

science group plc

26 October 2021

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Requisition of General Meeting of TP Group plc

During August, Science Group acquired a shareholding in TP Group plc (“TP Group”) which was progressively increased to its current level of 211,225,890 shares, equivalent to approx. 27.1% of the voting share capital. In parallel, Science Group sought to engage with TP Group with a view to potentially making an offer at 6.5 pence per share or alternatively making a strategic investment. The TP Group Board refused to engage in respect of an offer citing that the approach was not fully funded. While Science Group believes that this excuse had no objective merit, it had the effect of avoiding the release of due diligence information which was a necessary pre-condition for any potential offer to proceed. As a result, Science Group terminated discussions in relation to its potential offer on 3 September 2021 and TP Group shareholders were denied a potential liquidity event at a substantial premium. The TP Group share price has subsequently fallen significantly below the potential offer price.

On 16 August 2021, Science Group requisitioned a general meeting (“General Meeting”) of TP Group. This was held on 1 October 2021. Despite a vociferous defence by the TP Group Board, supported by an array of advisors effectively paid for by TP Group shareholders, the outcome of the General Meeting was a clear 57/43% vote in favour of the Science Group proposed resolutions and against the TP Group Board. The Chairman and a non-executive director of TP Group resigned. The two Science Group nominated directors should have been appointed to the Board at the end of the General Meeting, in accordance with the resolutions approved by a clear majority of shareholder votes.

The remaining directors of TP Group appointed Mr Philip Holland as Chairman on 30 September 2021, one day before the General Meeting. Despite the unequivocal vote of TP Group shareholders, TP Group then delayed confirming the appointment of the new directors and implementing the legitimate conclusion of the General Meeting. Ultimately, it took the preparation of legal proceedings by Science Group’s external counsel before TP Group belatedly complied with the TP Group shareholder vote and appointed Mr Ratcliffe and Mr Bertram as directors. Furthermore, the TP Group Board granted Deeds of Indemnity to each director but did not offer the same to Mr Ratcliffe and Mr Bertram until demanded. The appointments were finally announced on 14 October, two weeks after the General Meeting and only after instructing counsel to commence legal action. Mr Ratcliffe and Mr Bertram have both waived all remuneration from TP Group for the current financial year.

The TP Group Board defence was set out in the Shareholder Circular posted to shareholders on 6 September 2021. The strategy was summarised in Section 4. The TP Group strategy was stated to be the creation of an independent, high margin, international consultancy although the low profitability of the Sapienza business (as reported in the 2021 Interim Results presentation) would appear inconsistent with this model. The TP Group Board’s intentions in relation to TPG Maritime, one of the largest operations in TP Group, were still unclear despite (i) the possible disposal programme announced in January; (ii) the termination of that plan in July; and (iii) the further reversal of intentions indicated on 17 August. The interim results in September also noted that the TP Group Board was reviewing how to realise value from the Westek business.

Science Group is not a fund manager. Science Group is a highly profitable, cash generative business built around a leading Cambridge science and technology consultancy. The Science Group interim results released on 26 July 2021 reported adjusted operating margins of 17.8% including corporate costs. Science Group does not capitalise any R&D costs. Science Group has a strong balance sheet with significant cash resources and freehold property assets. The Science Group Board has a demonstrated track record of delivering value to shareholders whilst also sharing the rewards of success with employees in the Group. In statements released in August, Science Group made it clear that its strategic investment was undertaken to enable a collaborative model between Science Group and TP Group, reinforced by an active management involvement.

The General Meeting result was a clear rejection of the TP Group Board's strategy. The Science Group strategy to create a collaboration between the companies, built around Science Group's strategic investment and the appointment of its two nominated directors, was endorsed. TP Group shareholders gave a clear mandate for the Science Group strategy which is anticipated to benefit both organisations and their shareholders.

Unfortunately, it appears that the TP Group Board has been reluctant to accept the clear majority vote of the Company's shareholders and the legitimate result of the General Meeting. For a business with documented financial challenges (prior to any involvement by Science Group), this situation cannot be in the best interests of TP Group, its employees, customers and shareholders. The Company needs to have a positive forward-looking strategy unencumbered by (i) the failure of the unsuccessful defence; (ii) the historic poor performance of TP Group; and (iii) the historic ineffective governance. As a result, Science Group requested that Mr Holland step down as Chairman and a director.

Regrettably, and despite unsuccessful attempts by Science Group over the weekend to try to engage in dialogue, on 24 October 2021 Mr Holland advised that he will not step down. Therefore, Science Group has been left with no alternative but to requisition a general meeting to remove Mr Holland as Chairman and director of the Company. The general meeting notice also includes a resolution that any director appointed between 21 October 2021 and the date of the general meeting also be removed.

If shareholders approve the resolution(s), it is proposed that two new independent non-executive directors, including at least one female director, will be appointed. One of the new appointees will become the Senior Independent Director. An appropriate search, using an independent search consultancy, would be initiated immediately after the general meeting to ensure that the Board includes appropriate independent representation.

In summary, the challenging financial position of TP Group was disclosed in the Company's results for 2020, released on 15 June 2021, and in the Company's Annual Report. Following that announcement and the subsequent change in Chief Executive, a significant number of TP Group former shareholders elected to sell their shares in the open market. Accordingly, Science Group acquired a substantial shareholding to become the largest shareholder in TP Group with approx. 27.1% of the voting share capital. It is a fundamental principle that the Board acts on behalf of its shareholders. A democratic vote in accordance with the Articles of the Company is an unequivocal demonstration of shareholder wishes and implementation of such decisions by the Board is a core principle of corporate governance. Directors do not have the authority to ignore the result of a shareholder vote at a General Meeting, however disappointed in the outcome they may be. It is imperative that the TP Group Board executes the resolutions and associated strategy approved by its shareholders at the General Meeting and it is indefensible that further costs and disruption are having to be incurred in order to implement the clear decision of the Company's members.

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