

Another surge in AUM, outlook remains positive

12 April 2021

AUM reached £30.0bn for the first time on 31 Mar 21 (six months into FY21), up 49% in H1 and 19% in Q2. Net inflows were particularly impressive for the quarter at £4.0bn (average quarterly inflows in FY20 were £0.9bn). This was on top of a solid market movement contribution to AUM of £0.8bn or 3.4% of opening AUM.

Impax is now ahead of the AUM growth trajectory (£50-55bn by 2025) that underpins our fundamental valuation of 925p per share – which is 5% above the 880p closing price on 9 April 2021.

We see no let up in capital flows towards sustainable investing and maintain a positive outlook for Impax.

Moreover, we think the trend can get even stronger, particularly as COP26 approaches (the United Nations Climate Change Conference to be held in Glasgow in Nov '21). Pressure to accelerate climate change reduction initiatives is already building in advance of the conference.

In February, reacting to an analysis of 75 countries' current climate plans, UN Secretary-General António Guterres said: "Governments are nowhere close to the level of ambition needed to limit climate change to 1.5°C (a target from COP21 - the 'Paris Agreement') ... the major emitters must step up with much more ambitious emissions reductions targets for 2030."¹ These pressures are highly likely to filter down into more demand for Impax's investment products.

Impax also flags the policies of the Biden Presidency in the United States as being likely to accelerate the transition to a more sustainable economy, and sustainable investing. While these policies will have implications beyond the US, they bode particularly well for Impax's US operations (roughly 20% of AUM).

Our AUM forecasts for FY21 are currently looking conservative (although we point out that market moves can impact top line AUM to the downside too) and we will be updating our forecasts when interim results are released in June.

Company Data

EPIC	IPX
Price (last close)	880p
52 weeks Hi/Lo	886p/325p
Market cap	£1,192m
ED Fair Value/share	925p
Proforma net cash	£38.8m
Avg. daily volume	146k

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.

Aggregate AUM at end March 2021 was £30.0bn



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Historic growth record and financials

Year-end 30 Sep	2017A	2018A	2019A	2020A
AUM, £bn	7.3	12.5	15.1	20.2
Revenue, £m	32.7	65.7	73.7	87.5
Adjusted Op. Profit, £m	9.3	20.0	18.0	23.2
Adjusted EPS, diluted, p	6.2	12.4	11.5	14.5
PER	141.0	71.1	76.5	60.7
Dividend*, p	2.9	4.1	5.5	8.6
Yield	0.3%	0.5%	0.6%	1.0%
Net assets, £m	35.6	53.5	63.2	71.4
Net cash**, £m	20.7	16.8	27.2	38.8

Source: Group report & accounts and ED estimates * Excludes special dividend of 2.6p in FY18, **includes funds in money market & LT deposit accounts and 3rd-party interest on consolidated funds
 Adj. results eliminate non-recurring acquisition costs, on-going amortisation of intangibles acquired, one-off tax credits and mark-to-market charges on equity award schemes.
 PER, and Yield calculations based on a share price of 880p.

¹ unfccc.int/news/greater-climate-ambition-urged-as-initial-ndc-synthesis-report-is-published



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