



Interim Results Presentation July 2014

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SAGENTIA GROUP PLC

Sagentia Group plc

Science and Technology consultancy

- Science, Technology & Product Development
- Technology Advisory

International presence

- Headquarters and laboratories based in Harston, near Cambridge
 - Substantial freehold property
- Other offices: UK – London & Guildford; USA – Boston & Houston; and Dubai



Summary

Satisfactory operating performance in difficult FX environment

Prior year comparisons

- Substantial negative FX effects, particularly £:\$ at a 5 year high:
 - H1-13 to H1-14: Negative £0.5m
 - H2-13 to H1-14: Negative £0.3m
- As previously reported in 2013 Interim and Annual Report:
 - H1-13 exceptional performance
 - H2-13 included one-off licence benefit (£0.4m) and OTM contribution
 - Closure of M5N
 - Corporation tax charge on P&L – no cash effect
- Non-cash intangible amortisation and share-based payments

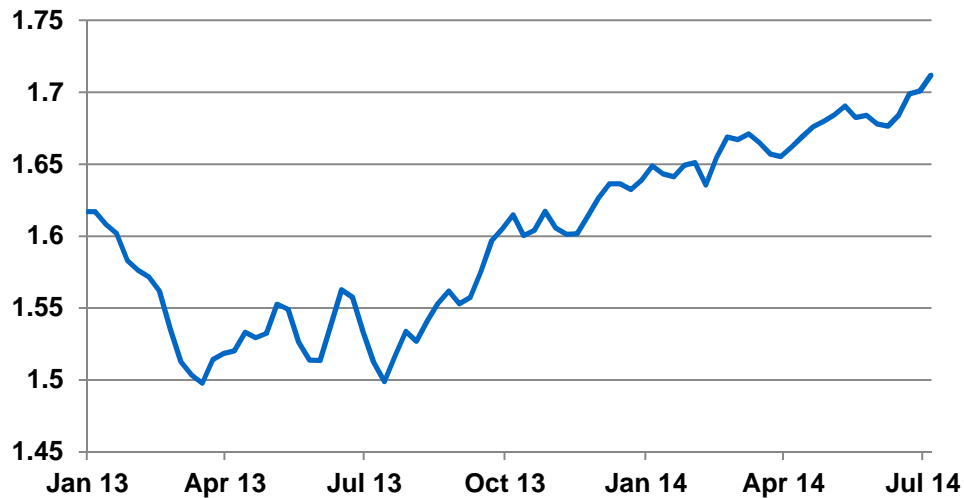
Statutory results

- Revenue of £13.3m (H1-13: £14.5m)
- Adjusted operating profit of £2.4m (H1-13: £2.9m)
- PBT of £1.8m (H1-13: £2.7m)
- Diluted EPS of 3.4 pence (H1-13: 6.6 pence)
- Cash balance of £22.8m (30 June 2013: £20.5m) and Net Funds of £13.5m (H1-13: £14.7m)

Currency Exchange Rates

- Significant amount of revenue in US\$
- Cost base predominantly in Sterling
- Sterling at a 5 year high against US\$ – affects margin and/or competitiveness
- Average US\$ rate in H1-14 = 1.68 (H1-13: 1.53; H2-13: 1.60)
- Strengthening of Sterling is expected to continue to affect 2014 (30 June 2014: 1.71)

**GBP/USD exchange rate
Jan 13 to Jul 14**

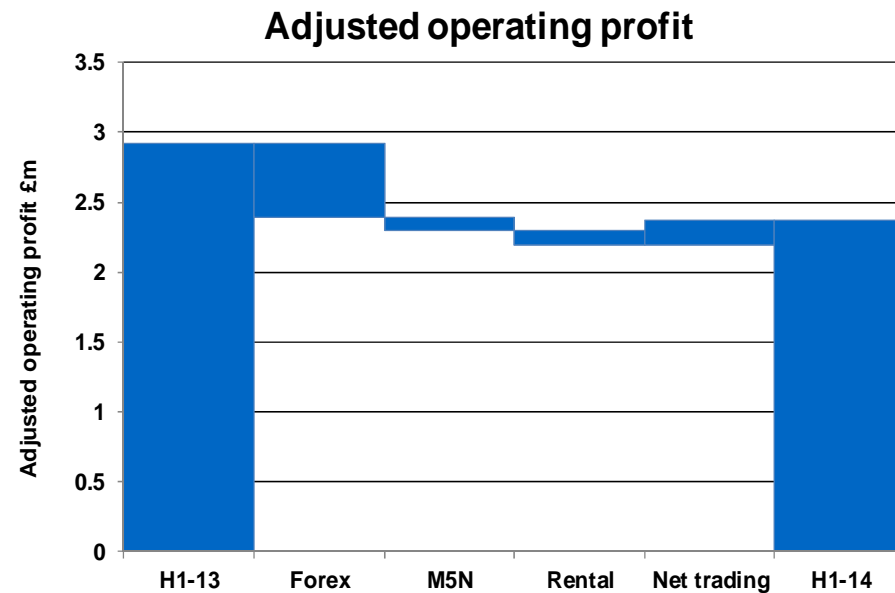
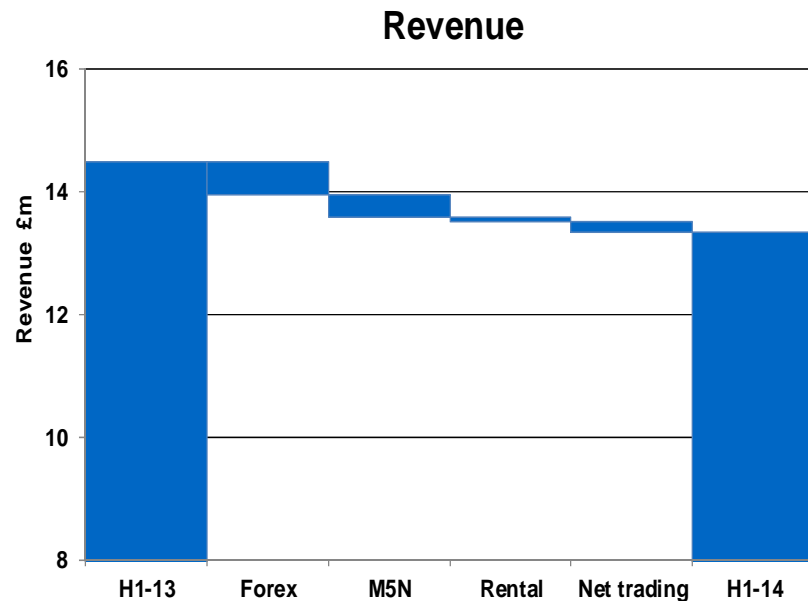


**GBP/EUR exchange rate
Jan 13 to Jul 14**



Bridge from H1-13 to H1-14 (Revenue & Adjusted Operating Profit)

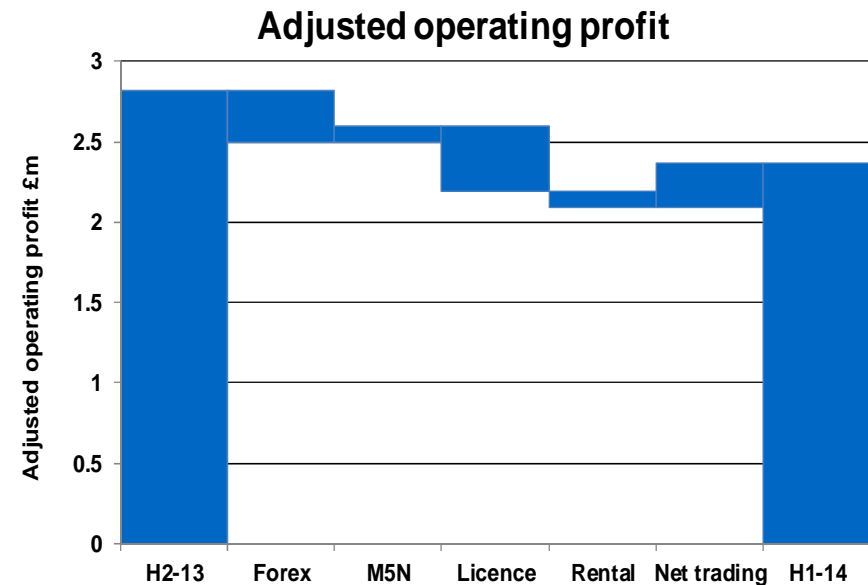
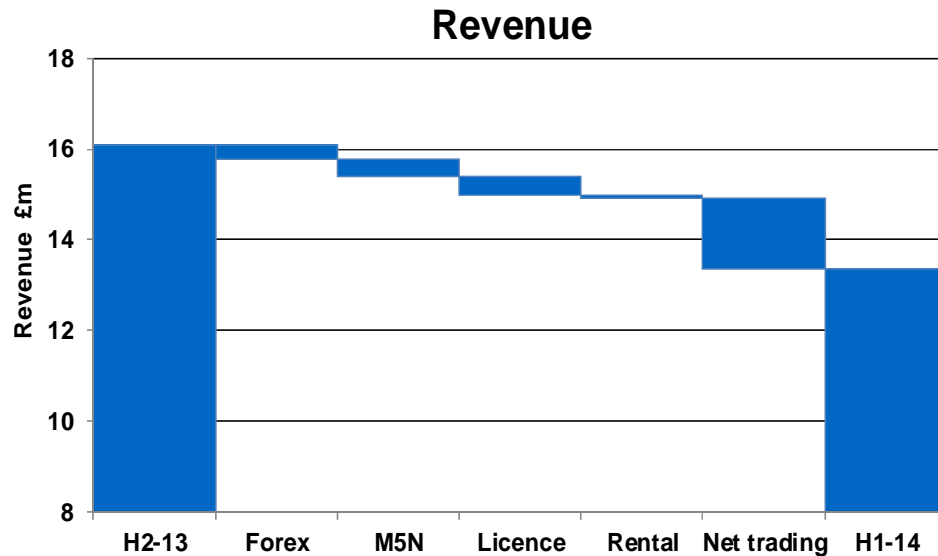
- Negative FX impact (revenue & profit) of approx £0.5m
- H1-13 exceptionally strong, as noted at the time
- OTM acquired in July 2013 broadly offsetting H1-13 exceptional trading
- M5N – decision to wind down non-core activity at end 2013
- Operating margins remain at top end of peer group range



Adjusted operating profit excludes amortisation of acquisition related intangible assets, share based payment charges and other exceptional items

Bridge from H2-13 to H1-14 (Revenue & Adjusted Operating Profit)

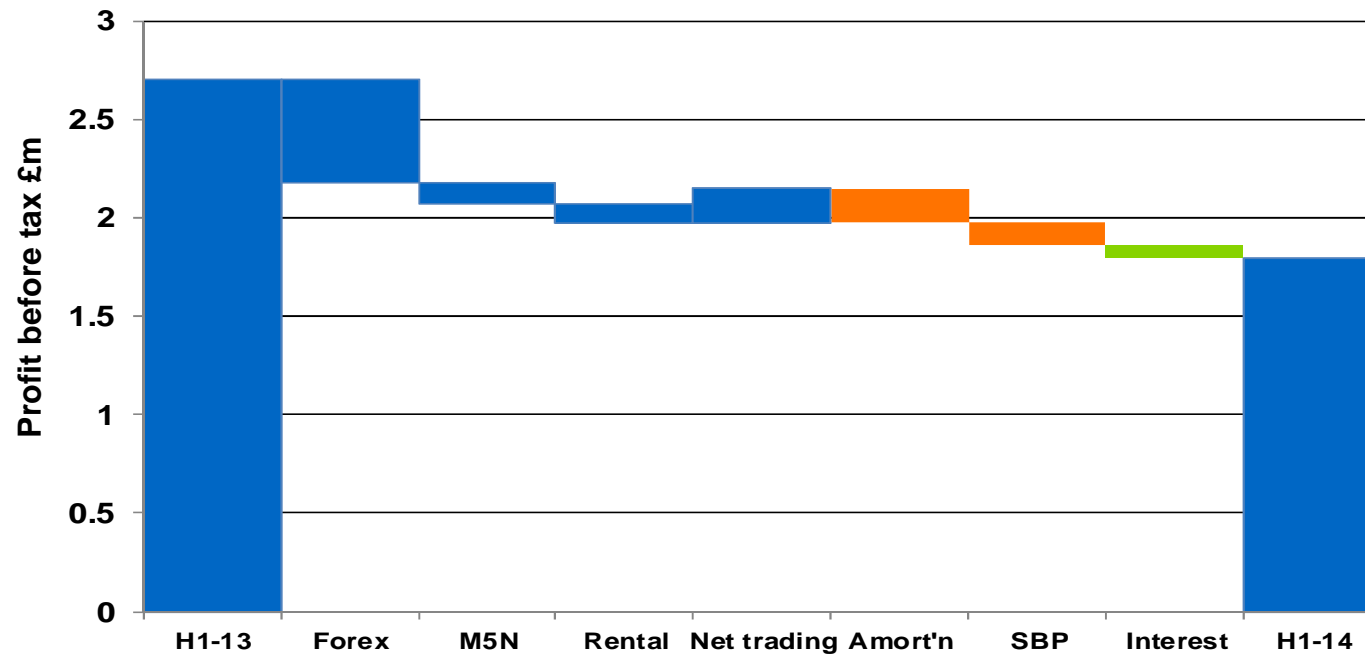
- Negative FX impact (revenue & profit) of approx £0.3m
- M5N – decision to wind down non-core activity at end 2013
- H2-13 benefitted from one-off licence receipt of £0.4m
- Net trading effect negative on revenue but positive on adjusted operating profit due to tight cost control



Adjusted operating profit excludes amortisation of acquisition related intangible assets, share based payment charges and other exceptional items

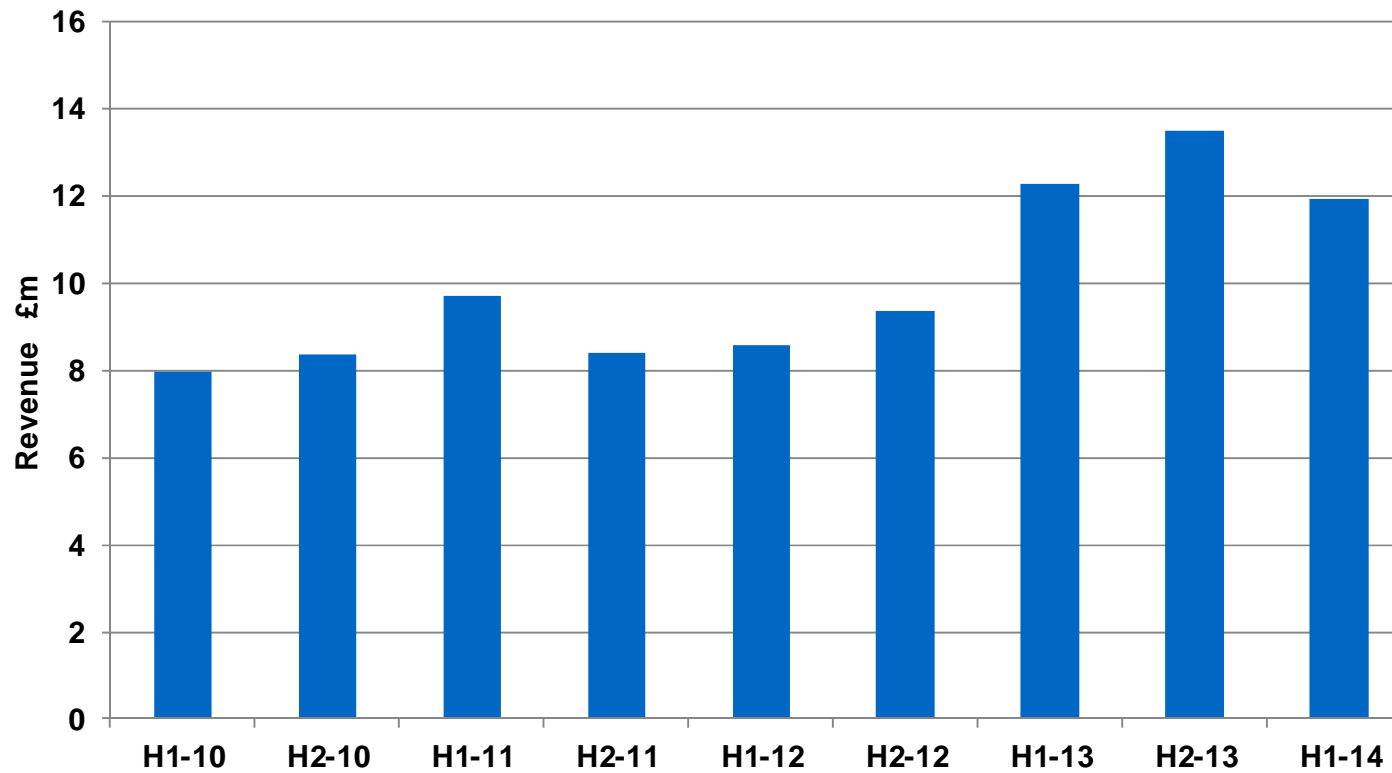
Bridge from H1-13 to H1-14 (Profit before Tax)

- Operating bridge as prior slide
- Intangible amortisation arising from FY13 acquisitions
- Share-based payment charge
- Interest charge increase from refinancing in FY13 (higher principle at lower interest rate)



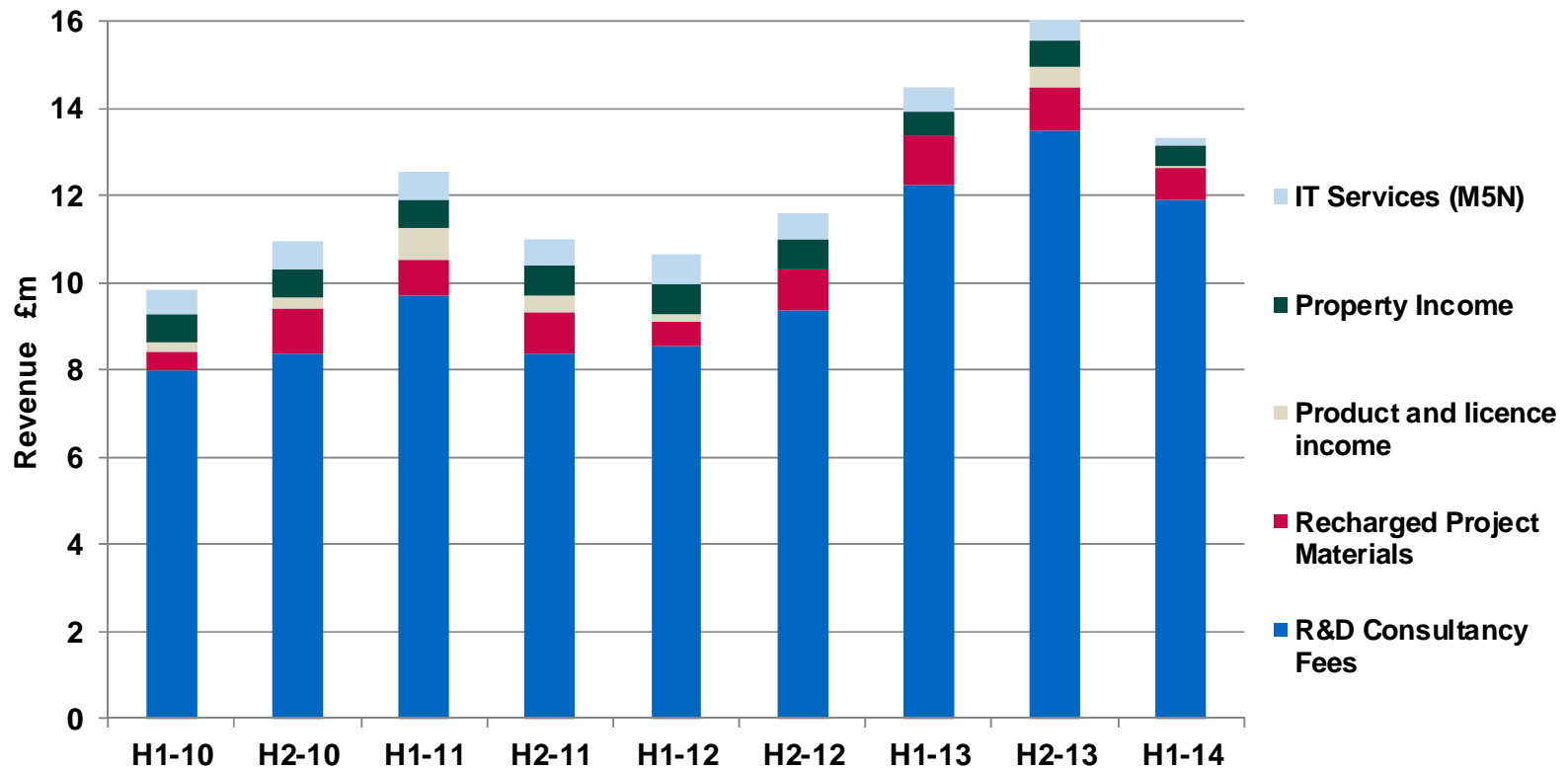
R&D Consultancy Fees (not FX adjusted)

- Satisfactory performance in consultancy services
- Negative impact of FX in H1-14 compared to 2013
- FX impacts on US\$ invoicing and affects competitiveness in Sterling invoicing
- Very strong comparators in 2013
- OTM acquisition in July 2013



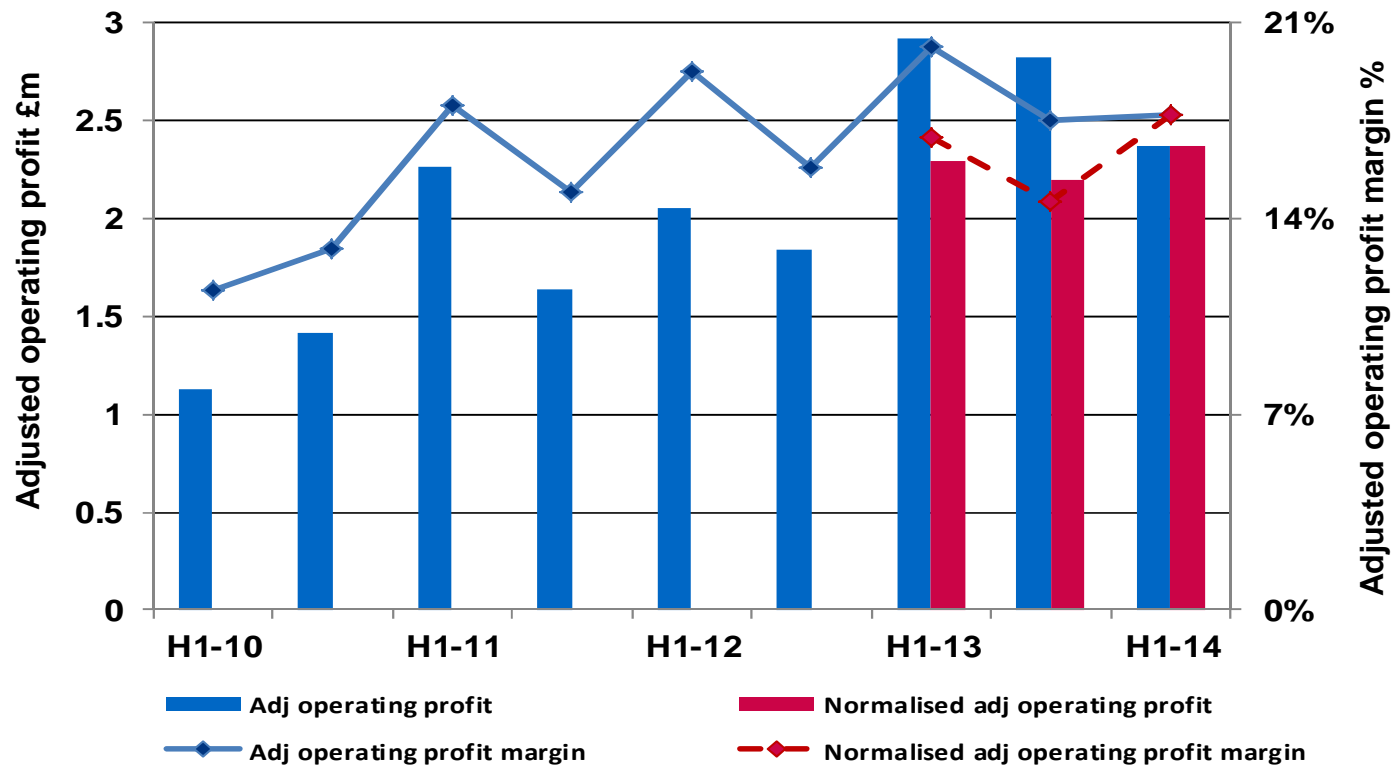
Group Revenue Breakdown (not FX adjusted)

- IT services business has been closed
- Reduction in property income – primarily due to investment in Sagentia business
- H2-13 benefit from one-off licence (£0.4m)



Adjusted Operating Profit and Margin – Half Year

- Operating margins remain strong. Top end of peer group range
- Good comparative margin performance when normalised for FX and one-off factors
 - H1-13 normalised for FX and M5N (£0.6m)
 - H2-13 normalised for FX, M5N and one-off licence (£0.6m)



Adjusted operating profit excludes amortisation of acquisition related intangible assets, share-based payment charges and other exceptional items

Segmental Analysis

Market sectors

- Medical market
 - Revenue of £5.7m (H1-13: £6.7m)
 - 45% (H1-13: 50%) of Consultancy Revenue (R&D Consultancy Fees and Recharged Project Materials)
- Commercial market (incl OTM)
 - Revenue of £7.0m (H1-13: £6.7m)
 - 55% (H1-13: 50%) of Consultancy Revenue

Business sectors

- Product & Technology Development
 - Consultancy Revenue of £10.2m (H1-13: £12.4m)
- Technology Advisory (incl OTM)
 - Consultancy Revenue of £2.5m (H1-13: £1.0m)

Geographic sectors

- Approx. 79% of R&D Consultancy Revenue from overseas markets (H1-13: 82%)
- North America: 62%; ROW: 17%; UK: 21% (H1-13: NA: 69%; ROW: 13%; UK: 18%)

Balance Sheet Summary

Strong cash position

- Cash of £22.8m (H1-13: £20.5m)
- Net Funds of £13.5m (H1-13: £14.7m)
 - OTM acquired in July 2013 (cash outflow £3.8m)
 - Annual dividend (cash outflow £0.4m)

Freehold property

- Valued by Savills in 2013 for Lloyds loan at £12.9-£18.0m
- Carrying value on balance sheet has not been adjusted (£13.6m)

Working capital

- Debtor Days at 30 June 2014: 44 (H1-13: 37)
- Debtor and WIP days: 6 (H1-13: 17)

Tax losses

- At 31 December 2013 Group had tax losses of £19.4m (2012: £23.0m)
- See separate slide

Tax Loss Accounting and EPS

Tax losses

- Brought forward tax losses from 2013 of £19.4m (2012: £23.0m)
- Includes £12.6m of trading tax losses which it is anticipated will minimise tax cash payments in future periods
- At 31 December 2013, trading tax losses recognised in full as deferred tax asset
- Tax charge reported to arrive at statutory profit after tax will more closely reflect underlying tax charge
- This accounting treatment does not affect cash tax paid. Cash outflow modest

Adjusted diluted EPS of 4.3 pence (H1 2013: 6.9 pence)

- Reduced by 0.7 pence due to increase in corporation tax charge in P&L
- Reported diluted EPS of 3.4 pence (H1-13: 6.6 pence)
- Release of deferred tax asset as tax losses are utilised – results in increased statutory tax charge being reported and therefore reduced reported profit after tax
- Weighted average number of shares in issue increased to 38.7m (H1-13: 36.7m)
- This impact was highlighted at last Preliminary Results
- Does not affect cash

Summary & Prospects

Satisfactory performance

- Margins strong. Tight cost control

Financial results impacted by currency exchange environment

- Margin: revenue denominated in US\$ with cost base in Sterling
- Competitiveness: revenue denominated in Sterling in € currency country

Prospects

- At current exchange rate, impact relative to start of the year would be approx £0.4m
- Sterling anticipated to strengthen further due to predicted UK interest rate rise
- Adjustment to 2014 result for 2013 comparators (one-off licence, wind down M5N, H1-13 exceptionally strong)
- Underlying trading anticipated to deliver sequential revenue growth

Strong balance sheet with significant cash resources

- Evaluation of acquisitions and investments continuing

Strategic direction being maintained

- Long term strategic focus whilst mitigating currency effects where possible
- Technology Advisory: increase proportion of staff based in USA



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Sagentia is listed on the
London Stock Exchange (SAG.L)

SAGENTIA GROUP PLC