

10 July 2024

AUM down in Q3, another fixed income acquisition

AUM declined over Q3 of FY24 (year-end 30 Sep 24) from £39.6bn on 31 Mar 24 to £36.9bn on 30 Jun 24, a fall of 6.8%. That offsets a 5.9% increase over H1, resulting in AUM being down 1.3% over the first 9 months of FY24. Net flows and market movements/investment performance were negative in the quarter, -£1.89bn and -£0.81bn respectively.

Impax noted that outflows were dominated by its wholesale channel, with some clients continuing to rotate out of equities, although outflows eased in key parts of its European operations. It noted the direct sales team enjoyed a busy period and that its **new business pipeline is healthy**. This outlook is supported by data points showing an increased interest in equities in some markets (page 2).

Fixed income beefed up again with 2nd acquisition in 6 months

Impax has previously stated that it had a strategic focus on increasing the proportion of overall AUM in this asset class, and in turn decrease the proportion of its AUM in small and mid-cap equities.

In this vein, it has announced an agreement (subject to terms and conditions) to acquire the European assets (cUS\$2bn AUM) of US-based SKY Harbor Capital Management, LLC (SKY Harbor). **It looks to be a very good fit. SKY Harbor was an early adopter of the integration of sustainability risks and opportunities into its investment process** and specialises in the management of fixed income corporate high yield securities and leveraged loans. Eight team members will join Impax, including senior executives who have managed SKY Harbor's funds and mandates since their inception.

The transaction also includes a share-purchase agreement to acquire Frankfurt-based SKY Harbor Capital Management GmbH, responsible for the cross-border distribution of SKY Harbor strategies outside the US. It is the designated Principal Distributor of the SKY Harbor UCITS Fund.

The above follows the announcement in Jan 24 to acquire the assets of Copenhagen-based Absalon Capital Management (cUS\$0.5bn AUM) – expected to close shortly. **Post acquisitions, Impax will have fixed income AUM of cUS\$4bn (30 Jun 24), and a fixed income team of 20 professionals.**

Short term forecasts reduce but Impax still looks deeply undervalued

Our FY24 & FY25 forecasts reduce slightly on the lower AUM level at the end of Q3. But the impact on longer-term projections is small with our **fundamental valuation remaining at 800p per share, now c90% above the share price. And Impax's PER of 13.7 looks undemanding (page 2).**

Company Data

EPIC	IPX
Price (last close)	417p
52 weeks Hi/Lo	590p/369p
Market Cap	£554m
ED Fair Value/share	800p
Proforma net cash	£65m
Avg. daily volume	257k

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 Jun 2024: £36.9bn

Next Event Q4 AUM update: Oct '24



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Summary financials & forecasts

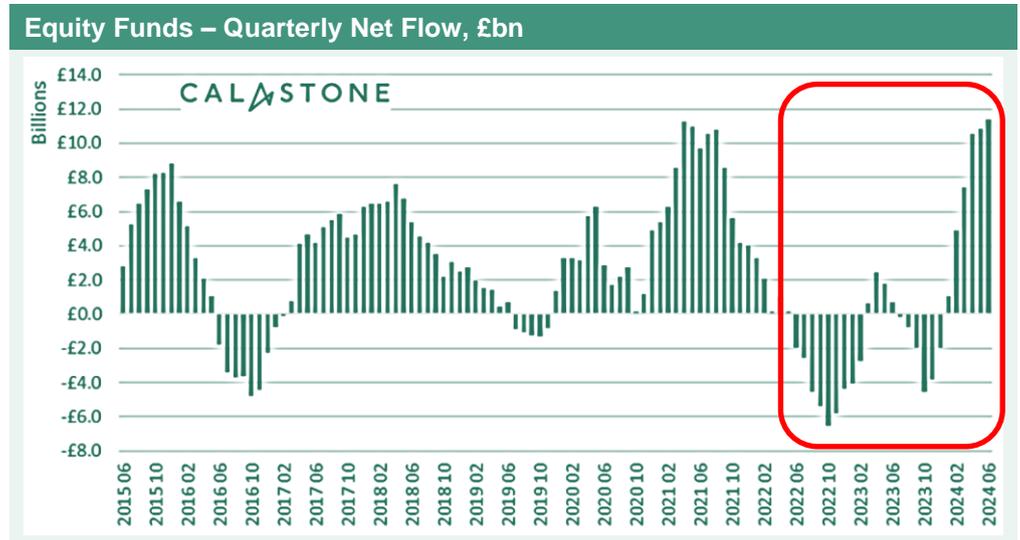
Year end 30 Sep	FY21A	FY22A	FY23A	FY24E		FY25E	
				prev.	new	prev.	new
AUM, £bn	37.2	35.7	37.4	40.6	37.3	46.1	43.7
Revenue, £m	143.1	175.4	178.4	179.4	175.7	198.6	183.4
Adjusted Op. Profit*, £m	55.8	67.4	58.1	53.9	52.2	65.2	57.6
Net profit after tax	40.2	59.5	39.2	39.4	38.2	48.6	43.3
EPS basic, p	31.5	46.0	30.5	30.6	29.7	37.8	33.6
EPS adj. & diluted, p	34.4	42.1	35.2	32.1	31.1	38.6	34.2
PER	13.2	9.1	13.7	13.6	14.1	11.0	12.4
Dividend, p	20.6	27.6	27.6	27.6	27.6	27.6	27.6
Yield	4.9%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%
Net assets, £m	110.5	138.2	134.0	137.2	136.0	149.5	143.1
Net cash, £m	74.2	110.9	91.5	95.6	94.3	111.0	90.4

Source: Group report & accounts and ED estimates. PER and yield based on share price of 417p.

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

Data supports Impax's growth outlook

In our [29 May 24 research note](#) covering H1-24 results, we highlighted some positive data emerging in early-2024 which backed up Impax's cautiously optimistic commentary. This has been backed up by Q2 data out of the UK with further inflows into equity funds following heavy outflows in 2022 and 2023.



Edward Glyn, head of global markets at Calastone said: "All eyes are trained on the world's central banks, looking for signals that long-awaited rate cuts from the Fed and the Bank of England will follow those like the ECB, Swiss National Bank and the Bank of Canada which have already begun to bring the price of money down. Hopes for cheaper money after the painful rate squeeze of the last two-and-a-half years are the clear driver of record flows into equity funds so far this year."

Undemanding PER on an absolute basis and compared to peers



Source: London Stock Exchange, company announcements. PERs based on share prices as at 9 Jul 24 and latest available basic EPS on that date.

*De-listed on 20 Dec 2023 after being acquired

**Abrdn made a very small statutory profit of 0.1p per share in its latest full FY so has a hugely distorted PER, Jupiter made a statutory loss of 2.5p in its latest full FY, and Liontrust a statutory loss of 5.5p per share.



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