

Interim Results Presentation July 2020

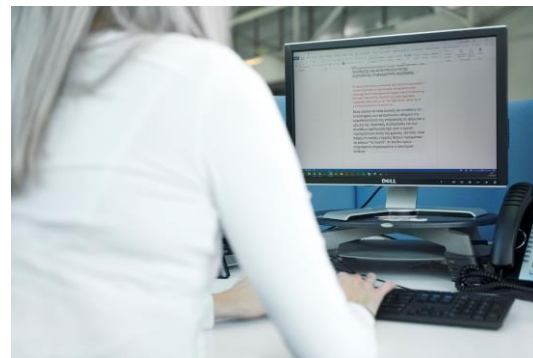
Martyn Ratcliffe
Chairman

Rebecca Archer
Finance Director

Dan Edwards
Group Managing Director

To be read in conjunction with the Interim Results announcement released on 28 July 2020

In addition to IFRS measures, alternative performance measures are used in this presentation. Refer to the Notes to the Interim Results announcement for detail and explanation.



Summary

Group revenue of £36.9m (H1-19: £23.6m)

- Increase of 56% in total including 13% organic services revenue growth (excluding materials)
- R&D Consultancy benefitted from UK project related to Covid-19
- Organic growth in R&D Consultancy and Regulatory & Compliance businesses
- Frontier contributed £7.5m revenue in a challenging environment for consumer electronics

Adjusted operating profit of £4.9m (H1-19: £3.3m)

- Record for half-year
- 50% year-on-year increase

Adjusted basic EPS increased to 8.8 pence (H1-19: 5.9 pence)

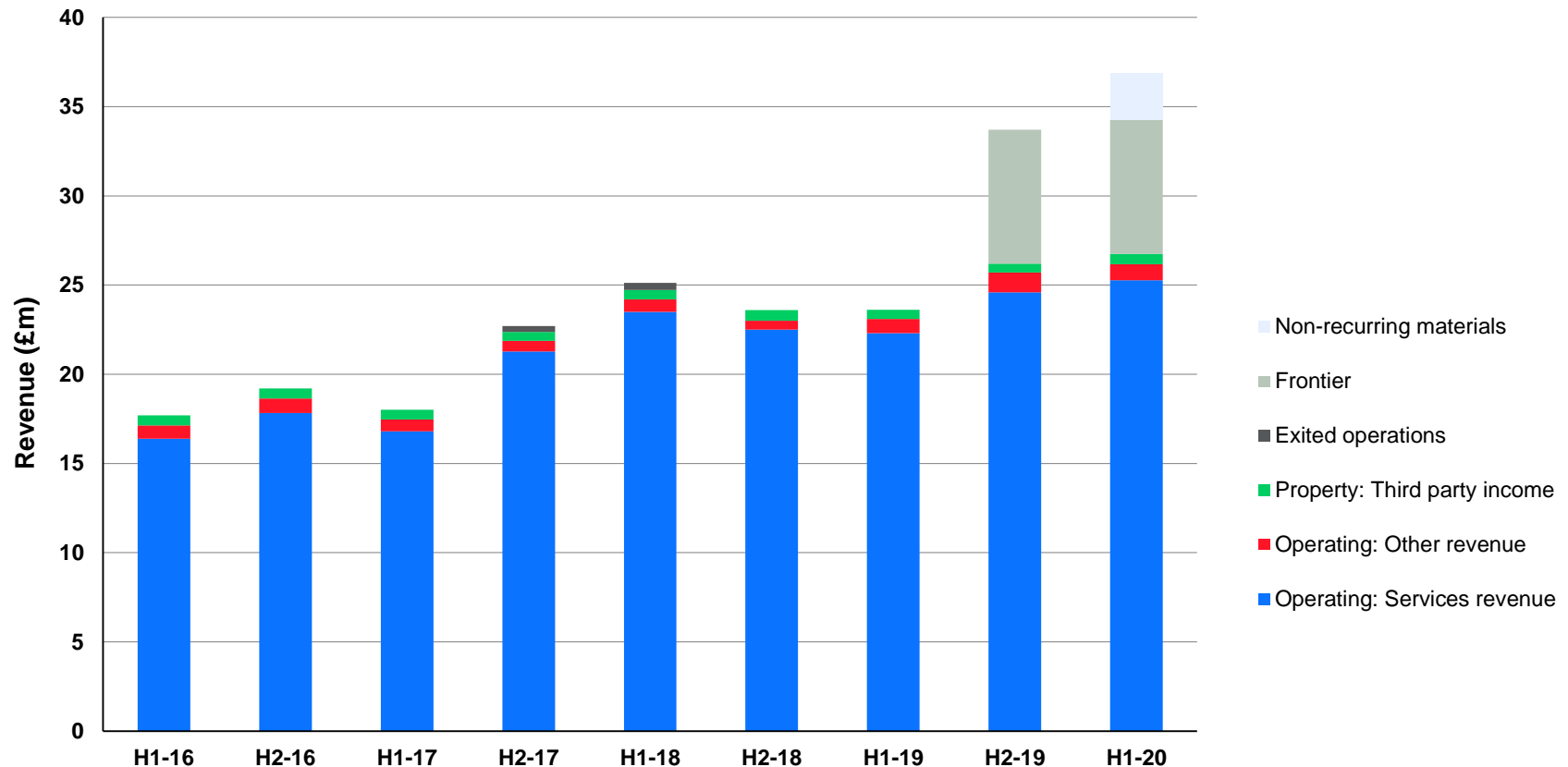
- Adjusted diluted EPS of 8.5 pence (H1-19: 5.8 pence)

Cash balance of £22.0 million (H1-19: £24.0m) and Net Funds of £4.9m (H1-19: £7.2m)

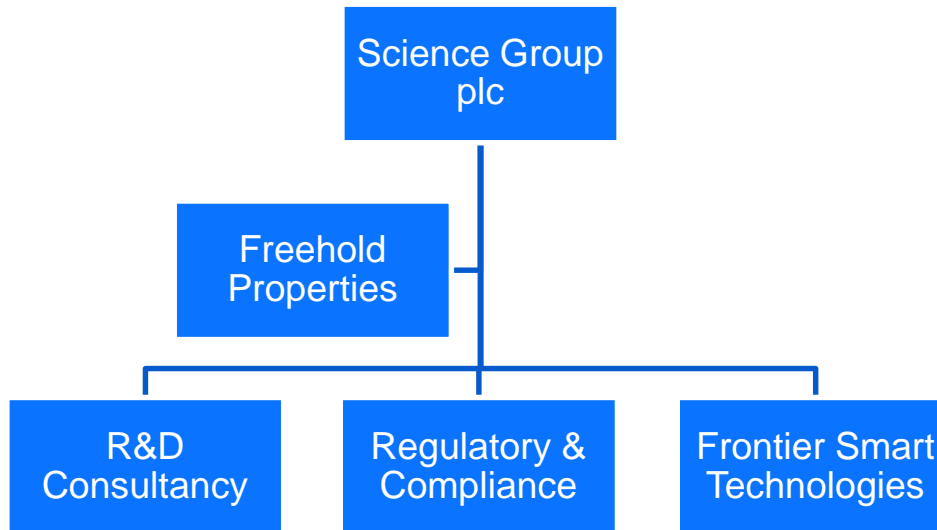
- After the acquisition and restructuring of Frontier in 2019
- Freehold property provides security for debt – no operating covenants if net debt less than £10m

Group Revenue

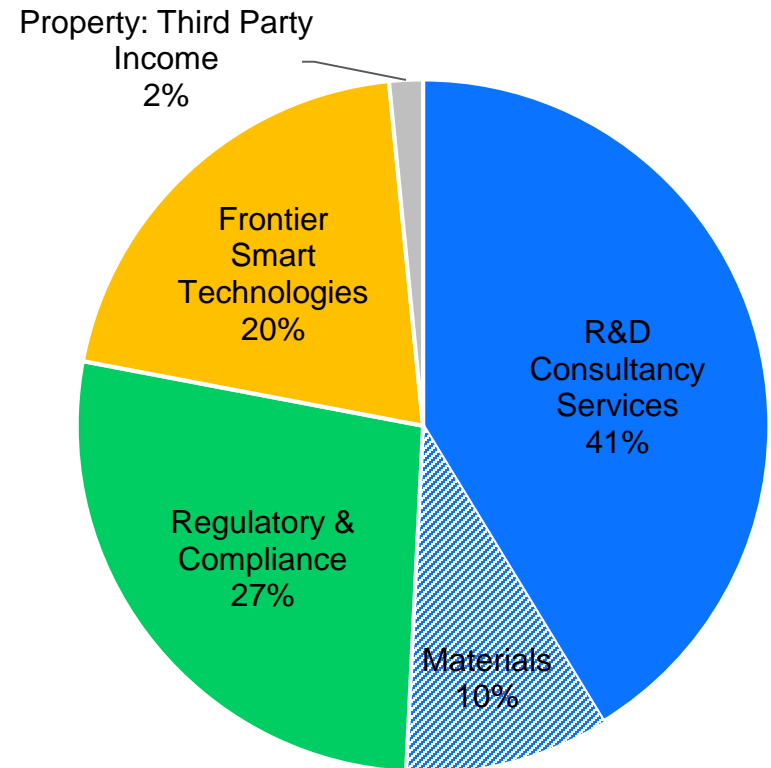
- Record revenue, benefitting from Frontier acquisition and one-off UK government project completed in H1
- Both services divisions (R&D Consultancy and Regulatory & Compliance) reported good organic growth
- Group resilience due to sector, geography and service diversification



Science Group Business Structure

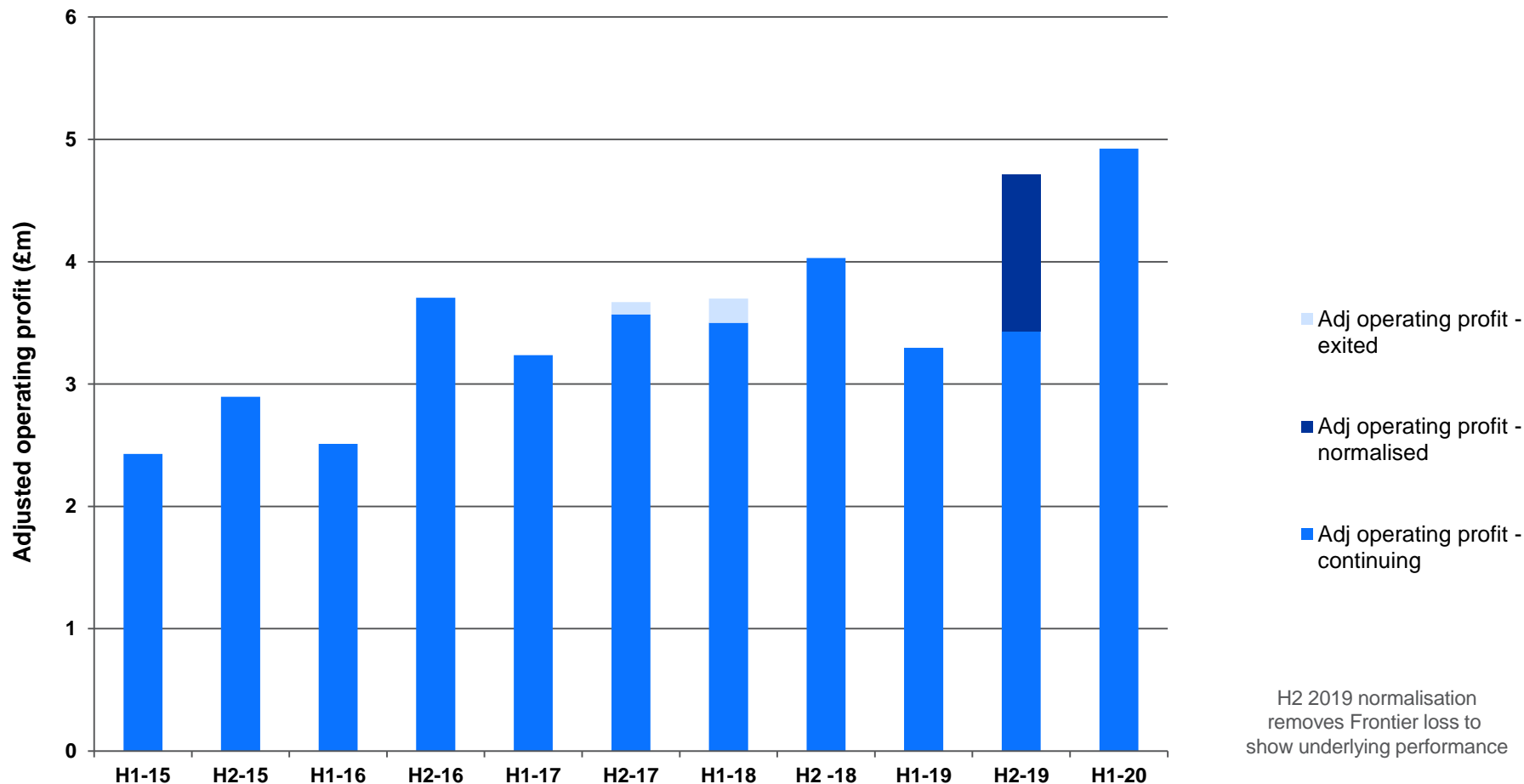


H1-2020 Group Revenue



Group Adjusted Operating Profit

- Record half-year adjusted operating profit of £4.9m (H1-19: £3.3m)
- Increase of 50%
- AOP Margin of 13.3% (H1-19: 13.9%)



R&D Consultancy

Overview

- Science-led product development and advisory services including ISO13485 approval for design of medical products
- Based Harston, Epsom and Boston
- Serves medical, food & beverage, consumer, industrial and agritech markets
- Employs biochemists/chemists, biologists, physicists, mathematicians, mechanical/electronic/software engineers, product design and human factors consultants, speaking 20+ languages

H1 financial highlights

- Services revenue of £15.3m (H1-19: £13.6m)
- Total revenue of £18.8m (H1-19: £14.4m) including pass-through materials related to UK medical project
- Organic services growth of 12%, benefitting from UK medical project

Strategy

- Increased integration of Applied Science, Product Development and Advisory (Sagentia, Oakland and OTM brands)
- Primarily UK cost base but with a significant proportion of revenue derived from the USA
- Organic growth supplemented by add-on acquisitions

Covid-19 effect & actions

- Participated in UK government's Rapidly Manufactured Ventilator System project
- Combination of home-working and office/lab presence enabled continuation of client work
- Strengthening US regional sales team to address international travel issues related to Covid-19
- Caution due to unpredictable and inconsistent return of clients to business normality

Regulatory & Compliance

Overview

- Client registration and marketing compliance of regulated products internationally
- Based Washington DC, Sacramento (CA), Knaresborough (UK) and Epsom (UK)
- TSG and Leatherhead Food Research brands
- Employs regulatory experts, toxicologists, chemists, microbiologists, environmental scientists and food scientists, speaking 30+ languages
- Serves chemicals, consumer and food & beverage markets

H1 financial highlights

- Revenue of £10.0m (H1-19: £8.7m)
- Organic growth of 15%
- Recurring revenue accounts for approx. 27% (H1-19: 26%)
- Excellent performance in North America
- Good performance in European services, benefitting from large project in food & beverage sector

Strategy

- Increased investment in USA renewals services which deliver recurring revenue
- Increased integration of TSG and Leatherhead businesses in Europe with single MD
- Organic growth supplemented by add-on acquisitions

Covid-19 effect & actions

- Primarily home-working during pandemic with some office presence - migrating back to mixed home/office working pattern in Europe
- Delivery of services continued in all geographies
- US services in high demand led by Covid-related product approvals

Frontier Smart Technologies

Overview

- Market leader in DAB/DAB+ radio chips and modules with estimated 80% market share (excluding automotive)
- Acquired by Science Group in 2019
- Employs RF, hardware, software and field applications engineers
- Based in Harston (UK), Shenzhen (China) and Hong Kong

H1 financial highlights

- Revenue of £7.5m (H1-19: no comparator)
- Operating profitably despite revenue impact of Covid-19
- Underlying adjusted operating profit margin of 9% (after adding back IFRS 3 revaluation of acquired inventory)
- Market share maintained

Strategy

- Successful restructuring and turnaround effected:
 - FST was loss-making pre-acquisition
 - Rapid integration and restructuring programme resulting in substantial reduction in cost base and streamlining of operations
- Increase scale through acquisition or realise shareholder value in due course

Covid-19 effect & actions

- Temporary factory closure in Shenzhen at start of year followed by closure of retail operations in Europe
- Revenue impact in H1-20 was 15-20%
- Q3 revenue and units anticipated to be close to original plan as retail channel re-opens

Freehold Properties & Corporate Costs

Science Group owns two freehold properties

- Harston Mill (Cambridge) and Great Burgh (Epsom)
- Out-of-town, low-rise facilities with substantial car-parking
- Book value: £21.3m (H1-19: £21.5m)
- Last formal valuation (2018): £22.6m to £33.9m
- Change in ownership (within the Group) of Harston Mill deferred due to tax cash outflow of approx. £2m if/when actioned

Property rental and associated services income was £2.2m (H1-19: £1.9m*)

- Income from third-party tenants of £0.6m (H1-19: £0.5m)
- Income from Group operations of £1.6m (H1-19: £1.4m*)
- Property adjusted operating profit of £0.8m (H1-19: £0.7m*)
- Intra group revenues/costs eliminated on accounting consolidation

Corporate

- Management of PLC matters together with the strategic development of the Group
- Corporate costs were £0.9m (H1-19: £0.9m)



*The H1-19 results have been restated following a review of the rental charges to the Operating Businesses; the Group revenue and adjusted operating profit are unchanged.

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