

science group

21 September 2018

Science Group plc
("Science Group" or "Group" or "Company")

Corporate Strategic Review

The Board of Science Group plc has decided to undertake a formal review of the Group's corporate strategy. The reasons for the review are set out below.

Background

Science Group comprises a cash generative consultancy business with two substantial freehold property (office/laboratory) assets which host the operating activities. In addition to providing dividends to shareholders and bonuses/profit share to employees, the Group's operational cash flow has been used to fund acquisitions and share buy-backs enabling the business to significantly increase in scale without shareholder dilution. The freehold property provides asset security to enable the Group to obtain low cost, long-term debt without onerous operating covenants (subject to debt level). The Board carefully considers the corporate allocation of cash resources and has provided analysis in year-end investor presentations for transparency.

It is 8 years since the Chairman's investment which was the catalyst for a material change in the strategy of the Group. During this time the Board and the Management Team have been focused on the Group's organic and acquisitive strategies, resulting in substantial growth and consistently strong operating margins, underpinned by the Group's balance sheet. This foundation provides confidence to the Group's employees, customers and shareholders. But, in an ever changing world (eg Brexit), the Management and Board priorities continue to be to position the Group to address both challenges and opportunities as they arise.

The Chairman remains the Group's largest shareholder at 33.5%. The top 3 shareholders (including the Chairman) hold around 60% and the top 10 shareholders control collectively around 80%. The Board recognises the limitations derived from the concentration of the Group's shareholder base including that the lack of share trading liquidity can be an inhibitor for some institutional investors and may correspondingly impact on valuation. Furthermore, due to the Group's strong operating cash flow and cash allocation model, the issued share capital of the Company today (excluding treasury shares) is less than it was in July 2010, despite the significant growth in operations.

Corporate Strategic Review Process

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In the context of the above, and as the integration of TSG nears completion, the Board has determined that it is now appropriate to undertake a formal review of the Group corporate strategy. This review will cover a range of subjects including:

- The allocation of cash resources and asset utilisation;
- The shareholder structure and share liquidity;
- The potential diversification of the Group;
- The merits of the Group remaining as an independent organisation.

The Strategic Review is restricted to corporate aspects of the Group's strategy. The operations and organisational structure of the business are not part of the review. The operating model has progressively evolved to a structure providing a range of science-based services into key vertical market sectors and the Board and Management consider this to be the right model for the existing business. This operating strategy includes enhancing the organic development of the business through add-on acquisitions.

It must also be emphasised that Science Group has a very strong balance sheet and a track record of consistent financial performance. As such, the Board will undertake the review in a timely but structured manner, evaluating each of the above factors, and potentially others that may arise, in defining the future corporate strategy for the Group.

In order to avoid the Company being in a protracted period of uncertainty, the Board anticipates completing the Corporate Strategic Review by the time of the release of the Preliminary Results for 2018. The Board of Science Group plc reserves the right to alter or terminate the process at any time and will provide updates to shareholders as appropriate/required.

Share Buy-Back Programme

In accordance with the terms of the Share Buy-Back Programme, Panmure Gordon have suspended this activity during the Strategic Review process.

For further information:

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