

## SJP ends mandate, but price fall looks unwarranted

16 December 2024

Impax has received notice from St. James's Place Unit Trust Group Limited that its mandate to manage the Sustainable & Responsible Equity Fund (SRE) is to be terminated from February 2025, subject to EGM. This is a blow to top-line AUM, with SRE making up c. £5.2bn (30 Nov 24) or c. 14% of total AUM of £37.2bn (30 Sep 24). Impax has stated that the termination was "driven by SJP seeking to further diversify the fund across investment styles".

But the impact on revenue is far more muted (c. 7.5% on an annualised basis), and some costs are stripped out of the system too (c. 5% of adjusted operating costs on an annualised basis).

In terms of revenue, Impax has clarified that the reduction will be c. £12.7m on an annualised basis, or an approximate £8m reduction to FY25 revenue (Oct 24 – Sep 25). The SRE fund was clearly a low-fee-margin account at around 24bps compared to the overall Impax average fee margin of 44.3bps.

In terms of costs, we remind readers that **Impax's remuneration model is heavily incentive based i.e. variable staff pay falls with events such as this.** "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." In addition, there will be some reduction in client servicing costs. We would therefore expect a **cost reduction** of around £5.5m-£6.5m on an annualised basis (£3.5m-£4m for FY25).

This translates to a reduction in our FY25 adjusted operating profit forecast from £44.6m to £40.4m (a still solid margin of 25.4%, previously 26.7%), and our FY26 forecast from £53.9m to £42.7m (a margin reduction from 29.6% to 26.1%).

### Fundamental value reduces, but a 23% share price fall looks too extreme

We don't downplay the disappointment of this termination, but we do think some perspective is needed. The SJP termination is a single, albeit large, low-margin mandate. And we maintain that there are pending triggers for a return to inflows, which were fully detailed in our recent [28 Nov 24 note](#) and are again summarised on page 2 of this note.

**The reduction in forecasts lowers our fundamental value / share by 14% from 700p to 600p, which is now well over double the share price following the 23% fall on 13 Dec 2024.**

#### Company Data

EPIC	IPX
Price (last close)	252p
52 weeks Hi/Lo	566p/252p
Market Cap	£334m
ED Fair Value/share	600p
Proforma net cash	£91m
Avg. daily volume	303k

#### 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](mailto:paul.bryant@equitydevelopment.co.uk)

**Andy Edmond**

0207 065 2691

[andy@equitydevelopment.co.uk](mailto:andy@equitydevelopment.co.uk)

#### Summary financials & forecasts

Year end 30 Sep	FY22A	FY23A	FY24A	FY25E		FY26E	
				prev.	new	prev.	new
AUM, £bn	35.7	37.4	37.2	40.4	35.2	44.5	39.0
Revenue, £m	175.4	178.4	170.1	167.3	159.3	181.8	163.5
Adj. Op. Profit*, £m	67.4	58.1	52.7	44.6	40.4	53.9	42.7
Net profit after tax	59.5	39.2	36.5	33.8	30.6	41.1	32.7
EPS basic, p	46.0	30.5	28.5	26.4	24.0	32.2	25.6
EPS adj. & diluted, p	42.1	35.2	32.2	27.4	24.9	32.8	26.3
PER	5.5	8.3	8.8	9.5	10.5	10.4	9.8
Dividend, p	27.6	27.6	27.6	27.6	27.6	27.6	27.6
Yield	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Net assets, £m	138.2	134.0	131.1	127.9	124.7	129.2	117.6
Net cash, £m	110.9	91.5	93.1	78.1	74.6	82.1	70.0

Source: Group report & accounts and ED estimates. ER and yield based on share price of 252p.

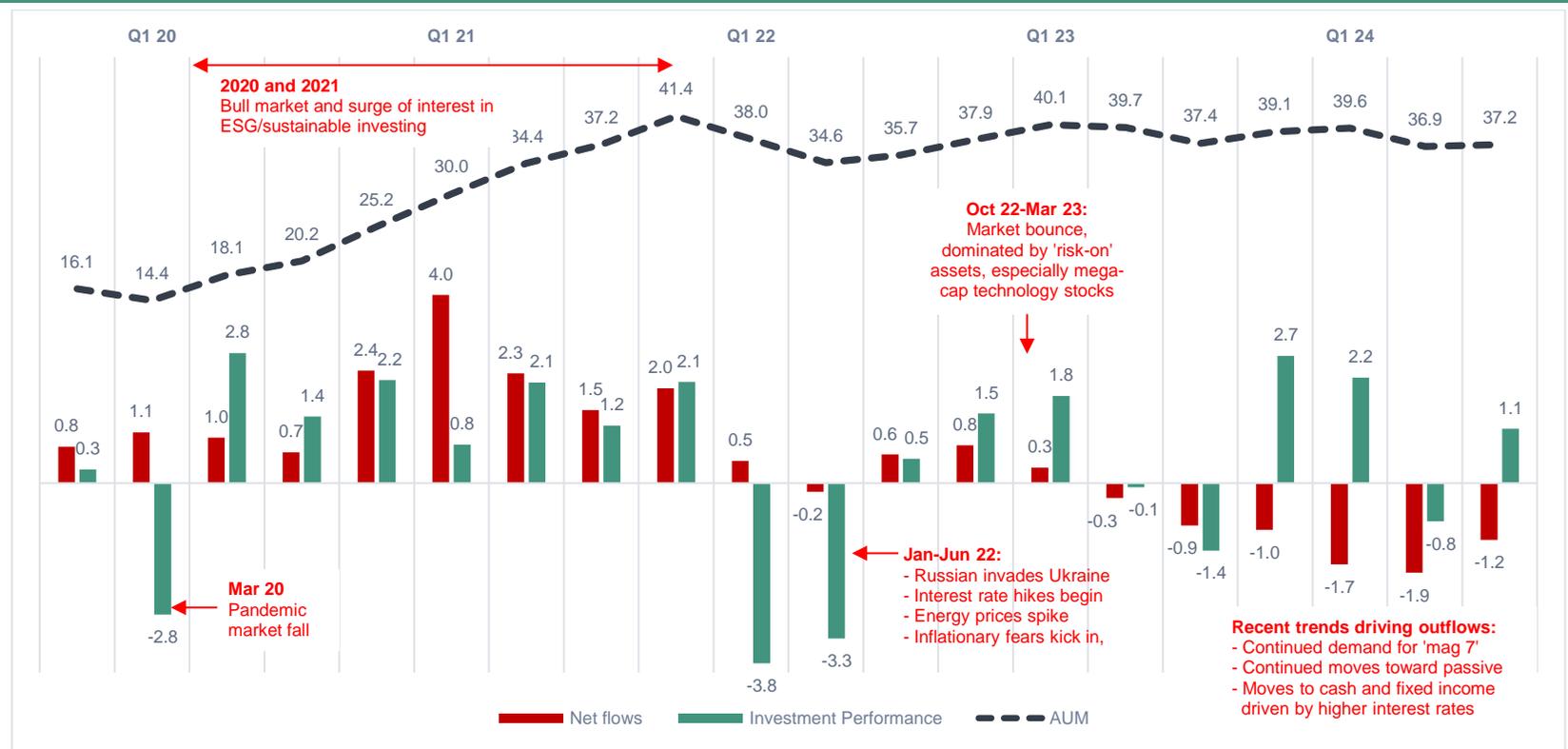
\* IFRS costs less non-recurring acq. costs, amort. of intangibles acq'd, one-off tax credits & M-T-M of NI on equity awards

## Triggers for a jump in flows: rate cuts, Trump, renewed interest in active and 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.



## Contacts

### Andy Edmond

Direct: 020 7065 2691

Tel: 020 7065 2690

[andy@equitydevelopment.co.uk](mailto:andy@equitydevelopment.co.uk)

### Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

[hannah@equitydevelopment.co.uk](mailto:hannah@equitydevelopment.co.uk)

**Equity Development Limited is regulated by the Financial Conduct Authority**

## Disclaimer

Equity Development Limited ('ED') is retained to act as financial adviser for its corporate clients, some or all of whom may now or in the future have an interest in the contents of this document. ED produces and distributes research for these corporate clients to persons who are not clients of ED. In the preparation of this report ED has taken professional efforts to ensure that the facts stated herein are clear, fair and not misleading, but makes no guarantee as to the accuracy or completeness of the information or opinions contained herein.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom ('FSMA'). Any reader of this research should not act or rely on this document or any of its contents. This report is being provided by ED to provide background information about the subject of the research to relevant persons, as defined by the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever.

Research produced and distributed by ED on its client companies is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is not deemed to be independent as defined by the FCA but is 'objective' in that the authors are stating their own opinions. This document is prepared for clients under UK law. In the UK, companies quoted on AIM are subject to lighter due diligence than shares quoted on the main market and are therefore more likely to carry a higher degree of risk than main market companies.

ED may in the future provide, or may have in the past provided, investment banking services to the subject of this report. ED, its directors or persons connected may at some time in the future have, or have had in the past, a material investment in the Company. ED, its affiliates, officers, directors and employees, will not be liable for any loss or damage arising from any use of this document to the maximum extent that the law permits.

More information is available on our website [www.equitydevelopment.co.uk](http://www.equitydevelopment.co.uk)

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

Contact: [info@equitydevelopment.co.uk](mailto:info@equitydevelopment.co.uk) | 020 7065 2690