

science group plc

12 October 2020

Science Group plc (the “Group” or “Science Group”)

Trading Update

Science Group announces that, following its trading update on 10 September 2020, revenue across the Group has continued to be at the higher end of the Board’s expectations. In particular, the performance of Frontier is noteworthy in terms of both revenue and, due to an enhanced product mix, an improved operating margin. While the Board is using the opportunity to increase investments in the operating businesses, it is now apparent that the Group’s adjusted operating profit for the year ended 31 December 2020 will exceed the Group’s expectations as set out at the start of the year.

Frontier Smart Technologies

The acquisition of Frontier was completed one year ago this week. The restructuring and integration programme was executed rapidly and, in hindsight, would have been very challenging if it had not been completed before the outbreak of the pandemic. While the business was disrupted by Covid-19 in the first half of the year, demand for Frontier products has continued the recovery seen in the early summer, with shipments in 2020 now constrained by materials supply and orders booked for shipments in early 2021 now approaching 50% of the first quarter forecast.

The benefit of this uptick in demand is enhanced by an increasing proportion of SmartRadio modules (combined DAB, Internet Radio and music/podcast streaming services) in the product mix which have a higher average selling price than DAB-only modules. It is unclear whether this is a longer term trend at this stage, although Smart Radio sell through can be validated by tracking the quantity of first-time connections to the Nuvola IoT infrastructure and the data obtained supports the view of market growth in this sub-sector since mid-April.

As a result, after many years of losses, for the year to 31 December 2020 it is now anticipated that Frontier will slightly exceed the revenue plan set out at the start of the year and operating margins for the year are now anticipated to be broadly in line with the rest of the Group. In summary, Frontier has exceeded the Board’s expectations in its first year post-acquisition.

Employee Appreciation and Charitable Donations

In achieving such a strong performance in this challenging year, the employees of Science Group have demonstrated their resilience, commitment and determination. The Board expresses its gratitude for this dedication and has awarded a one-off bonus of £500 to all eligible, permanent employees (pro-rated for part-time staff and localised for employees outside the UK).

In addition, early in the pandemic, the Board recognised the potential impact on some sectors of society and provided support to local food banks. Unfortunately, as we enter winter, Covid-19 remains firmly established and charitable sector fund raising continues to be very severely constrained. In light of the Group’s successful financial performance, the Board has decided to increase the Group’s charitable donations in 2020 to further support local communities in these difficult times.

2021 Outlook

The global economic environment remains unpredictable and the future will be subject to the effects of Covid-19, Brexit and the US Presidential election. Realistically it is impossible to incorporate such a combination of factors into a business plan. The Board will therefore continue its prudent operating model,

making investments when financial results permit, and maintaining its primary focus on cash flow. This model, which is consistently implemented in every acquisition, has delivered resilient performance over the past decade, even during the pandemic.

Science Group also benefits from its strong balance sheet including gross cash (excluding client held funds) at 30 September 2020 of £25.0 million and net funds of £8.2 million, with the debt secured on the Group's substantial freehold property (office and laboratory) assets. This capital base enables the Board to continue to explore acquisition opportunities although, as always, there can be no certainty that any acquisitions will be completed.

End

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Note: This announcement contains inside information which is disclosed in accordance with the Market Abuse Regulation (No 596/2014). The person responsible for this announcement is Rebecca Archer, Finance Director.