



Impax Group plc
January 2009

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Overview

- **Established, expanding fund manager dedicated to the Environmental Sector**
 - ca. £1 billion funds under management/advisory
 - broad exposure across alternative energy, water treatment and waste management
- **Environmental Sector highly attractive for a specialist manager**
 - Large revenues (>US\$200bn p.a.) and growing rapidly (up to 30% p.a.)
 - Complex technology and regulation challenge generalist investors
- **Stable ownership**
 - BNP Paribas Investment Partners 27.9%
 - Dai'ichi IBJ Asset Management 4.7%
 - 30 staff owning ca. 25.7%
- **Growth plans based on:**
 - maintaining/building on investment track record
 - focusing on scaling up small number of innovative products
 - managing cost base

Media coverage



30 May 2008

COMMENT

GREEN INVESTING

Despite economic conditions, investing in environmental businesses remains compelling

By Stephen Wilnot

The Impax Group was founded in 1994 as a fund-raiser for capital-hungry companies in the energy and waste sectors. It has since abandoned corporate finance in favour of asset management, private and public equity funds, venture capital and, most recently, a hedge fund.

Despite this business shift, Impax has stayed true to its roots in "environmental" finance. Its £1.2bn of assets under management are

Investment Week

15 December 2008

Credit crunch has not detracted from climate change

'...Impax says: "This is a sector quite heavily exposed to one of the most likely areas of early resurgence when the market does turn. And that is because the fiscal stimulus will be bias toward infrastructure spending, and in particular, clean infrastructure."...'



24 September 2008

Roots sunk in the environment

FUND FOCUS
Impax steers clear of SRI label
£1.2bn invested in alternative sectors

By Stephen Wilnot

The Impax Group was founded in 1994 as a fund-raiser for capital-hungry companies in the energy and waste sectors. It has since abandoned corporate finance in favour of asset management, private and public equity funds, venture capital and, most recently, a hedge fund.

Despite this business shift, Impax has stayed true to its roots in "environmental" finance. Its £1.2bn of assets under management are invested exclusively in alternative energy, water treatment or waste management.

But Ian Simm, chief executive, steers clear of the "socially responsible" label. "Our products are attractive to SRI investors without being positioned as SRI."

Instead, Mr Simm focuses on the potential for superior earnings growth, derived from a number of familiar environmental problems: the shortage of fossil fuels, unreliable power grids, air pollution, global climate change, contaminated water supplies, constraints on landfill space, and high commodity prices, which are driving up returns from recycling.

"It is inevitable that new industries and markets are growing in response to the policies that have been introduced to combat these negative influences," he says. He also cites the opportunity for diversification, as these trends are, to an extent, independent of the business cycle. Although Impax

strives to remain as agnostic as possible on the "morality" of stocks, it avoids the grey areas of green investing. It does not, for example, invest in nuclear or gas-fired power companies.

"We try to be as honest as possible about defining the boundaries, so people don't lift up the bonnet and see something they were not expecting," says Mr Simm.

But Impax does run two SRI funds for ANS, the Dutch bank, and Pax World, the US mutual fund house. These are managed according to the house style, but with an additional screen that excludes up to 15 per cent of Impax's usual universe of stocks – some indication of the extent to which environmental and SRI investing may conflict.

Green stocks have been particularly bubble-prone this decade, leading some analysts to compare the sector with technology in the late 1990s. Mr Simm notes the recent fuel cell mania, for example. "Unprofitable companies were being valued as if 10 per cent of the world's cars were suddenly going to convert to fuel cell traction," he recalls.

He stresses that Impax's specialisation in the niche, paradoxically, offers protection against speculators. "We can avoid bubbles by switching money out of overvalued sub-sectors into less fashionable areas – so last year we were moving out of solar panels into energy efficiency and recycling."

One of the potential problems of focusing on a narrow universe like environmental

stocks is capacity. But Mr Simm rejects the idea Impax's model is limited. "The markets are growing at 20 per cent or more per annum, so as fast as we can raise money the opportunities to deploy it are growing," he says.

The company has, however, broadened its range of strategies to include an Environmental Leaders fund, which invests in larger, more diversified companies. This has expanded the universe to about £4,000bn. "In the medium to long term, we would expect the bulk of our growth to come from the all-cap fund," he says.

Stephen Wilnot is features writer at Investment Adviser

For more fund reviews see www.ft.com/fundfocus

Year	Assets under management (£bn)
1998	100
2000	150
2002	200
2004	300
2006	500
2008	1200



17 October 2008

Unnatural trends in a green arena

'...In fact, I once spent a thrilling evening crunching the correlations of all the major green funds, of which the oldest and best established is an investment trust from Impax...'



Media coverage

The Daily Telegraph

14 February 2008

‘...Impax says the opportunities in the sector are growing rapidly. When Impax first started tracking clean-tech stocks in 1999 there were around 180 companies to watch. Today it is more like 600 – and they are much bigger...’



October 2008 issue

‘With financial markets feeling, and the global economy spluttering, fears are growing over the outlook for the environmental technology sector. Impax argues that even a worldwide slump is unlikely to completely reverse its fortunes.’

MoneyMarketing

21 February 2008

‘It has taken a while but the rest of the investment world seems to be catching up with Impax Asset Management. 10 years after it started investing in environmental technologies, many other fund managers have realised there is value in the sector...’



Extensive Investment and Technical Expertise

Keith Falconer



- Former Director of Martin Currie Ltd.
- Group Chairman
- Joined Jan 04

Ian Simm



- Former Project Manager, McKinsey & Co.
- Chief Executive
- Joined Oct 96

Charlie Ridge



- Previously at Deutsche Bank
- Chief Operating Officer
- Joined Sept 08

Bruce Jenkyn-Jones



- Former utilities analyst, BT Alex. Brown
- Investment Director, Listed Equities
- Joined Feb 99

Nigel Taunt



- Former FD within Kelda plc
- Investment Director, Venture Capital
- Joined Jan 02

Peter Rossbach



- Former banker (EBRD, Lazard) & fund manager
- Investment Director, Infrastructure
- Joined May 03

Hubert Aarts



- Former investment manager at MLIM
- Investment Director, Hedge Funds
- Joined Jan 07

Financial Highlights (1)

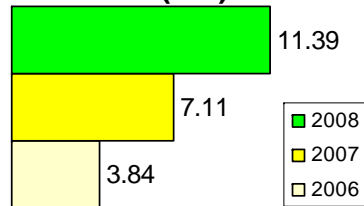
- Strong revenue growth underpinned by fund inflows
- PBT (positive since YE 9/07) set to increase as business model scales
- Healthy cash reserves (£7m) plus (liquid) seeding capital invested in own funds (ca.£3m)
- Maiden final proposed dividend of 0.35 pence per share (for approval by shareholders at forthcoming AGM)
- FUM >£1 billion at 31 December 2008
- Investment performance: largest fund* up 49% over 5 years** out-performing MSCI World Index (total return) up 22%

* NAV of Impax Environmental Markets plc

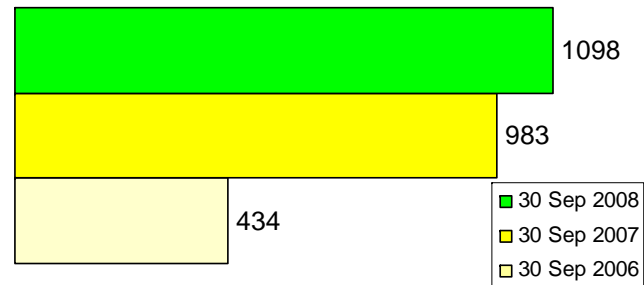
** to 31 December 2008

Financial Highlights (2)

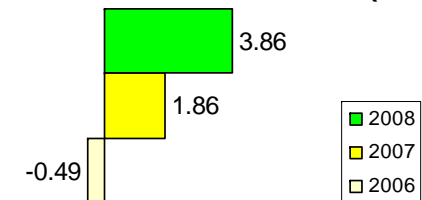
Revenue (£m)



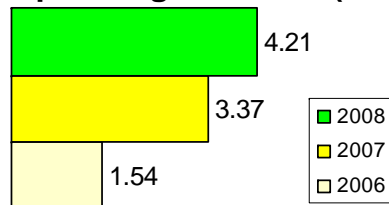
Funds under management (£m)



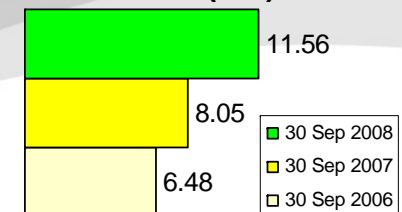
Profit before tax (£m)



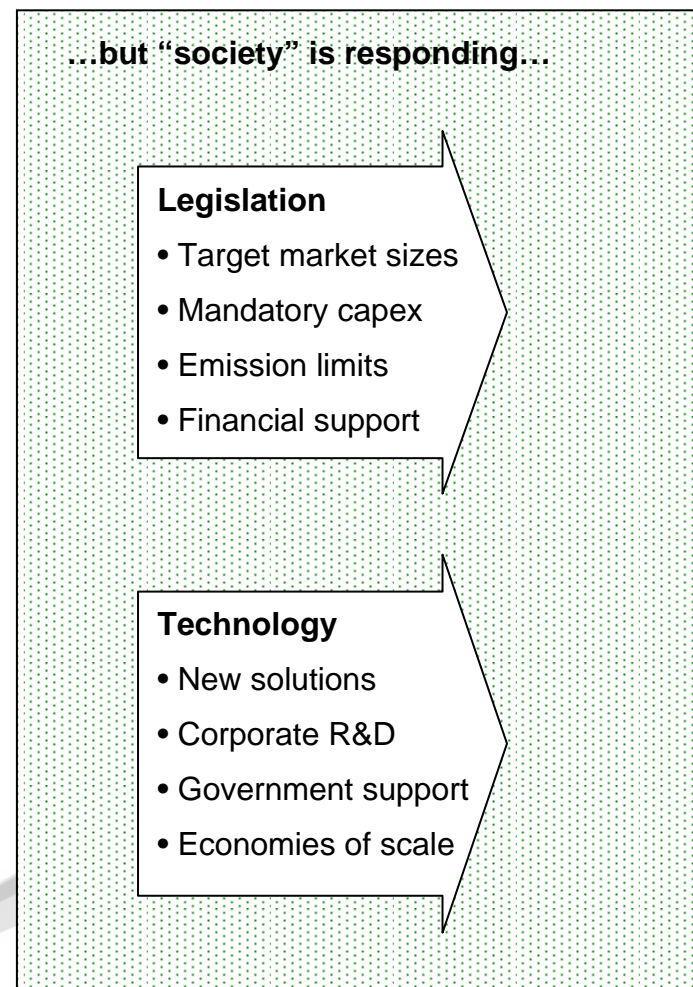
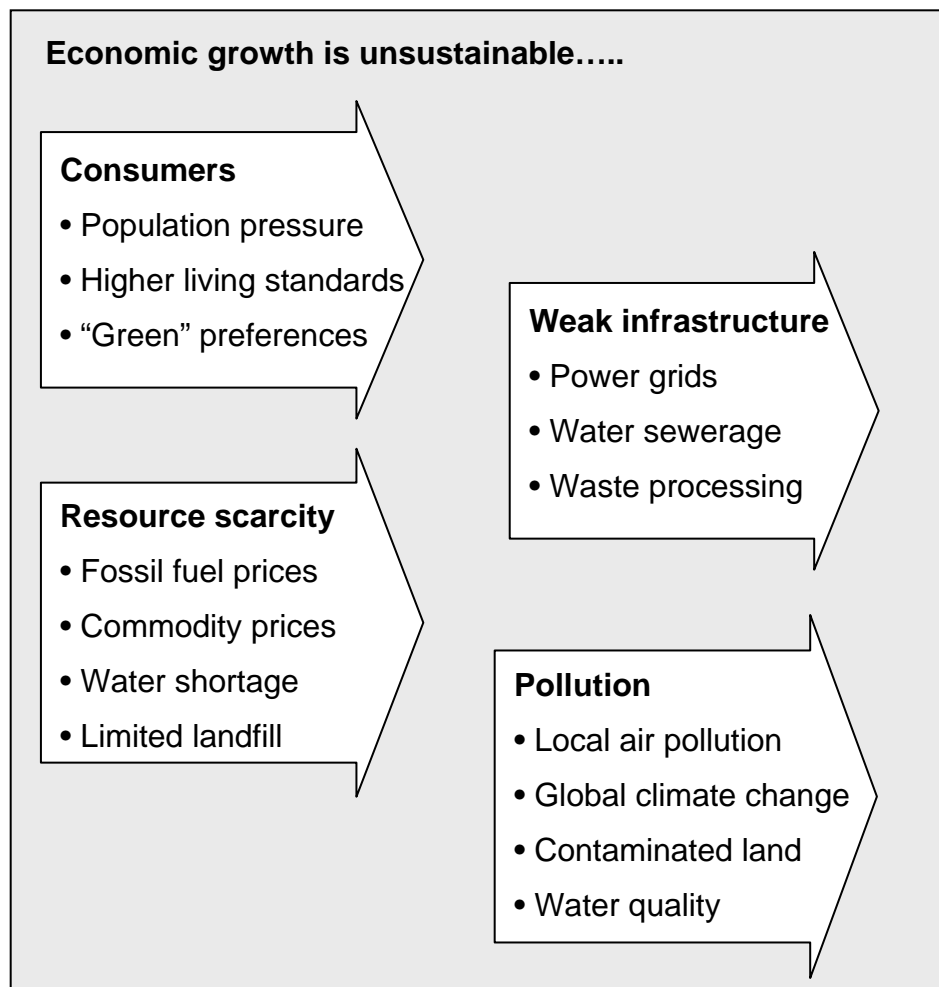
Operating cashflow (£m)



Net assets (£m)



Powerful Drivers Behind the Environmental Sector



Environmental Business Growth

Economic Sector	Conventional Sub-Sectors	Environmental Markets
Energy	Oil, Gas and Consumable Fuels	<ul style="list-style-type: none"> • Wind turbine manufacturing • Fuel cells and hydrogen
Materials	Chemicals, Basic Resources and Construction Materials	<ul style="list-style-type: none"> • Commodity recycling • Buildings energy efficiency • Water infrastructure companies
Industrials	Capital Goods and Support Services	<ul style="list-style-type: none"> • Industrial energy efficiency • Multi-technology water treatment companies • Air pollution control • Recycling equipment and systems • Integrated waste management • Hazardous waste management • Environmental consultancy companies • Environmental testing and gas sensing
Consumer Discretionary	Automobiles & Components, Consumer Durables and Consumer Services	<ul style="list-style-type: none"> • Transport energy efficiency
Consumer staples	Food Retail, Household Products and Agriculture	<ul style="list-style-type: none"> • Biofuels
Financials	Banks, Insurance and Real Estate	<ul style="list-style-type: none"> • Trading in carbon and other environmental assets
Information Technology	Software, Hardware and Semiconductor Equipment	<ul style="list-style-type: none"> • Solar manufacturers and integrators • Meters and demand side management
Utilities	Electric, Gas, Water and Sewerage	<ul style="list-style-type: none"> • Renewable energy developers and IPPs

Environmental Sector (Key Data)






















- Revenues: >US\$200bn + p.a.
- Impax universe: median growth rates higher than MSCI World
- ROIC: 15%+ p.a.



Impax Sub-Sectors

Impax covers stocks in all 19 categories (and Water Utilities) which, for convenience, we group into 3 sub-sectors.

1. Alternative Energy & Energy Efficiency

Wind turbine manufacturing	Solar manufacturers & integrators	Renewable developers & IPPs	Biofuels	Meters & demand side mgmt	Industrial energy efficiency	Buildings energy efficiency	Transports energy efficiency	Trading in carbon & other env. assets	Fuel Cells & hydrogen
 	 	  	 	 	 	 	 	 	 

2. Water Treatment & Pollution Control 3. Waste Technologies & Resource Management

Water infrastructure companies	Multi-technology water treatment cos.	Air pollution control	Testing & sensing	Water Utilities	Recycling eqpt. & systems	Commodity recycling	Integrated waste management	Hazardous waste management	Environmental consultancy companies
 	 	 	 	 	 	 	 	 	 

A Comprehensive Range of Funds

Fund	Launch	Size (£m)**	Fees*	Performance fees
<u>“Long only” (Pure Play)</u>				
Impax Environmental Markets plc	Feb 02	302	0.94%	-
Impax Environmental Markets (Ireland)	Dec 04	179	1%	-
Pure Play White Label	Various	255	0.55%	-
<u>“Long only” (All Cap)</u>				
IFSL Impax Environmental Leaders	Mar 08	3.2	0.80%	-
All Cap White Label	Aug/Sep 07	48	0.5%	-
Segregated Accounts	2008	77	ND	ND
<u>Private Equity</u>				
Impax New Energy Investors LP	Aug 05	120	2%	20% above hurdle
<u>Long/Short Equity</u>				
Impax Absolute Return Fund	May 07	4.5	2%	20% with high water mark

* Approximate blended rate (per annum)

** 31st December 2008

Impax – Globally Recognized & Provider of Choice

NEWTON
The Power of Ideas

DEXIA

BNP PARIBAS
ASSET MANAGEMENT

RATHBONES
Established 1742

FTSE
THE INDEX COMPANY

lpfa

USS
UNIVERSITIES
SUPERANNUATION
SCHEME LIMITED

AEGON

IFC

BRITISH AIRWAYS

CIS
Co-operative Insurance

Environment Agency

WEST MIDLANDS
PENSION FUND

HSBC | HSBC Investments

Russell

IMPAX

Listed Equities - Investment Universe

Full Universe – 1400+ stocks

- 750 stocks with >50% revenues / profits or capital employed in environmental markets
- 450 stocks 20-50% with revenues / profits or capital employed in environmental markets
- 200 electric utilities
- Steady flow of Pre IPO and infrastructure project-related investments

Pure Play Universe

- 750 stocks with >50% revenues/profits or capital employed in the environmental sector
- ...plus.... Pre IPO

All Cap Universe

- 1200 stocks with >20% revenues/profits/capital employed in the environmental sector

Impax Environmental Markets

Impax Environmental Leaders

IMPAX

Impax's Investment Performance

	2008	2007	2006	2005	2004	2003	3 Year Volatilities†
IEM plc*	-24%	16%	21%	21%	15%	22%	19%
MSCI World (Total Return)	-19%	8%	6%	23%	7%	21%	19%
FTSE ET50 (Total Return)	-38%	70%	20%	24%	6%	20%	30%
FTSE All-Share (Total Return)	-30%	5%	17%	22%	13%	21%	24%

* NAV Performance of Impax Environmental Markets plc in Sterling

† Volatilities calculated using daily series as at 31 December 2008

Impax's Environmental Hedge Fund – Key Features

Investment Strategy:	long/short equities
Expected Volatility:	<10%
Investment Universe:	800 stocks in the Environmental Sector Global coverage, European bias
Leverage Limits:	100% to 300% Gross
Market Exposure Limits:	-30% to +70% Net, Beta Adjusted
Pre IPO Side Pocket (optional):	20% of Net Asset Value (maximum)
Number of Positions:	40 to 80; Sweet Spot 60-65

Private Equity: Impax New Energy Investors LP

- INEI:** Private equity fund for the New Energy sector, largely renewables, in Western Europe & North America
- Status:** €125,000,000 from three closings (last August 2006)
- Objective:** Cash-to-cash IRR of 18-25% (net to investors)
- Strategy:** Equity-linked investments in project portfolio companies and projects with proven technology
- Investors:** Dexia Credit Local, USS, BA Pension Fund, West Midlands PF, CIS other pension funds/insurance companies
- Prospects:** 11 deals completed. Strong visibility on full investment by summer 2009
Fund II to be launched early 2009

Principal Distribution Partners

UK:	Collins Stewart (for IEM) plus direct sales
Continental Europe:	BNP Paribas Asset Management/Private Bank Scandinavian distributors
Asia:	BNP Paribas Asset Management/Private Bank DIAM (Japan)
North America:	Placement agent (US); partner identified for Canada

Employee Benefit Trust

Shares outstanding prior to EBT creation 92,722,053

Existing Scheme

- Period covered 3 years ending 30 September 2007
- Ordinary shares allotted to the EBT 18,250,000
- Ordinary shares sold by EBT to fund its purchase of ordinary shares 1,472,995
- Ordinary shares held by EBT at 30 September 2007 16,777,045

New Scheme

- Shareholder approval at EGM 31 January 2008
- Period covered 3 years ending 30 September 2010
+ 2 year vesting
- Authority to allot Ordinary shares to the EBT 18,250,000

Shares outstanding if all EBT shares awarded 127,749,098



Outlook

- Environmental sector drivers set to strengthen
 - growing urgency to address global warming
 - milestones for alternative energy policy to be passed during 2009
 - many other policy initiatives expected (e.g. water, waste)
- Sustained sector capex expected
- Mounting evidence that institutional investors are allocating to this area
- Short-term, economic uncertainty overshadowing catalysts for stock price momentum
- Weak IPO and debt markets enhance opportunities for private equity
- When positive sentiment returns, Impax's growth model is well placed



Appendix



IMPAX

Results to YE 2008: P&L

	YE 9/08 (£m)	YE 9/07 (£m)
Turnover	11.39	7.11
Cost of operating business	(4.81)	(3.45)
EBITA	6.58	3.66
Employment Benefit Trust Charge	(0.43)	(0.36)
Bonuses	(2.57)	(1.69)
Interest received	0.28	0.21
Profit before tax	3.86	1.82
Tax	(1.07)	(0.53)
Profit after tax	2.79	1.29

Results to YE 2008: Balance Sheet

	YE 9/08 (£m)	YE 9/07 (m)
Goodwill	1.63	1.63
Other Non-Current Assets	0.62	0.10
Debtors due after One Year	1.05	1.21
Other Current Assets	2.41	1.91
Current Asset Investments	3.00	1.62
Cash	7.03	4.55
Current Liabilities	(4.18)	(2.97)
Total Net Assets	11.56	8.05
Equity Shareholders' Funds	11.56	8.05