of the Year

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Q2 market fall slows growth, inflows & outlook solid

AUM reached £38.0bn on 31 Mar 22, up 2% over H1 (£37.2bn on 30 Sep 21) and 27% y-o-y (£30.0bn on 31 Mar 21**). However**, **H1 really was a tale of two quarters.** The mostly positive market trends of the Oct-Dec 21 quarter (IPX Q1 22) reversed sharply in the Jan-Mar 22 quarter (IPX Q2 22), primarily as a result of Russia's invasion of Ukraine.

Consequently, Impax's exceptionally strong net flows in Q1 were followed by weaker, **but still positive**, flows in Q2. And its strong investment performance of Q1 was more than negated by weak equity markets in Q2, and more specifically, by very sharp declines in the values of 'sustainable economy' and 'growth-oriented' stocks which are common in Impax's strategies.

AUM movement analysis and benchmark comparison over H1

	Q1 22 (Oct-Dec 21)	**Q2 22** (Jan-Mar 22)	**H1 22** (Oct 21-Mar 22)
Opening AUM	**£37.2bn**	**£41.4bn**	**£37.2bn**
Net flows	**+£2.0bn**	**+£0.5bn**	**+£2.5bn**
Net flows as % of opening AUM	+5.4%	+1.1%	+6.6%
Peer group net flows as % of opening AUM*	+1.0%	+1.0%	+2.1%
Investment performance**	**+£2.1bn**	**-£3.8bn**	**-£1.7bn**
Investment performance as % of opening AUM	+5.7%	-9.2%	-4.5%
MSCI ACWI***	+6.2%	-2.6%	+3.4%
Closing AUM	**£41.4bn**	**£38.0bn**	**£38.0bn**

Source: Company reports and trading updates, FTSE Russell, ED analysis
**See charts below*
***Market movements, foreign exchange impacts, and investment performance*
****MSCI ACWI returns in GBP, net of fees*

Post-results, equity markets continued to decline sharply in April, which contributed to a further decline in AUM to £37.0bn on 30 Apr 22. However, **Impax has reported continuing positive net flows in April.** This, coupled with an equity market bounceback from the early May lows should see AUM increasing again from 30 Apr 22 levels.

We regularly highlight that the top-line AUM of asset managers, including Impax, will inevitably undergo periods of volatility and experience declines, as AUM, to a degree, follows markets and their volatility. The last few months has been one of these occasions. While the recent dip in AUM will have a negative impact on revenue and profitability in the shorter-term **it is not, we believe, an indication of a deterioration in the longer-term prospects of Impax**. It is rather just one of the negative investment cycles asset managers will inevitably experience from time to time.

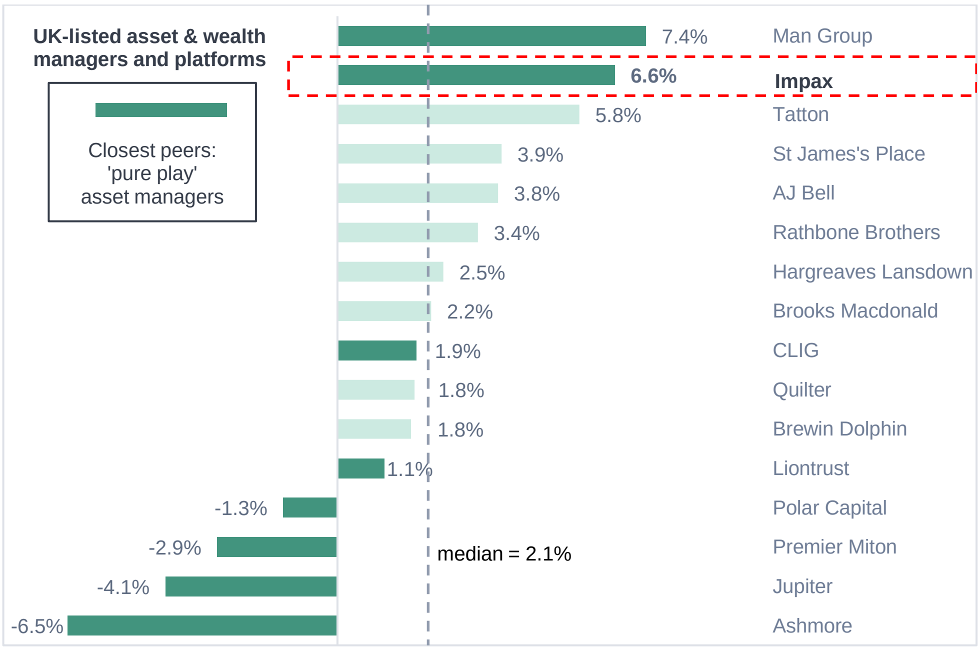
What we believe is more important from a longer-term strategic perspective, are the structural strengths of Impax relative to peers, and of the sustainable investing market more generally, both of which affect Impax's ability to attract asset flows from clients. And on both of these points, we think the story is a positive one.

Strong net flows relative to peers

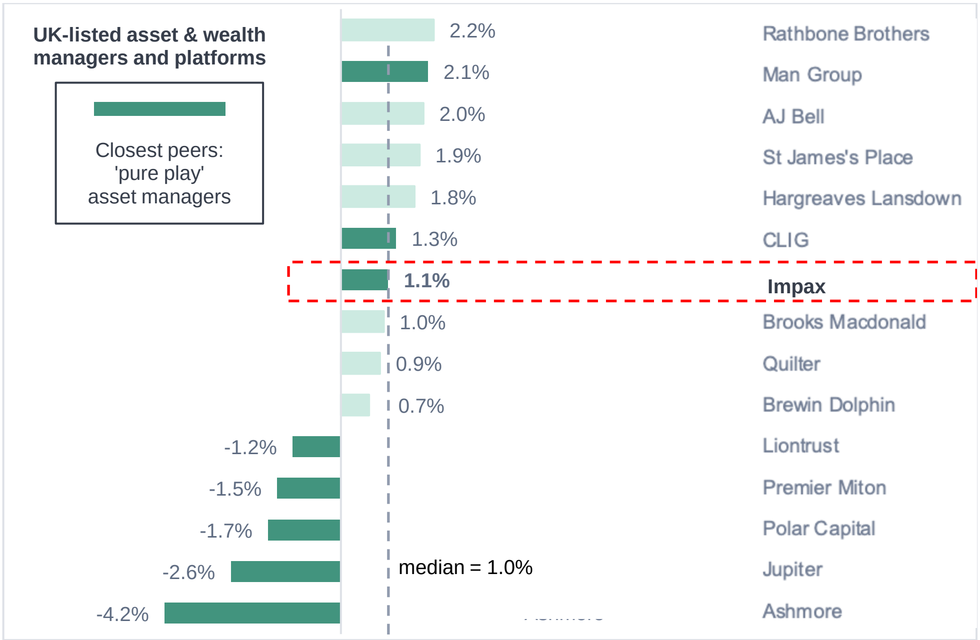
With respect to Impax's strength relative to peers, we highlight that over H1, **its net inflows of +£2.5bn (6.6% of opening AUM), placed second out of a 16-strong London-listed peer group and far above the median net inflow rate of 2.1% of opening AUM** (see chart overleaf).

We also highlight that Impax **continued to attract net inflows when many of its closest peers - 'pure play' asset managers - experienced net outlows**. This was particularly impressive during Q2, when the value of sustainable investments were so hard hit (noting that valuation declines often lead to investors withdrawing funds from asset managers). During Q2, Impax's net flows remained in the top half of the larger peer group while it was one of only three pure-play asset managers to maintain positive net flows.

H1-22 AUM net inflows as % of opening AUM (6m to 31/3/22)



Q2-22 AUM net inflows as % of opening AUM (3m to 31/3/22)



Source: Company reports and trading updates, ED analysis
Net inflows exclude AUM added through acquisitions.
CLIG = City of London Investment Group

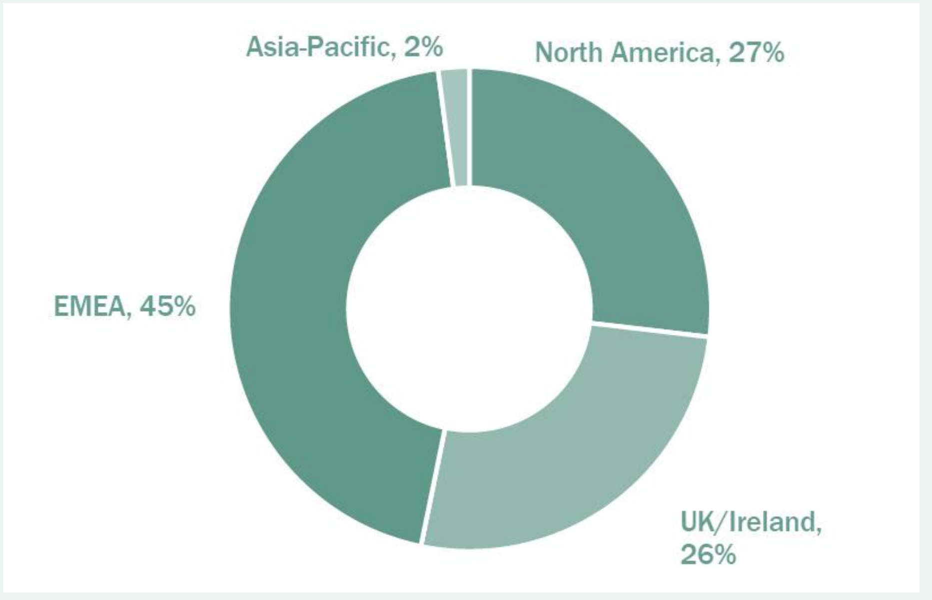
[Note: *Wealth managers and platforms often house 'investment portfolios' as opposed to investments in individual funds (a more typical characteristic of 'pure play' asset managers). Wealth managers and platforms are therefore typically impacted less by withdrawals out of individual funds – a withdrawal from a fund might be placed in another fund or held in cash with that wealth manager or platform. In contrast, a 'pure play' asset manager would often experience an outflow at a company level when a withdrawal from an individual fund is made.*]

Diversified AUM growth and AUM base

Pleasingly, Impax has reported that its inflows during the period have been **well diversified across geographies and channels** and reflect **a mix of new mandate wins and increased investments into existing accounts.** Some notable developments include:

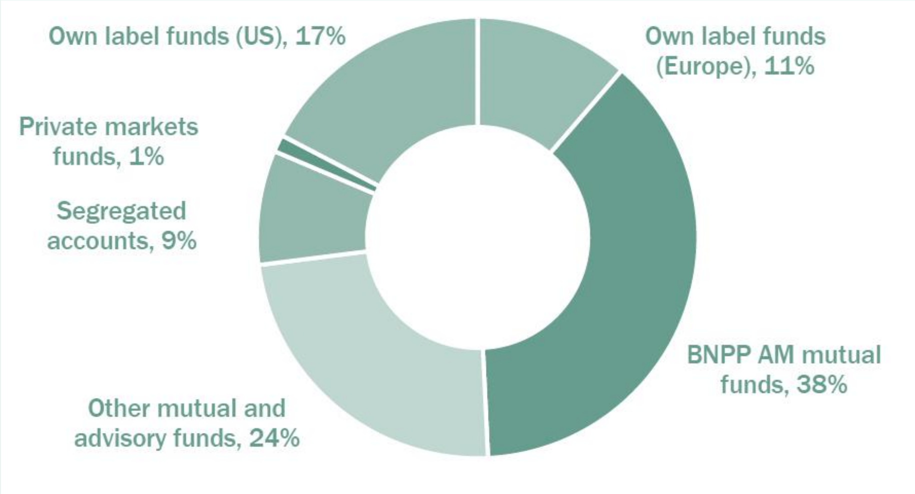
- US-based Pax World funds' AUM grew by 4.9% to US$8.7bn.
- UCITS fund range (based in Ireland) grew by 9.8% to £2.3bn.
- Strong interest in the Climate strategy, boosted by the COP26 climate conference in Glasgow in Nov 21, with the Climate strategy accounting for 12.9% of net inflows during the Period and two new mandates secured in the US and China.
- A global consulting firm choosing the Leaders strategy for distribution into the New Zealand market.
- Impax Environmental Markets plc (using the Specialists strategy) was named "Environmental Company of the Year" in Investment Week's Investment Company awards in Nov 21.
- Global Opportunities strategy registered 36.6% of Impax's total net inflows for the Period with strong inflows via St James's Place, and into Ireland-based Impax Global Equity Opportunities fund.
- In October 2021, the Private Markets team, investing in renewable power generation, held the first close of Impax New Energy Investors IV, with €238 million raised. By the Period end, the team had invested, reserved or committed nearly all the first close capital with projects signed in Poland, Greece, Italy and Germany.

AUM by region



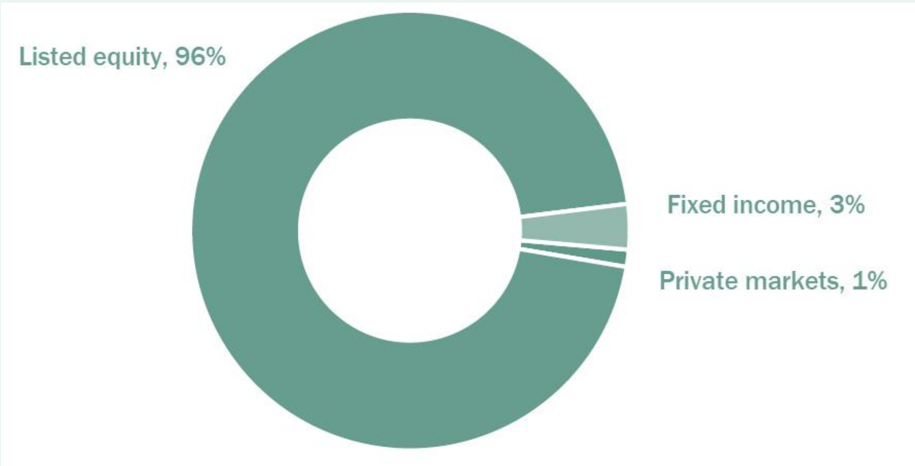
Source: Impax
Data in pie charts as at 31 March 2022

AUM by client type



Source: Impax
Data in pie charts as at 31 March 2022

AUM by asset class with AUM movement for H1



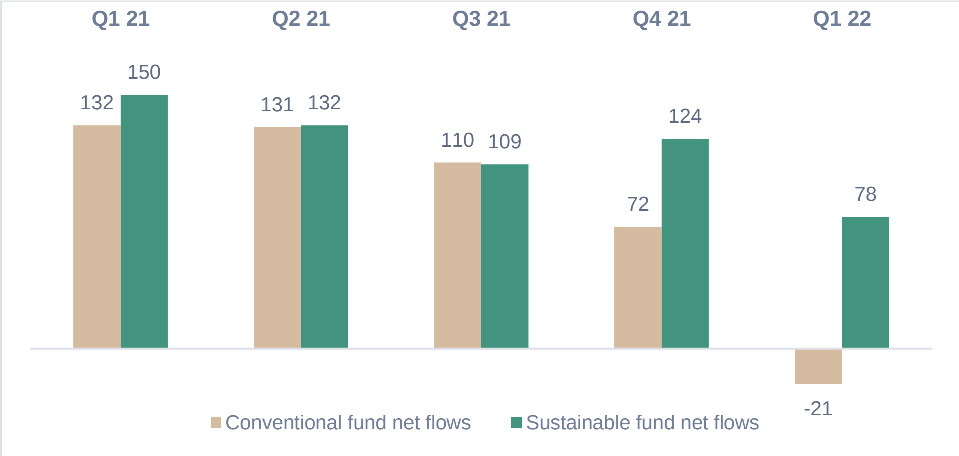
	Listed equities £m	Fixed income £m	Private markets £m	Total firm £m
Total AUM at 30 September 2021	**35,637**	**1,257**	**318**	**37,211**
Net flows	2,256	48	168	2,472
Market movements, FX and performance	(1,624)	(36)	(7)	(1,667)
Total AUM at 31 March 2022	**36,268**	**1,268**	**479**	**38,016**

Source: Impax
Data in pie charts as at 31 March 2022

Sustainable investing market holds up, tailwinds stengthen

Calender-Q1-22 was a rocky period for investment funds generally, with many experiencing net outflows. **However, sustainable fund flows held up remarkably well**. While inflows certainly slowed between Q4 21 and Q1 22 (down 37% in Europe incl. UK, - the most advanced sustainable investing market with over 80% of global sustainable fund assets), they remained comfortably positive while net flows into conventional funds turned negative[1].

European sustainable* and conventional fund flows, US$bn

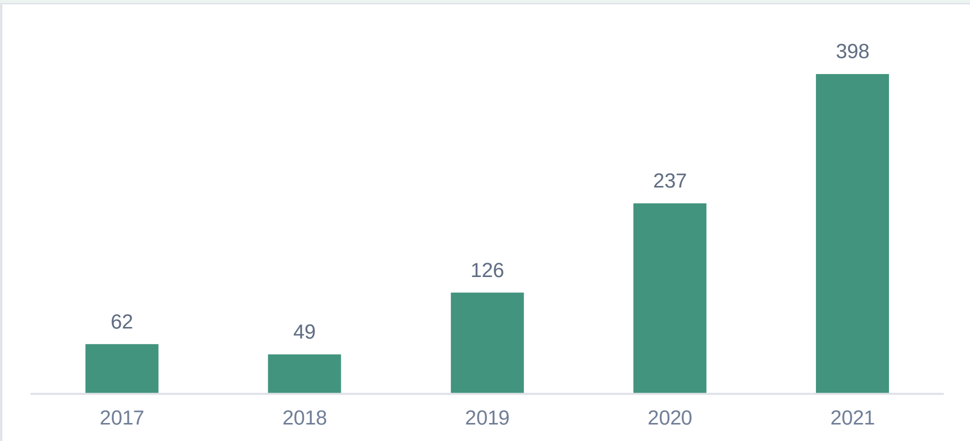


Source: Morningstar: Global Sustainable Fund Flows: Q4 2022 in Review (and prior reports)
** Open-end funds & ETFs domiciled in Europe that claim to have a sustainability objective and/or use binding ESG criteria for investment selection. Excludes funds that employ only limited exclusionary screens, such as controversial weapons, tobacco, and thermal coal. Excludes money market funds, feeder funds, and funds of funds.*

It is also worth reflecting on the recent strength of momentum in the sustainable fund market. From the above chart it can be seen that for the whole of 2021, net inflows into sustainable funds were actually higher than flows into 'conventional' funds on an absolute basis (54% of total flows were into sustainable funds), a far higher inflow-to-asset-base ratio, considering that sustainable fund assets made up only 17% of total fund assets at the end of 2021.

Looking back over a longer period for perspective, momentum in sustainable investing is exceptionally strong. In 2021, European sustainable funds attracted nearly €400bn of net inflows, 68% up year-on-year and eight times higher than the €50bn of net inflows of 2018.

European Sustainable Fund Flows, €bn



Source: Morningstar: Global Sustainable Fund Flows: Q4 2021 in Review (and prior reports)

[1] All data on this page from Morningstar: Global Sustainable Fund Flows: Q1 2022 in Review (and prior reports)

We think momentum will remain strrong. The tailwinds that have been in place over the last few years - and driven the growth shown in the above chart - remain firmly intact. In addition, more recent tailwinds have emerged too:

- Asset owners (clients of investment managers such as Impax) are guarding against 'greenwashing' (over-egged or false green credentials) and demanding more sophisticated sustainable investing strategies. While many investment managers have clamoured to grab their share of assets pouring into sustainable investing, marketing-driven green-labels, simplistic exclusionary strategies, or just complying with a regulatory-defined sustainable category is often no longer sufficient in the eyes of asset owners.

  In fact, Morningstar, a leading fund ratings agency, recently removed its 'sustainable' tag from over 1,000 European funds, despite these funds being defined as 'Article 8' under EU SFDR2 regulation (simplistically, funds which promote environmental or social characteristics). It commented: "*Many funds that place themselves into Article 8, for example, are not funds we would independently classify as sustainable funds."*

- Upcoming regulation will probably steer even more investment towards sustainable funds, for example, a MiFID II amendment coming into effect in August 2022 will require financial advisers to consider their clients' sustainability preferences, which has the potential to accelerate adoption of sustainable investments among retail investors.

- And lastly, while the underlying cause is a tragedy, a consequence of Russia's invasion of Ukraine is likely to be a more significant and faster shift towards renewable energy investments, which will benefit the sustainable investment market and Impax specifically over the medium-to-long-term.

  A number of governments have already signalled significant policy shifts in this regard to diversify their energy supply (not only away from Russian-sourced fossil fuels specifically, but away from fossil-fuel-based energy more generally, in favour of renewable energy).

[2] Sustainable Finance Disclosure Regulation, effective 10 March 2021

Impressive H1 financials

Revenue

H1 22 revenue was £88.6m up 46% from £60.6m in H1 21. However, due to the volatility of AUM during the period (see further details below), a better year-on-year revenue comparison for this period is probably run-rate revenue, which measures the end-of-period revenue (March for half-year results), extrapolates this for 12 months and adjusts to remove the effects of one-off transactions. **On this basis run-rate revenue at the end of H1 22 was £177m, up 27% on the £139m run-rate revenue at the end of H1 21.**

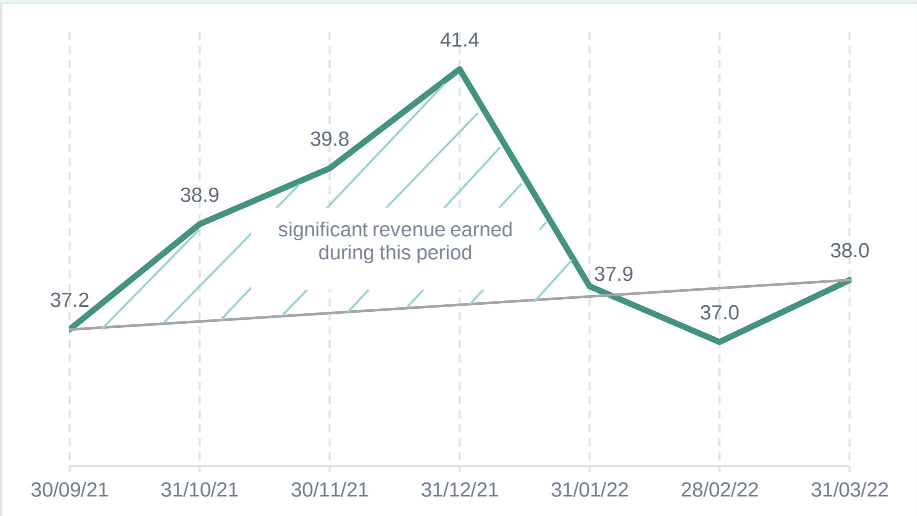
The weighted average run rate revenue margin was unchanged at 47bps.

While the 46% revenue growth of H1 is most certainly impressive, and indicative of how Impax has grown over the last year, it is also important to flag that for H2 revenue to match or exceed that of H1, solid growth in total AUM is needed.

This has to do with the volatility of AUM during H1 and Impax's revenue model. Most clients pay Impax a quarterly-in-arrears fee, calculated by multiplying a management fee rate (averaging 47bps) by the average AUM level of the previous quarter.

And because AUM levels during the first four months of H1 were significantly higher than the starting and ending H1 AUM levels - AUM started Q1 at £37.2bn, rose 11% to £41.4bn at the end of Q1, and then fell 8% to £38.0bn during Q2 – H1 revenue received a 'boost' from the spike in AUM during Q1 and into Jan 22, which might not be repeated in H2.

AUM profile during H1, £bn



Source: Impax.

Operating leverage continues to ratchet up profitability

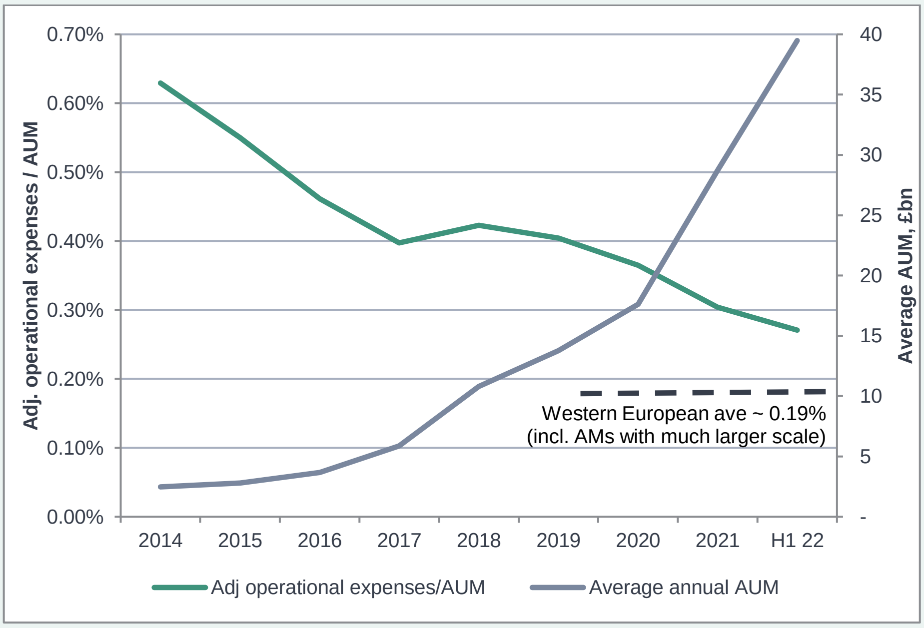
Adjusted operating profit jumped 64% to £34.0m from £20.7m in H1 21 (this eliminates non-recurring acquisition costs, on-going amortisation of intangibles acquired, one-off tax credits and mark-to-market charges on equity award schemes and is probably the best measure of underlying operating performance). Run rate annualised adjusted operating profit was up 26% to £65.2m versus £51.7m at the end of H1 21.

Adjusted diluted eps increased 82% to 21.5p (H1 21: 11.8p) and adjusted operating margin increased on a y-o-y basis to 38% (H1 21: 34%), providing **evidence that operational leverage is kicking in as the business scales**.

We like to track operational leverage by comparing expenses to average AUM (thus eliminating pricing effects). And on this metric, Impax is **still showing a strong downwards trend towards levels achieved by larger-scale asset managers.**

Between 2014 and 2021, Impax had halved its *adjusted operational expenses to average AUM* ratio from 0.61% to 0.30% (0.28% in H1 22). And according to McKinsey, the average cost margin as a percentage of AUM among Western European asset managers (which includes AMs of much larger scale) is 0.19%[3], indicating that Impax has plenty of headroom to capture even more operational leverage.

Adjusted operating expenses vs average AUM



Source: Impax, ED analysis, McKinsey[1]

IFRS operating profit increased 94% from £16.4m in H1 21 to £32.0m in H1 22. Profit after tax increased 86% from £14.4m to £26.6m; and basic EPS 86% from 11.1p to 20.6p.

Balance sheet remains robust

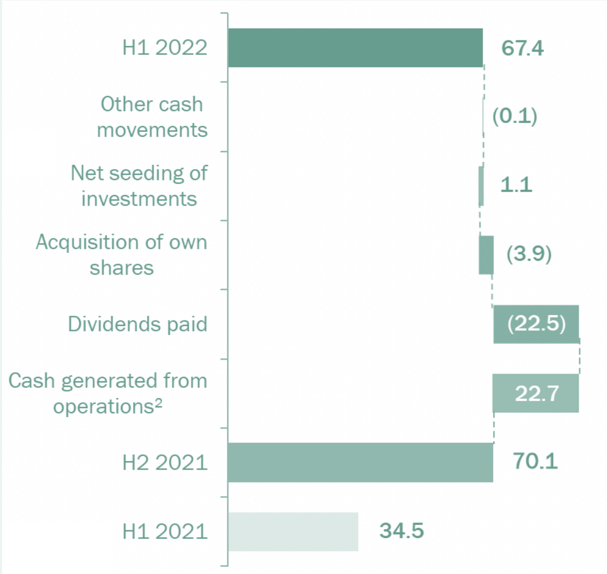
The Balance sheet of the group also strengthened significantly, with £23.5m (H1 21 £11.7m) of cash being generated from operating activities (after tax).

Cash reserves increased by 96% to £67.4m from £34.4m (these exclude 3rd-party interest on consolidated funds, and therefore differ slightly from accounting 'net cash' which includes these funds).

Net assets increased by 38% to £112.3m from £81.1m.

[3] McKinsey & Company. *European asset management after an unprecedented year*. July 2021

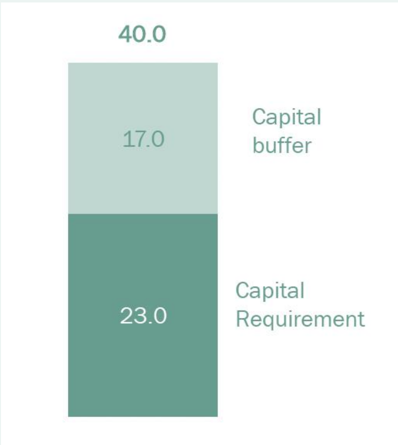
Cash movements, £m



Source: Impax
Excludes third-party interest on consolidated funds and cash held in Research Payment Accounts.
[2]Cash generated from operations net of lease payments.

The group also provides a capital resources breakdown (see chart below) that takes into account minimum regulatory cash. This shows Impax having a capital buffer of £17.0m.

Capital resources breakdown, £m



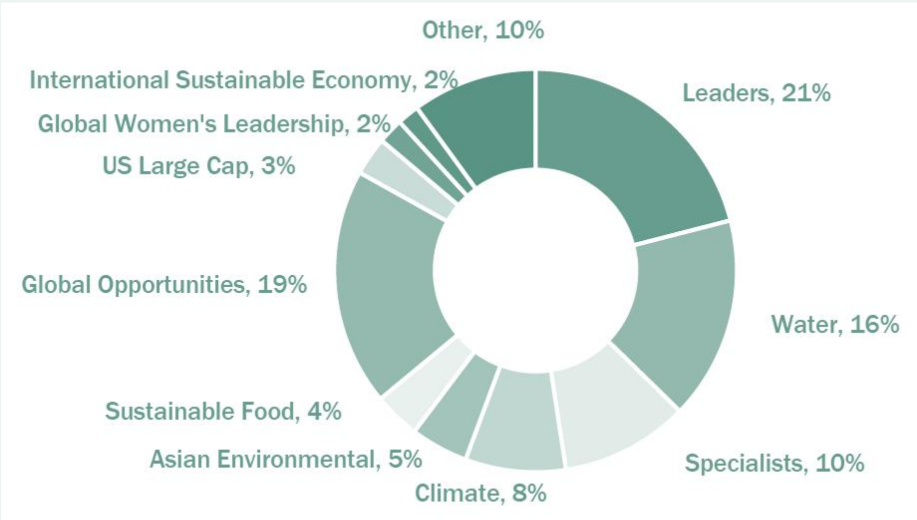
Source: Impax

The interim dividend has increased 31% from 3.6p to 4.7p.

Investment returns underpin sustainability propositions

Impax has constructed a diverse range of sustainable investing strategies to cater for a wide range of client needs.

AUM breakdown by strategy



Data as at 31 Mar 22
Source: Impax

While these offerings are attractive from a sustainability perspective, they are also underpinned by delivering superior investment returns, consistently above benchmarks over the longer term, although over a one-year period many of Impax's strategies have underperformed benchmarks, as sustainable economy stocks and high-growth companies, common in Impax's strategies, have seen their valuations hard hit, especially in the Jan-Mar 22 market turmoil.

This is illustrated in the tables below (performance shown for largest two strategies which make up around 90% of AUM - Environmental Markets Strategies and Sustainability Lens Strategies - above benchmark performance shaded in green, below benchmark in red).

Environmental Markets Strategies to 31 Mar 2021, % annualised return

LEADERS: AUM £ 7,984m

All-cap global equities with material exposure to Environmental Markets, investing in companies that are developing innovative solutions to resource challenges in four key areas: new energy; water; waste and resource recovery; and sustainable food, agriculture and forestry.

Investment period	1Y	3Y	5Y
Impax performance	5.0%	14.0%	11.2%
Benchmark – MCSI All Country World Index	12.4%	13.4%	10.5%

WATER: AUM £6,191m

Global equities across the water infrastructure, utilities and treatment sectors.

Investment period	1Y	3Y	5Y
Impax performance	12.0%	17.3%	13.1%
Benchmark – MCSI All Country World Index	12.4%	13.4%	10.5%

SPECIALISTS: AUM £ 3,915

Small & mid cap global equities with majority exposure to high growth Environmental Markets, investing in companies that are developing innovative solutions to resource challenges in four key areas: energy; water; waste and resource recovery; and sustainable food, agriculture and forestry.

Investment period	1Y	3Y	5Y
Impax performance	6.5%	18.1%	13.5%
Benchmark – MCSI All Country World Index	12.4%	13.4%	10.5%

CLIMATE: AUM £ 3,086m

Global equities with demonstrable exposure to products and services enabling mitigation of climate change or adaptation to its consequences.

Investment period	1Y	3Y	5Y
Impax performance	5.2%	17.7%	
Benchmark – MCSI All Country World Index	12.4%	13.4%	10.5%

ASIAN ENVIRONMENTAL: AUM £ 1,761m

Regional exposure to the fast growing Environmental Markets in South East Asia, China, Japan and Australia.

Investment period	1Y	3Y	5Y
Impax performance	-1.6%	11.0%	10.2%
Benchmark – MCSI AC AP Composite	-5.8%	5.7%	5.5%

SUSTAINABLE FOOD: AUM £ 1,417m

Investing in the most innovative companies across the sustainable food value chain.

Investment period	1Y	3Y	5Y
Impax performance	2.3%	9.1%	7.7%
Benchmark – MCSI All Country World Index	12.4%	13.4%	10.5%

Source: Impax, ED analysis
All numbers show annualised returns. All returns and AUM shown in GBP as of 31 Mar 22.
Figures are presented gross of management fees and include the reinvestment of all income.
MSCI indices are total net return (net dividend re-invested).
MSCI AC AP Composite is a custom made benchmark made up of 80% MSCI AC Asia Pacific ex Japan and 20% MSCI Japan, rebalanced daily

Sustainability Lens Strategies to 31 Mar 2022, % annualised return

GLOBAL OPPORTUNITIES: AUM £ 7,251m

An all cap global equity strategy that invests in companies possessing sustainable competitive advantages in order to achieve long-term capital growth.

Investment period	1Y	3Y	5Y
Impax performance	12.5%	16.2%	15.4%
Benchmark – MCSI All Country World Index	12.4%	13.4%	10.5%

US LARGE CAP: AUM £1,159m

A core equity strategy that fully integrates analysis of sustainability risks and opportunities and invests in companies that have strong prospects and attractive valuations.

Investment period	1Y	3Y	5Y
Impax performance	18.8%	22.6%	17.4%
Benchmark – S&P 500 Index	21.2%	18.5%	14.8%

US SMALL CAP: AUM £ 548m

A core strategy that fully integrates analysis of ESG risks and opportunities and focuses on high quality companies at reasonable prices. The strategy uses a proprietary sustainability lens and ESG research to better manage sustainability risks and identify opportunities, and it is fossil fuel free.

Investment period	1Y	3Y	5Y
Impax performance	7.4%	13.1%	7.8%
Benchmark – Russell 2000 Index	-1.3%	11.4%	8.6%

CORE BOND STRATEGY: AUM £ 564m

An investment-grade bond strategy focused on the opportunities and risks arising from the transition to a more sustainable economy.

Investment period	1Y	3Y	5Y
Impax performance	1.1%	1.7%	1.3%
Benchmark – Bloomberg Barclays US Aggregate Index	0.4%	1.3%	1.1%

HIGH YIELD BOND STRATEGY: AUM £ 526m

A high yield bond strategy leveraging proprietary sustainability tools and research to better identify opportunities and mitigate risks. Focuses on companies with stable profits and manageable debt loads and growing businesses with improving credit profiles.

Investment period	1Y	3Y	5Y
Impax performance	3.6%	4.8%	3.7%
Benchmark – ICE BofA Merrill Lynch US High Yield BB-B (Constrained 2%) Index	4.3%	4.0%	3.5%

Source: Impax, ED analysis
All numbers show annualised returns. Returns and AUM as at 31 Mar 2022.
Strategy returns are calculated including the dividends re invested, net of withholding taxes , gross of management fee.
MSCI indices are total net return (net dividend re invested).
S&P 500 Index is an unmanaged index of large capitalisation common stocks.
The Russell 2000 Index ("Benchmark") is an unmanaged index and measures the performance of the small cap segment of the U.S. 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 2000 of the smallest securities based on a combination of their market cap and current index membership.
The ICE BofA Merrill Lynch U.S. 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%.
Bloomberg Barclays U.S. Aggregate Bond Index represents securities that are U.S. domestic, taxable and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities and asset backed
securities.

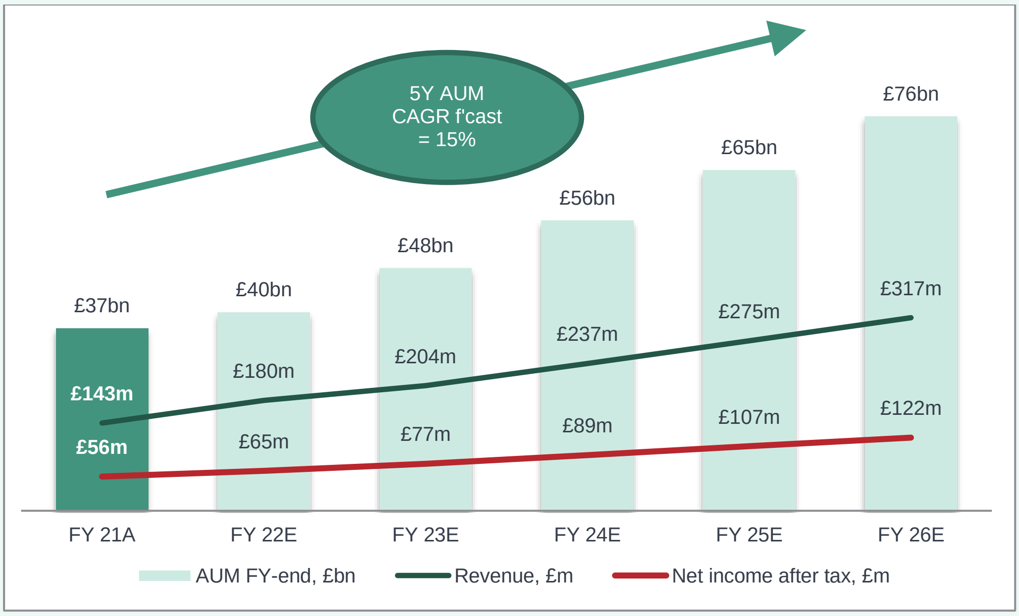
Fundamental value reduced slightly

We have decreased our core value slightly from 1260p to 1225p, primarily because of a slightly reduced AUM and hence revenue outlook for the full FY22 year (previous year-end AUM forecast £41.4bn reduced to £40.5bn). However, even our reduced value remains over **65% above the current share price**.

This valuation has been arrived at using a discounted cash flow methodology with the following main assumptions (underpinned by Impax's strong strategic positioning, market offering, and ability to execute):

- AUM grows to around £76bn by FY26 – based on net inflows of just under £4bn for FY22 increasing to around £7bn per year by FY26 (we remind readers that net flows for FY21 reached £10.7bn).
- Investment performance of +5% per year is achieved.
- Adjusted operating margins continue to improve as the business scales, from the current 37% (31 March 2022 run-rate operating margin) to just under 40%.
- The business is sold at the end of this five-year period at a PE multiple of 20 which, given the growth prospects of Impax we believe is conservative.

Projections used for fundamental valuation



Source: Impax, ED Analysis

Appendix – Historic and forecast financials

Consolidated Income Statement + Forecasts							
12 months to end Sept, £'000s	**2019A**	**2020A**	***H1 21 A***	**2021A**	***H1 22 E***	**2022E**	**2023E**
Revenue	**73,695**	**87,511**	***60,591***	**143,056**	***88,640***	**180,058**	**203,684**
IFRS Income Statement							
Operating costs	(54,883)	(69,928)	*(44,150)*	(95,622)	*(56,680)*	(117,483)	(129,452)
Operating profit	**18,812**	**17,583**	***16,441***	**47,434**	***31,960***	**62,575**	**74,233**
Fair value gain/(loss) on investments	842	-	-	-	-	-	-
Non-controlling interest	156	-	-	-	-	-	-
Finance cost	(912)	(1,921)	*(2,103)*	(1,971)	*(403)*	(800)	(800)
Investment income	-	1,020	*110*	286	*1,130*	1,500	1,500
IFRS profit before tax	**18,898**	**16,682**	***14,448***	**45,749**	***32,687***	**63,275**	**74,933**
Taxation	(3,028)	(2,944)	*(91)*	(5,504)	*(6,046)*	(12,022)	(16,485)
IFRS PAT	**15,870**	**13,738**	***14,357***	**40,245**	***26,641***	**51,253**	**58,447**
Basic EPS, p	12.2	10.6	*11.1*	31.5	*20.6*	39.6	44.9
Diluted EPS, p	12.1	10.5	*10.9*	30.3	*20.1*	38.2	43.2
Adjusted Income Statement							
Adjustments to operating costs:							
Acquisition equity incentive scheme awards	(21)	135	*986*	1,649	*669*	-	-
Mark to market charge on equity awards	202	2,997	*1,952*	4,176	*123*	-	-
Amortisation of goodwill/intangibles	2,528	2,535	*1,196*	2,358	*1,200*	2,358	2,358
Credit from contingent consideration adjustment	(3,543)	-	*167*	167	-	-	-
Adjusted operating profit	**17,978**	**23,250**	***20,742***	**55,784**	***33,952***	**64,933**	**76,591**
Fair value gain/(loss) on investments	897	-	-	-	-	-	-
Non-controlling interest	156	-	-	-	-	-	-
Finance cost	(912)	(1,921)	*(2,103)*	(1,971)	*(403)*	(800)	(800)
Investment income	-	896	*68*	197	*1,098*	1,500	1,500
Adjusted profit before taxation	**18,119**	**22,225**	***18,707***	**54,010**	***34,647***	**65,633**	**77,291**
Taxation	(3,037)	(3,490)	*(3,257)*	(9,084)	*(6,063)*	(12,470)	(17,004)
Adjusted PAT	**15,082**	**18,735**	***15,450***	**44,926**	***28,584***	**53,163**	**60,287**
Adjusted Basic EPS, p	11.6	14.6	*11.9*	35.2	*22.1*	41.1	46.3
Adjusted Diluted EPS, p	11.5	14.5	*11.8*	33.9	*21.5*	39.6	44.6
Dividends							
Interim dividend, p	1.5	1.8	*3.6*	3.6	*4.7*	4.7	6.4
Final dividend, p	4.0	6.8		17.0		18.0	19.1
FY dividends per share, p	**5.5**	**8.6**		**20.6**		**22.7**	**25.5**

Source: Group report & accounts and ED estimate

Consolidated Balance Sheet + Forecasts

as at end Sept, £'000s	2019A	2020A	*H1 21 A*	2021A	*H1 22E*	2022E	2023E
Assets							
Non-current assets							
Goodwill	12,804	12,306	*11,622*	11,816	*12,063*	11,816	11,816
Intangible assets	24,518	20,871	*18,338*	17,473	*16,714*	15,064	12,655
Property, plant and equipment	1,779	10,857	*9,805*	9,435	*9,020*	8,199	6,963
Deferred tax assets	3,757	5,492	*6,099*	11,895	*7,265*	11,895	11,895
Total non-current assets	**42,858**	**49,526**	***45,864***	**50,619**	***45,062***	**46,974**	**43,329**
Current assets							
Trade and other receivables	16,740	20,735	*26,750*	39,800	*39,496*	50,094	56,667
Investments	4,626	4,387	*6,537*	7,564	*6,246*	6,246	6,246
Current tax account	239	224	*1,601*	134	*558*	134	134
Cash: money mkt & LT deposits	15,235	18,516	*11,357*	38,066	*40,451*	40,451	40,451
Cash and cash equivalents	11,939	20,245	*26,896*	36,172	*31,574*	64,390	99,801
Total current assets	**48,779**	**64,107**	***73,141***	**121,736**	***118,325***	**161,315**	**203,300**
Total Assets	**91,637**	**113,633**	***119,005***	**172,355**	***163,387***	**208,289**	**246,629**
Equity and Liabilities							
Equity							
Ordinary shares	1,304	1,304	*1,326*	1,326	*1,326*	1,326	1,326
Share premium incl. merger reserve	9,291	9,291	*10,824*	10,824	*10,824*	10,824	10,824
Exchange translation reserve	1,936	1,449	*172*	374	*438*	374	374
Hedging reserve	(54)	(111)	*123*	-	-	-	-
Retained earnings	50,751	59,515	*68,652*	97,998	*99,758*	122,662	154,418
Total equity	**63,228**	**71,448**	***81,097***	**110,522**	***112,346***	**135,186**	**166,942**
Current Liabilities							
Trade and other payables	23,581	27,984	*27,570*	50,107	*41,365*	63,067	71,343
Lease liability	-	1,410	*1,403*	1,330	*1,311*	1,119	908
Current tax liability	124	190	*127*	1,923	*409*	1,923	1,923
Total current liabilities	**23,705**	**29,584**	***29,100***	**53,360**	***43,085***	**66,109**	**74,174**
Non-current Liabilities							
Accruals	704	-	-	-	-	-	-
Lease liabilities	-	9,261	*8,378*	8,102	*7,585*	6,622	5,142
Deferred tax liability	4,000	3,340	*430*	371	*371*	371	371
Total non-current liabilities	**4,704**	**12,601**	***8,808***	**8,473**	***7,956***	**6,993**	**5,513**
Total equity and liabilities	**91,637**	**113,633**	***119,005***	**172,355**	***163,387***	**208,289**	**246,629**

Source: Group report & accounts and ED estimates

Consolidated Cash Flow Statement + Forecasts

12 months to end Sept, £'000s	2019A	2020A	*H1 21A*	2021A	*H1 22 E*	2022E	2023E
Profit before taxation	**18,898**	**16,682**	***14,448***	**45,749**	***32,687***	**63,275**	**74,933**
Adjustment for:							
Investment income	(236)	(1,020)	*(110)*	(286)	*(1,130)*	(1,500)	(1,500)
Interest expense	912	1,921	*2,103*	1,971	*403*	800	800
Depreciation and amortisation	2,952	4,260	*2,032*	4,057	*2,069*	4,469	4,469
Fair value (gains)/losses	(606)	-	-	-	-	-	-
Non-controlling interests	(156)	-	-	-	-	-	-
Contingent consideration adjustment	(3,543)	-	-	-	-	-	-
Share-based payment charges	1,160	1,813	*1,743*	4,882	*2,558*	4,882	4,882
Op CF before movement in working capital	**19,381**	**23,656**	***20,216***	**56,373**	***36,587***	**71,926**	**83,584**
(Increase)/decrease in receivables	(1,135)	(3,995)	*(6,664)*	(19,021)	*304*	(10,294)	(6,573)
(Decrease)/increase in payables	2,602	4,721	*(277)*	22,460	*(8,742)*	12,960	8,276
Cash generated from operations	**20,848**	**24,382**	***13,275***	**59,812**	***28,149***	**74,592**	**85,286**
Corporation tax paid	(580)	(607)	*(1,532)*	(4,445)	*(4,624)*	(12,022)	(16,485)
Net cash generated from operating activities	**20,268**	**23,775**	***11,743***	**55,367**	***23,525***	**62,570**	**68,801**
Investing activities							
Deconsolidation of investment fund	(67)	-	-	-	-	-	-
Investment income received	236	222	*54*	93	*145*	1,500	1,500
Settlement of investment related hedges	258	(156)	*(120)*	(455)	*(97)*	-	-
Net redemptions/(investments) from unconsolidated Impax funds	*(485)*	*1,191*	*(1,973)*	(2,529)	*1,229*	1,318	-
(Incr)/decr in cash in money market & LT deposit	(4,024)	(3,281)	*7,159*	(19,550)	*(2,385)*	(2,385)	-
Purchase of Impax NH shares	-	-	*(704)*	(704)	-	-	-
Acq of property, plant & equip & intangible assets	(402)	(182)	*(33)*	(257)	*(407)*	(824)	(824)
Net cash used in investing activities	**(4,484)**	**(2,206)**	***4,383***	**(23,402)**	***(1,515)***	**(391)**	**676**
Financing activities							
Acquisiiton of non-controlling interest	(201)	(201)	-	(191)	-	-	-
Repayment of bank debt	(10,371)	-	-	-	-	-	-
Interest paid on bank debt	(670)	(136)	*(64)*	(129)	*(59)*	(800)	(800)
Dividends paid	(5,792)	(7,442)	*(8,871)*	(13,616)	*(22,475)*	(27,775)	(31,574)
Acquisition of own shares	(2,505)	(4,223)	-	-	*(3,875)*	(3,875)	-
Payment of lease liabilities	-	(1,699)	*(832)*	(1,691)	*(846)*	(1,691)	(1,691)
Cash received on exercise of Impax share options	111	489	*597*	597	*180*	180	-
Net cash from /(used in) financing activities	**(19,428)**	**(13,212)**	***(9,170)***	**(15,030)**	***(27,075)***	**(33,961)**	**(34,065)**
Net (decrease)/increase in cash & equivalents	**(3,644)**	**8,357**	***6,956***	**16,935**	***(5,065)***	**28,217**	**35,412**
Cash and cash equivalents at beginning of year	15,529	11,939	*20,245*	20,245	*36,172*	36,172	64,390
Effect of foreign exchange rate changes	54	(51)	*(305)*	(1,008)	*467*	-	-
Cash and cash equivalents at end of year	**11,939**	**20,245**	***26,896***	**36,172**	***31,574***	**64,390**	**99,801**

Source: Group report & accounts and ED estimates

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