

## Heavy outflows, but far stronger investment returns

10 April 2026

AUM fell 8% in Q2-26 (Jan 26 - Mar 26) from £24.2bn to £22.3bn. Investment performance was positive at +£0.1bn but net outflows totalled -£2.0bn. This was a quarter of very heavy outflows for equity funds generally, and active funds especially (see page 2). Impax was no exception.

Since our last note in early-Jan, the war in Iran has undoubtedly shaken markets and weakened investor sentiment. We reduce our end-FY26 AUM forecast from £28.1bn to £22.8bn. Impax has guided to FY26 revenue being in the £109m - £113m range, which is well below our previous forecast of £129m. The group has, however, announced that it will be reducing costs via a new efficiency programme, which will mitigate the impact of the revenue fall on profits. Full details of our updated forecasts are detailed on page 3.

Also contributing to our AUM forecast reduction is the potential loss of some AUM from the mandate to run the c.£800m portfolio of listed investment trust, Impax Environmental Markets (IEM). In response to activist investor action, IEM has an [Exit Tender Offer](#) process underway which, if passed, would return all capital to shareholders. However, Impax is aiming to retain a 'meaningful' share of this AUM by offering investors a switch to an equivalent portfolio in its UCITs fund range.

While these events are short-term negatives for Impax, the energy market, supply chain, and more general economic upheavals arising from the Iran war could be an opportunity for active managers, and especially for Impax. Its deep investment expertise in areas impacted by these events, such as energy efficiency, energy security, renewable energy, critical infrastructure (incl. energy, water, and digital) and environmental risk could make it a highly attractive manager for asset owners' capital.

Additionally, market conditions have turned more favourable to a number Impax's strategies, especially its *Thematic* strategies. **In this most recent quarter, 63% of its AUM outperformed benchmark, notwithstanding market turbulence. And importantly investment outperformance often leads net flows**, so we would expect these strategies to start attracting more capital. While current outflows are heavy, we think net flows have every chance of turning positive in early-FY27.

### Fundamental valuation still far above share price

Our fundamental valuation reduces from 380p to 250p, but this remains around double the share price. This valuation disconnect is further reflected in a lowest-in-sector PER of 7.9x. We maintain that this **discount seems excessive considering Impax's strategic positioning, profit levels, and strong balance sheet** (net cash + investments on 30 Sep 25 make up 56% of current market cap).

#### Company data

EPIC	IPX.L
Price (last close)	125.6p
52 weeks Hi/Lo	210p/118p
Market cap	£160m
ED Fair Value / share	250p
Net cash* 2025A	£68m
Avg. daily volume (3m)	495k

#### Share price, p



Source: Investing.com

#### Description

Founded in 1998, Impax is a specialist asset manager, with approximately £22.3 billion of AUM on 31 March 2026, in both listed and private markets strategies, investing in the transition to a more sustainable global economy.

It seeks to invest in higher quality companies with strong business models that demonstrate sound management of risk. Its investment solutions span multiple asset classes and seek superior risk-adjusted returns over the medium to long term.

#### Next event

H126 results, May 2026

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#### Key financials & valuation metrics

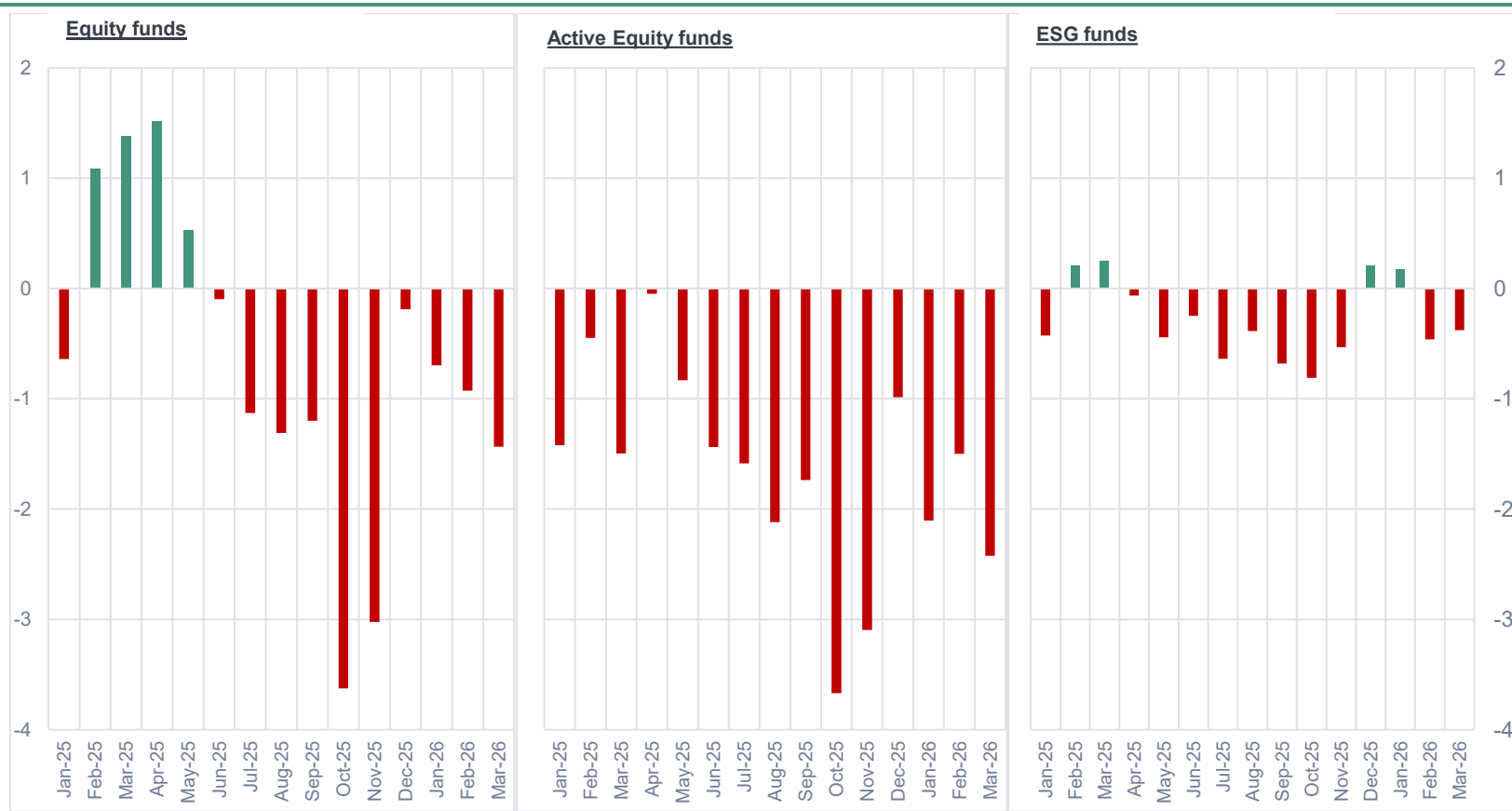
Year to 30 Sep (£m)	FY23A	FY24A	FY25A	FY26E	FY27E
AUM (£bn)	37.4	37.2	26.1	22.8	25.6
Revenue	178.4	170.1	141.9	110.3	113.4
Adj. Op. Profit	58.1	52.7	33.6	14.9	19.4
PAT	39.2	36.5	20.3	11.1	14.5
EPS basic (p)	30.5	28.5	15.9	9.1	11.9
EPS adj. & dil. (p)	35.2	32.2	21.3	10.6	13.4
Net cash*	91.5	93.1	68.0	65.1	69.7
P/E	4.1	4.4	7.9	13.8	10.5
DPS (p)	27.6	27.6	12.0	6.0	9.0
Dividend yield	22.0%	22.0%	9.6%	4.8%	7.2%

Source: Company data, Equity Development, Priced at 09/04/26. \*ex leases

## Heavy outflows continue for equity funds generally, and active funds especially

Market fund flow statistics from Calastone show that calendar-Q1 of 2026 continued the heavy outflows from UK-domiciled equity funds seen in Q2 and Q3 of 2025. Calastone said: “The war in the Middle East drove a sharp increase in outflows from equity funds in March... Outflows surged to £1.44bn (up from £927m in February), making March the worst month since November when UK Budget concerns were driving significant selling. March’s outflows were the 7<sup>th</sup> worst on record and extended the run of equity fund outflows to an unprecedented 10 consecutive months.”

UK open-ended net fund flows by month, £bn



Source: [Calastone Fund Flow Index](#). Chart reproduced with permission. Calastone measures orders from UK-based investors into funds domiciled in the UK. Note that this has nothing to do with where the underlying assets are invested – a UK-domiciled fund may invest in Japanese equities, Australian fixed income, a global portfolio of mixed assets, or just UK equities.

## Updated forecasts

The changes to our FY26 and FY27 forecasts are shown below. The most significant points being:

- **For FY26**
  - AUM and revenue forecasts are downgraded on current outflows being heavier than forecast, weakened market sentiment as a result of the war in Iran, and Impax's updated revenue guidance.
  - Adjusted operating costs are expected to be significantly reduced from our previous forecast as further efficiencies are captured.
- **For FY27**
  - While we forecast a return to modest net inflows in FY27, a lower starting-AUM level will impact average-AUM and keep revenue depressed.
  - The impact of cost cuts will have a bigger impact and contribute to adjusted operating margin starting to pick up.

### Forecast changes

Year to 30 Sep (£m)	FY26E			FY27E		
	Revised	Old	Change	Revised	Old	Change
AUM (£bn)	22.8	28.1	-19%	25.6	32.2	-20%
Revenue	110.3	129.1	-15%	113.4	141.2	-20%
Adjusted operating costs	95.4	99.6	-4%	93.9	105.9	-11%
Adjusted Operating Profit	14.9	29.5	-49%	19.4	35.3	-45%
Adjusted Operating Margin	13.5%	22.9%		17.2%	25.0%	
PAT	11.1	22.0	-50%	14.5	26.3	-45%
EPS basic (p)	9.1	18.1	-50%	11.9	21.7	-45%
EPS adjusted & diluted (p)	10.6	19.6	-46%	13.4	23.1	-42%
Net cash**	65.1	73.3	-11%	69.7	82.1	-15%
P/E	13.8	6.9		10.5	5.8	
DPS (p)	6.0	13.0	-54%	9.0	13.0	-31%
Dividend yield	4.8%	10.4%		7.2%	10.4%	

Source: Equity Development, Priced at 09/04/2026

\*Revenue less Adjusted Operating Costs (which are IFRS costs less non-recurring acquisition costs, amortisation of intangibles acquired, one-off tax credits & mark-to-market of NI on equity awards)

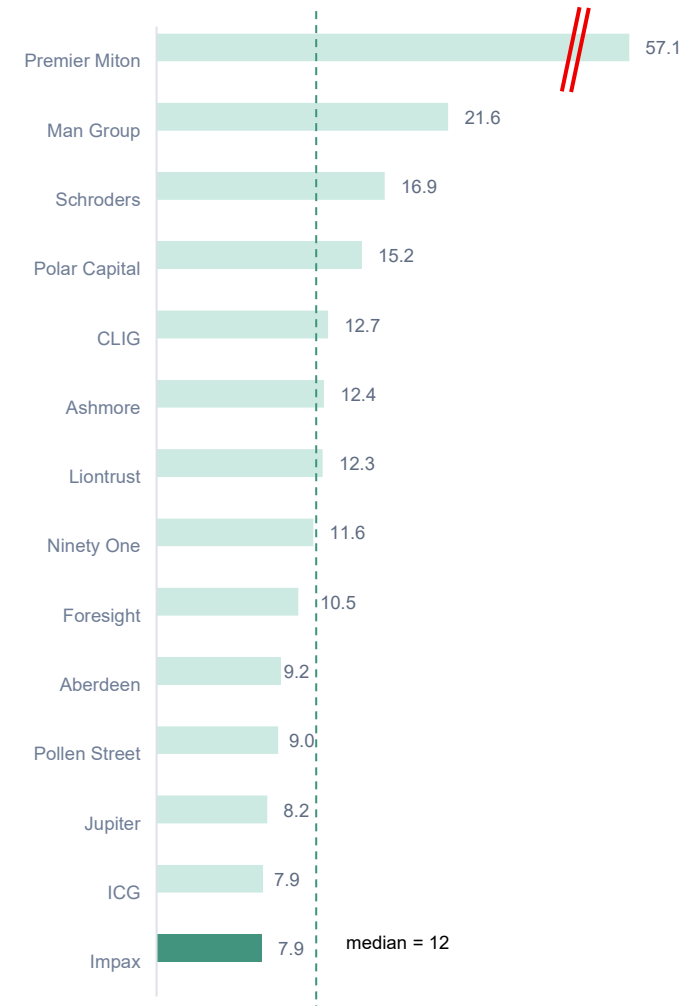
\*\*ex. leases, incl. 3rd-party interest on consolidated funds.

## Impax’s lowest-in-sector PER looks unjustified

### PER of 7.9x seems far too low given balance sheet and other fundamentals

- Impax’s PER is **just 7.9x**, the lowest in the sector.
- At the end of FY25 (30 Sep 25), **Impax’s net cash was £68m and on-balance sheet investments were £17m, which makes up 56% of its current market cap**, which suggests the value of its fee-earning fund management business carries only a low-single-digit PER.
- This looks unjustified for a range of reasons, even though it has suffered from recent outflows:
  - Impax has a highly differentiated and credible offering, and **it’s medium to long-term growth prospects are strong**.
  - Its **profits are still solid**. While an upwards step-change in profits may take a little time as AUM has fallen heavily recently which will depress average-AUM and revenue in the short term, Impax intends to cut its cost base, **so operating leverage should kick in with growth**. We see solid profit growth post-FY26.

### Historic PER (TTM) peer group comparison



Source: London Stock Exchange, company announcements. PERs based on share prices on 09/04/26 and latest available basic EPS on Trailing Twelve Months (TTM) basis on that date.

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