

## AUM fall as expected and profits seen holding up

5 March 2025

Ahead of its 5 Mar 25 AGM, Impax has confirmed AUM of £28.5bn on 28 Feb 25. This is close to our expectations as on 31 Dec 24 AUM stood at £34.1bn, and we already knew that the termination of a £5.1bn James's Place mandate would impact the current quarter (Q2 of FY25). We expect AUM to jump again soon by c. £1.3bn once the Sky Harbor acquisition closes.

Also announced is an acceleration of the efficiency programme. Over 30 roles have been cut since 1 Oct 24 (c. 10% of headcount). This reduces run-rate annual costs by more than £11m (c. 9-10% of cost base), 'without materially reducing capabilities or growth prospects.'

### Growth outlook: some positive signs for Impax and for sustainable funds

While Impax has said it expects to report net outflows for March due to the closure of a small number of low-margin accounts (average fee margin of lost accounts = 30bps vs overall fee margin of 49bps), it has said that the H2 outlook is encouraging due to its pipeline and recent account wins. **Flows may receive a boost when investors see the improvement in Impax's investment performance relative to generic indices:** strategies representing 69% of AUM have outperformed their benchmarks in 2025, in a turnaround from market returns being dominated by 'mag-7' stocks.

Impax's commentary is consistent with market data, and on page 2 we detail encouraging signs from sustainable fund flows more generally, which have picked up in recent months. Additionally, several **large institutional investors (typical Impax clients) are becoming more insistent on maintaining sustainability considerations** in their asset allocations (also detailed on page 2).

### Profit forecasts unchanged: revenue & cost estimates revised downward

Nevertheless, flows are a little weaker than our previous forecasts and we have reduced our AUM forecasts accordingly. Revenue forecasts are also reduced, but not by the same percentage as AUM as most account losses have been in low-revenue-margin accounts. **The acceleration of the efficiency programme offsets top-line reductions with profit forecasts largely unchanged.**

### Cash and on-balance-sheet investments make up 50% of share price

Our fundamental valuation remains **600p per share**, based on a DCF model assuming a FY26 return to net inflows, which seems reasonable, and considers Impax's strong balance sheet. This is clearly out of kilter with the share price but justified in our view (data on page 3 backs up our analysis).

#### Company Data

EPIC	IPX.L
Price (last close)	172p
52 weeks Hi/Lo	525p/172p
Market cap	£220m
ED Fair Value / share	600p
Proforma net cash	£91m
Avg. daily volume	432k

#### Share Price, p



Source: Investing.com

#### 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 28 Feb 2025: £28.5bn

#### Next event

AUM update April 2025

#### Summary financials & forecasts

Year end 30 Sep	FY22A	FY23A	FY24A	FY25E prev.	FY25E new	FY26E prev.	FY26E new
AUM, £bn	35.7	37.4	37.2	34.1	31.5	37.8	34.8
Revenue, £m	175.4	178.4	170.1	159.0	155.0	163.5	155.8
Adj. Op. Profit*, £m	67.4	58.1	52.7	40.3	40.2	42.7	42.6
Net profit after tax	59.5	39.2	36.5	30.6	30.5	32.7	32.7
EPS basic, p	46.0	30.5	28.5	23.9	23.8	25.6	25.6
EPS adj. & diluted, p	42.1	35.2	32.2	24.9	24.8	26.3	26.2
PER	3.7	5.6	6.0	7.1	7.1	6.6	6.7
Dividend, p	27.6	27.6	27.6	27.6	27.6	27.6	27.6
Yield	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%
Net assets, £m	138.2	134.0	131.1	124.7	124.6	117.6	117.4
Net cash, £m	110.9	91.5	93.1	74.6	74.3	69.9	69.5

Source: Group report & accounts and ED estimates. ER and yield based on share price of 172.4p.

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

#### Paul Bryant (Analyst)

0207 065 2690  
paul.bryant@equitydevelopment.co.uk

#### Andy Edmond

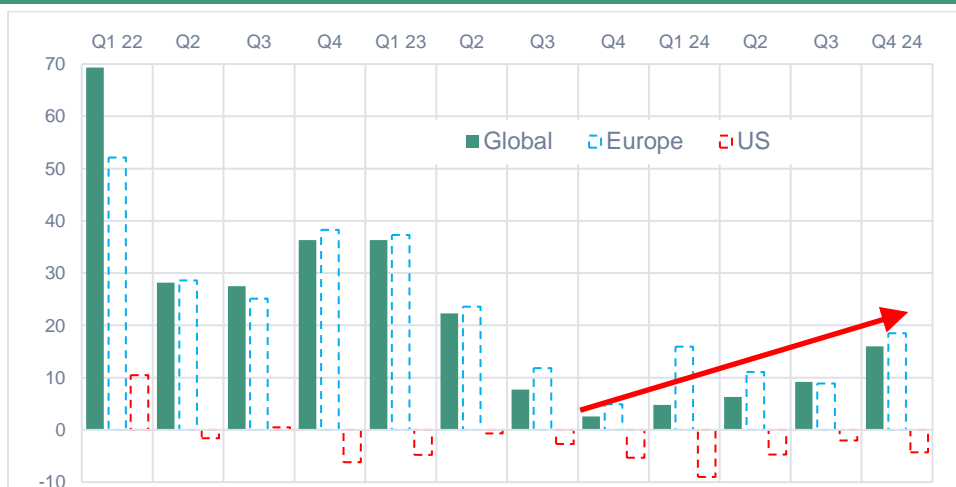
0207 065 2691  
andy@equitydevelopment.co.uk

## Sustainable fund flows show recent pickup

The fall in demand for sustainable funds over the last two years or so has certainly hurt Impax. But it is becoming clearer that significant demand remains. Data sets from Morningstar and LSEG Lipper both indicate a pickup in global demand in Q4-24 and into Jan 25 (although demand remains weak in the US).

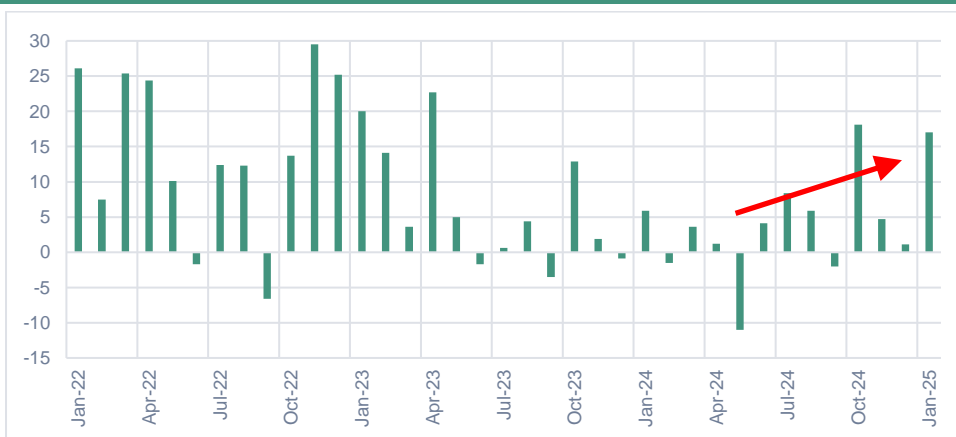
Particularly pleasing from an Impax outlook, is that **in Europe, net flows into sustainable funds more than doubled from US\$8.9bn in Q3-24 to US\$18.5bn in Q4**, with Morningstar commenting: “Sustainable equity funds looked to be back in vogue after posting a remarkable recovery in the last quarter of 2024. Inflows into the equity sleeve rose sevenfold to more than US\$12bn.”

### Quarterly sustainable fund net flows, US\$bn (Morningstar)



Source: Morningstar: [Global Sustainable Fund Flows: Q4 2024 in Review](#). Chart reproduced with permission. \*Global sustainable fund universe encompasses open-end funds and ETFs that, by prospectus or other regulatory filings, claim to focus on sustainability; impact; or ESG factors.

### Monthly responsible fund net flows, US\$bn (LSEG Lipper)



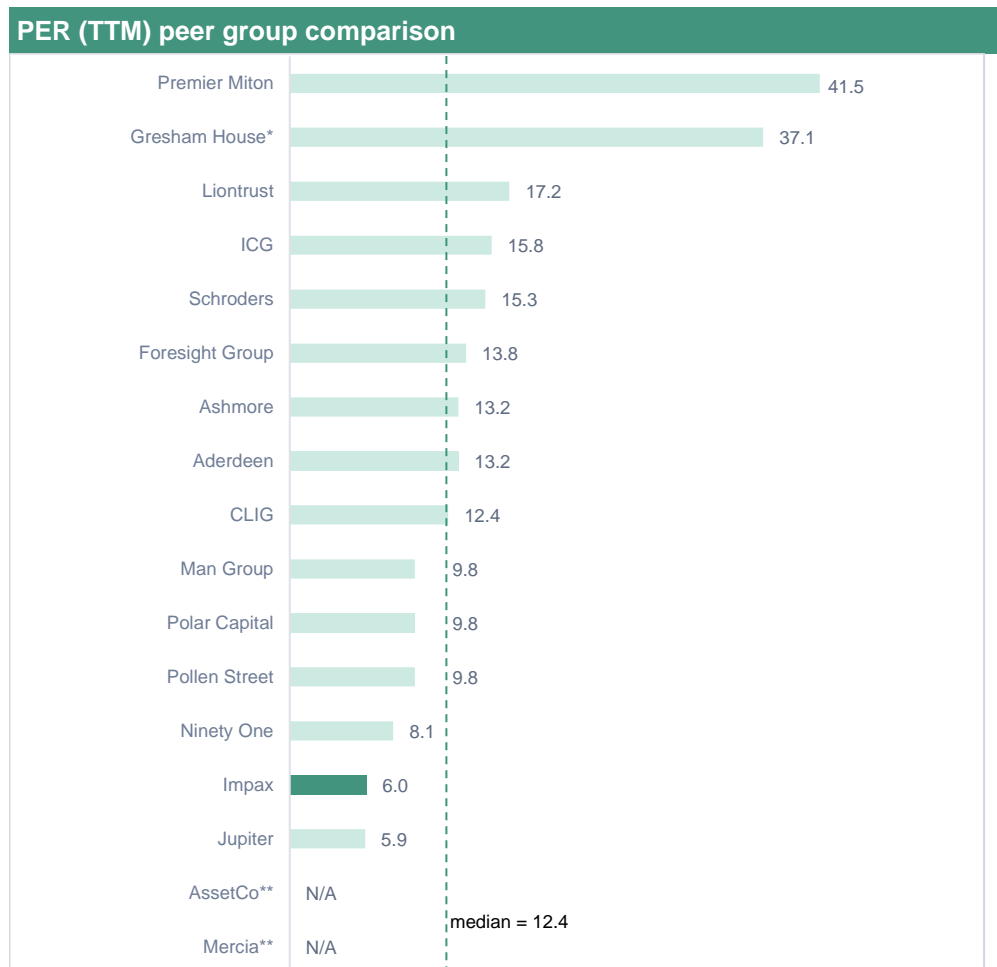
Source: LSEG Lipper: [Global Responsible Investments Fund Market Statistics for January](#). Chart reproduced with permission. \*European funds: SFDR Article 9 funds plus all Lipper Responsible Investment Attribute funds reduced to those containing indicative sustainable keywords in fund name. US and Canadian funds align to Lipper's Responsible Investment Attributes with no further screening.

Additionally, several large institutional investors (i.e. potential Impax clients) are becoming more insistent on maintaining sustainability considerations in their asset allocations. Indeed, in Feb 25, the [FT reported](#) that “Institutional investors with \$1.5tn in funds have told asset managers to step up on climate action or risk being dumped”. Later that month, [it reported](#) that action had been taken with one of the UK's largest pension funds pulling £28bn from State Street, “in a high-profile example of an asset owner pushing back against the retreat from ESG among the biggest US asset managers”.

## Valuation data points suggest Impax may be mispriced

With such a big discrepancy between our fundamental valuation and share price, it is worth highlighting some data points which seem to support the view that Impax's current share price seems far too low:

- There is still solid fundamental demand for sustainable investment funds, as already discussed;
- Impax has one of the longest and most credible track records in this space, and is surely positioned to capture more than its fair share of this market;
- If CEO Ian Simm is correct in his view that smaller-cap growth equities (Impax's bias), which have been out of favour in recent years, start seeing a mean reversion in their valuations, Impax's AUM (and hence revenue) could be boosted;
- Impax's growth in the fixed income space has the potential to further boost AUM;
- Despite recent AUM falls, **adjusted operating margin is not expected to fall below 25-26% before recovering**;
- The **share price now trades at one of the lowest PE multiples in the sector (6.0x), which is less than half the sector-median PER of 12.4** (see below), and unjustified in our view given the quality of this company and its niche, differentiated positioning;
- **Net cash of £93m on 30 Sep 24 and on-balance-sheet investments of £16m (e.g. invested into to seed funds) make up c. 50% of the share price, making the low PER seem even stranger**;
- CEO Ian Simm acquired £40k of shares on 28 Feb 25 (he owns around 7.5% of the group).



Source: London Stock Exchange, company announcements. PERs based on share prices on 4 Mar 25 and latest available basic EPS on Trailing Twelve Months (TTM) basis on that date.

\*De-listed on 20 Dec 2023 after being acquired

\*\*Made statutory losses on TTM basis

## 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.

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)

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