

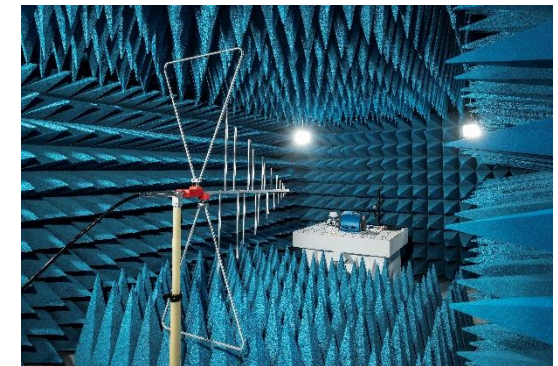
2018 Preliminary Results

Martyn Ratcliffe
Chairman

Dan Edwards
Group Managing Director

To be read in conjunction with the audited preliminary results announcement released on 5th March 2019

In addition to IFRS measures, alternative performance measures are used in this presentation. Refer to the Notes to the financial statements within the preliminary results announcement for detail and explanation.



Financial Summary

Group revenue of £48.7m (2017: £40.8m)

- Record revenue for the Group, benefitting from TSG acquisition
- 83% of Core Business revenue from international markets (2017: 83%)
- 35% of Core Business revenue invoiced in US Dollars (2017: 35%) and 12% in Euros (2017: 10%)

Adjusted operating profit of £7.7m (2017: £6.9m)

- Adjusted EBITDA of £8.5m (2017: £7.6m)
- FX negative impact of £0.1m

Statutory PBT of £4.9m (2017: £3.9m)

- Release of TSG deferred consideration of £0.5m
- Offset by increase in amortisation on acquisition intangible assets of £0.6m
- Acquisition integration costs of £0.1m (2017: £0.8m)

Adjusted basic EPS increased by 15% to 14.7 pence (2017: 12.8 pence)

- Basic EPS of 10.7 pence (2017: 7.7 pence)

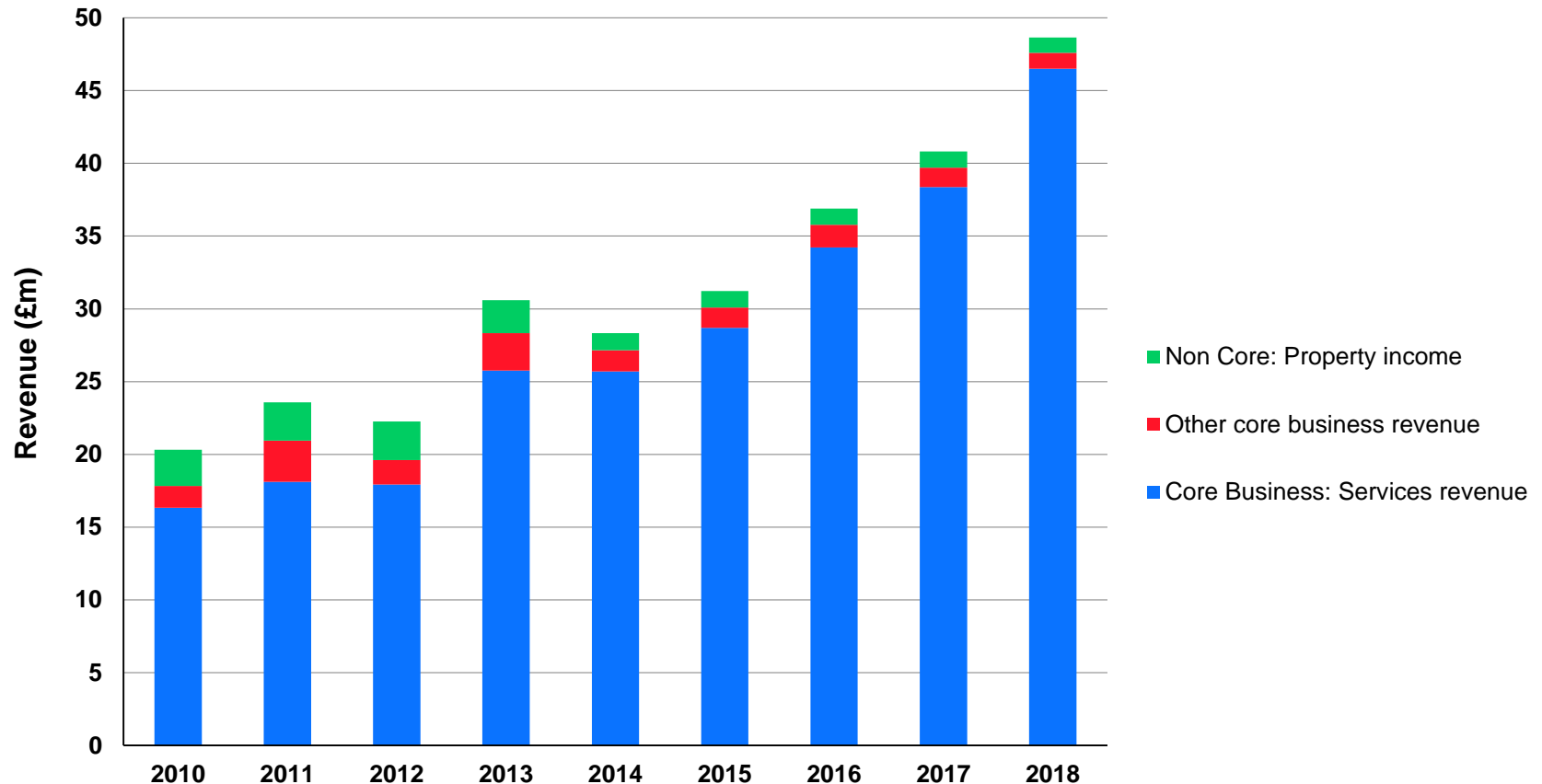
Cash balance of £21.5m (2017: £19.9m) and Net Funds of £8.8m (2017: £6.0m)

- Excludes cash held on behalf of clients for regulatory registration of £1.5m (and Feb loan extension)

Proposed dividend increase to 4.6 pence per share (2017: 4.4 pence per share)

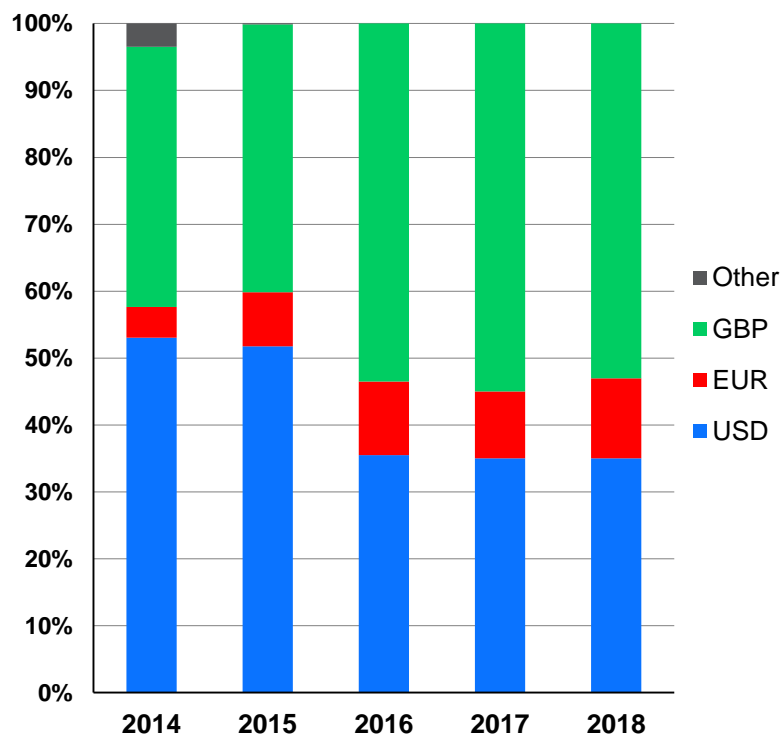
Group Revenue Breakdown

- 2018 includes full year for TSG (2017 includes only 4 months)
- Group revenue headwind of £0.2m from adverse forex rates compared to 2017

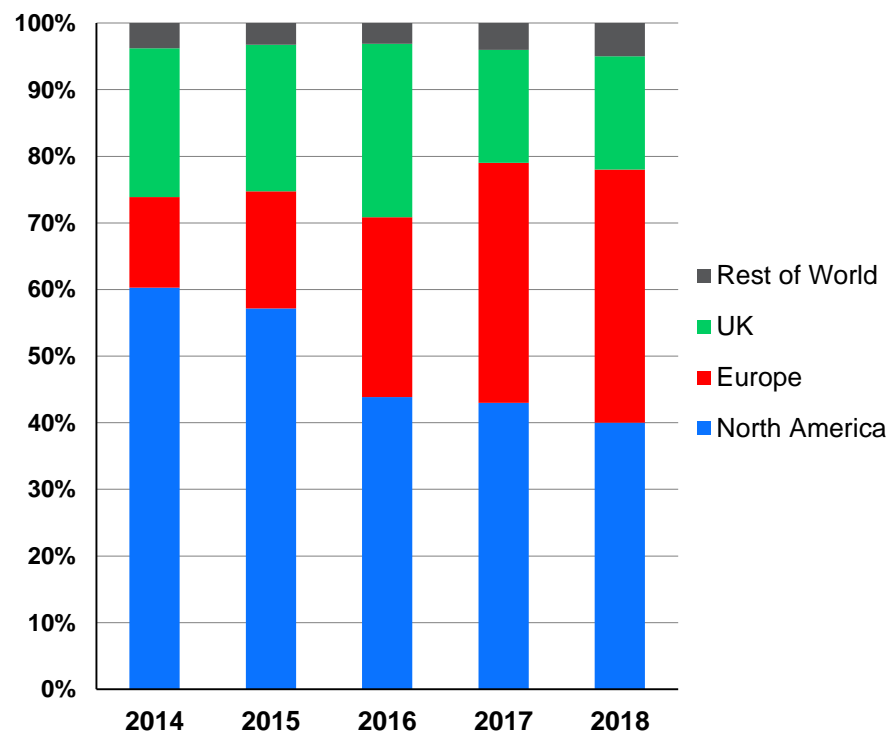


Revenue by Currency/Geography

- 83% (2017: 83%) of Core Business revenue is derived from outside UK
- 35% of Core Business revenue invoiced in USD (2017: 35%) and 12% in EUR (2017: 10%)
- Employee Distribution - UK: 83%; America: 12% and Continental Europe: 5%



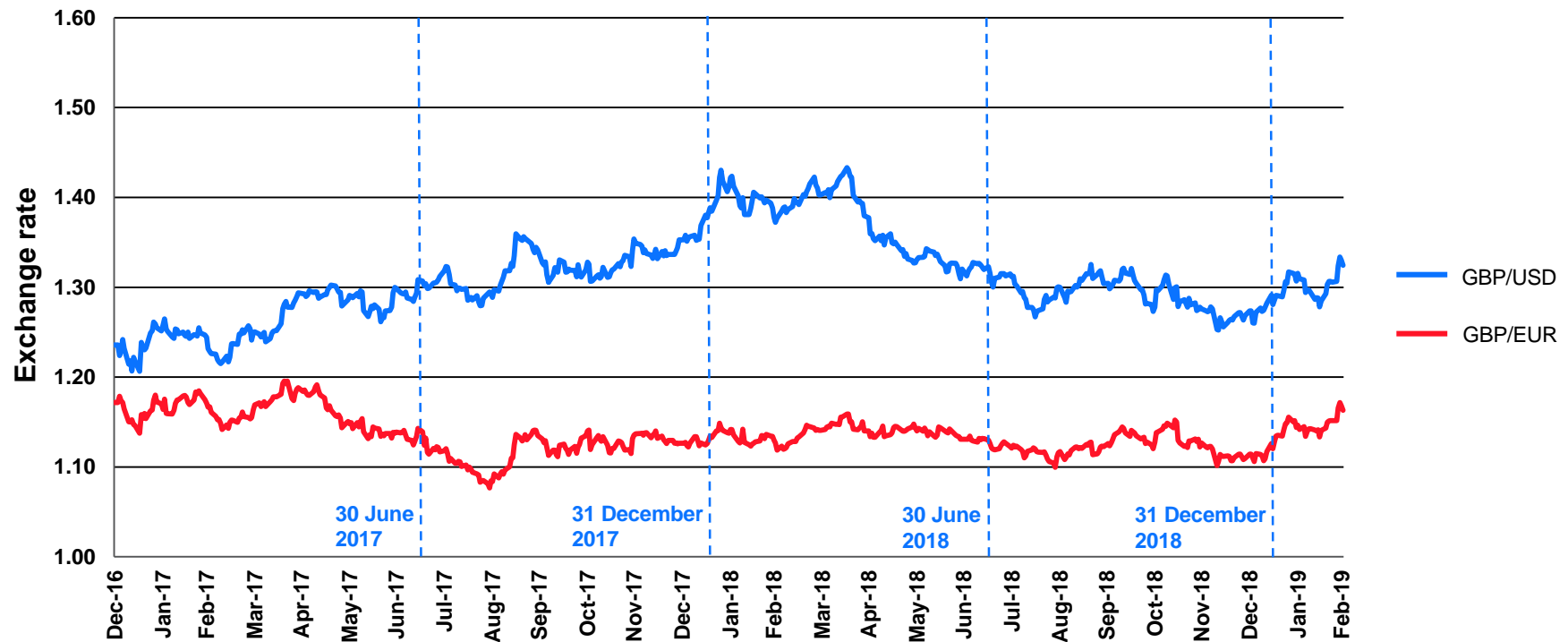
Core Business Revenue by Currency



Core Business Revenue by Geography

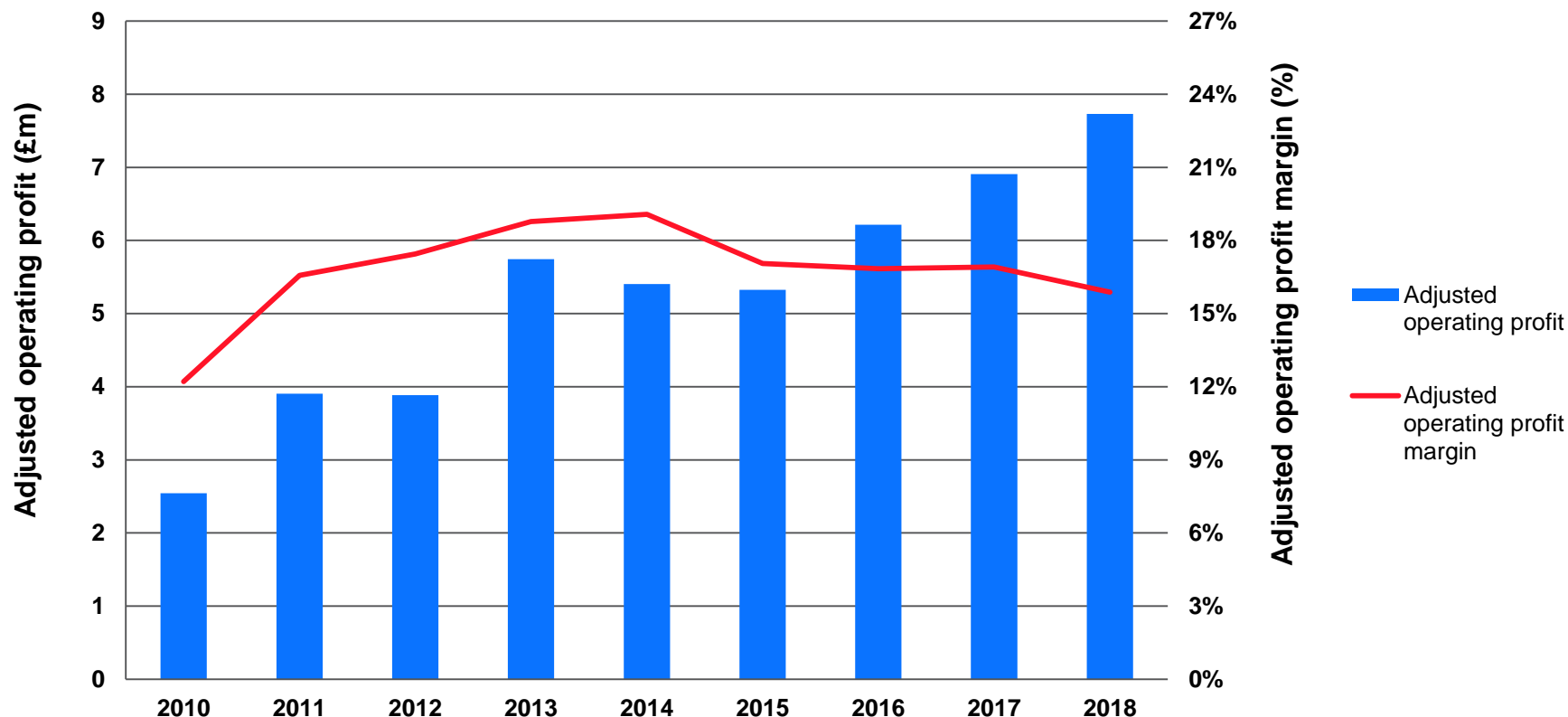
Currency Exchange Rates

- Foreign exchange headwind on Group revenue in 2018 compared to 2017 of £0.2 million
- Average USD rate of 1.38 in H1-18 and 1.30 in H2-18 (H1-17: 1.26 and H2-17: 1.32)
- Average Euro rate of 1.14 in H1-18 and 1.13 in H2-18 (H1-17: 1.17 and H2-17: 1.12)



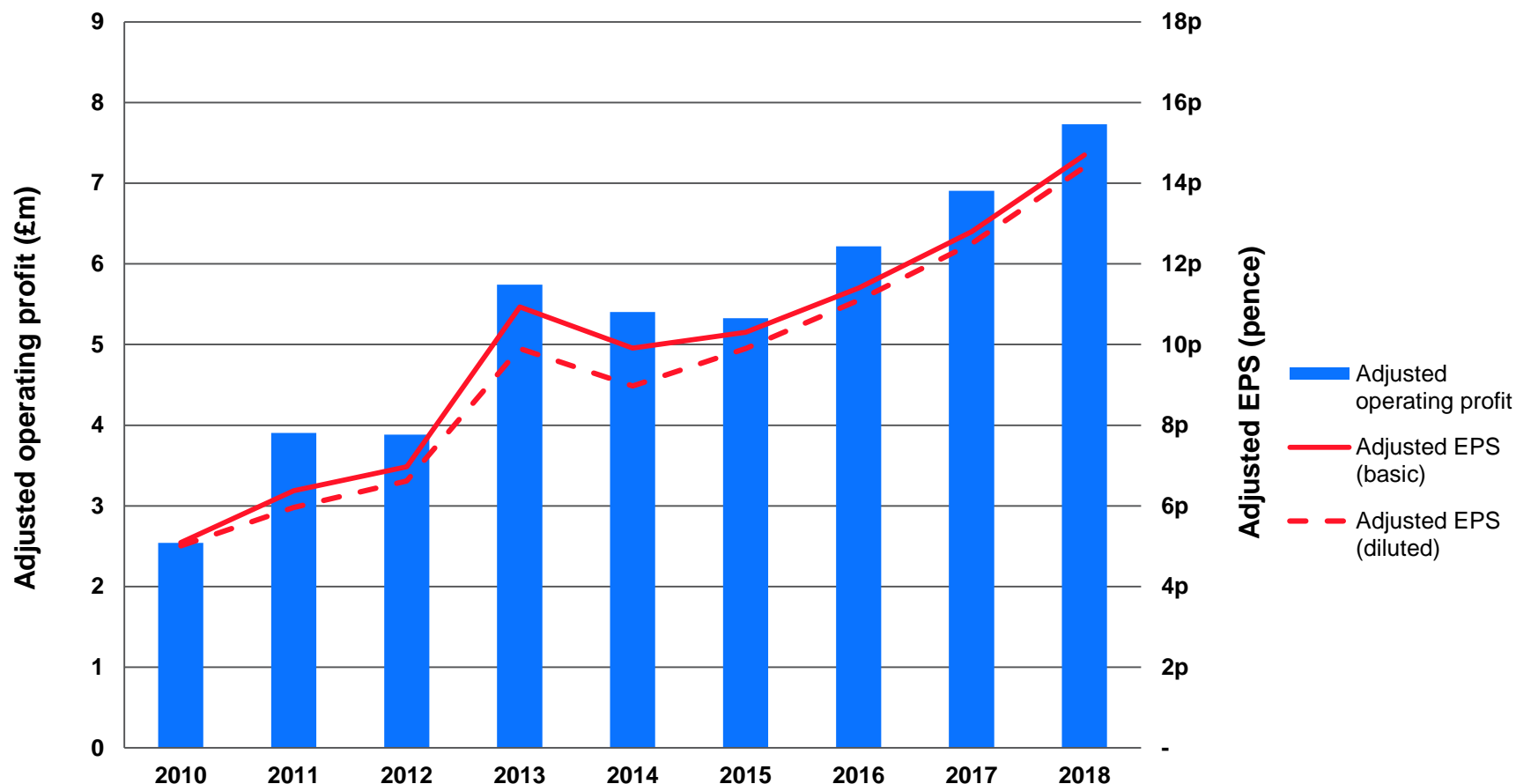
Adjusted Operating Profit

- Adjusted operating profit increased to £7.7m (2017: £6.9m)
- FX negative impact relative to 2017 of £0.1m
- Margin for Group excluding TSG increased from 2017
- Margin of TSG increased but lower than other businesses resulting in aggregate decline



Adjusted Earnings per Share

- Adjusted EPS increased by 15% to 14.7p (2017 : 12.8p)
- Issued Share Capital at 31/12/2018 was 4% less than 31/12/2010
- Proposed dividend increase to 4.6p per share (2017 : 4.4p)



Corporation Tax

Effective corporation tax rate in 2018 is a tax charge of 11.9% (2017: 22.2%)

Tax charge in P&L of £0.6m in 2018 (2017: £0.9m)

- R&D tax credit of £0.4m relating to 2018
- 2018 tax charge reduced by a tax adjustment of £0.2m relating to 2017, of which R&D adjustments are £0.1m
- One-off tax cost in US of £78,000 due to Tax Cuts and Jobs Act (2017: £120,000)

Tax cash flow

- Payments on account started as historic Sagentia losses fully utilised; £1.0m tax paid on UK profits

Carried forward tax losses at 31 December 2018 of £10.8m (2017: £11.4m)

- Includes £0.4m of trading tax losses (2017: £0.6m) which should partially reduce tax cash payments
- Other unrecognised tax losses of £10.4 m (2017: £10.8m). Will only be recognised if probable that losses can be utilised

Business Overview

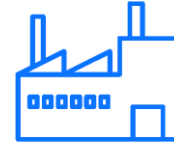
Markets & Services



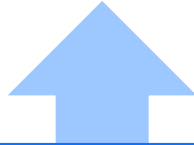
Medical



Food & Beverage



Commercial



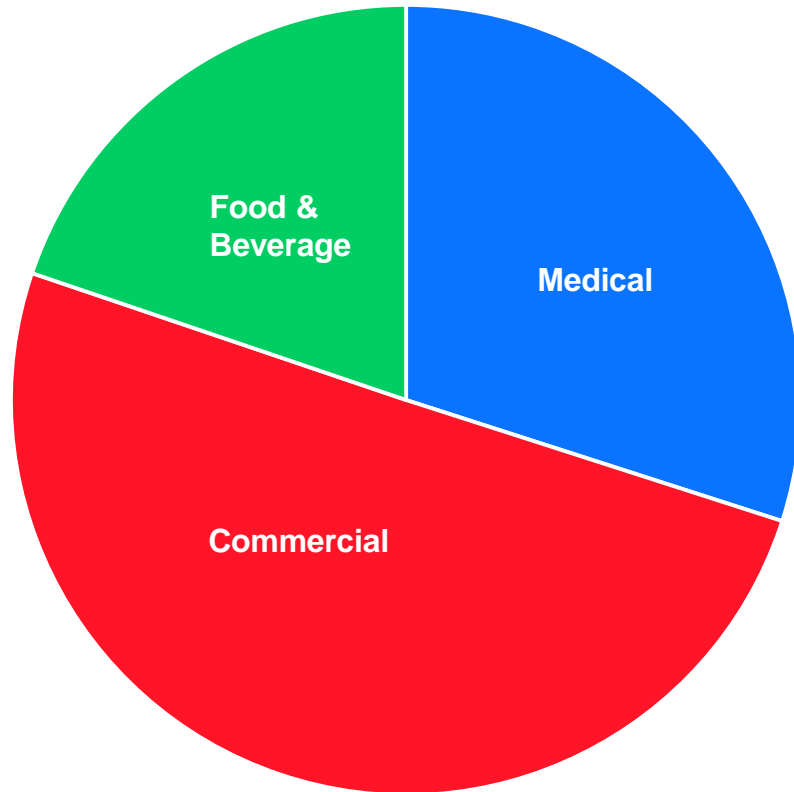
Applied science

Product development

Technology advisory

Regulatory

Market Sector Revenue Profile



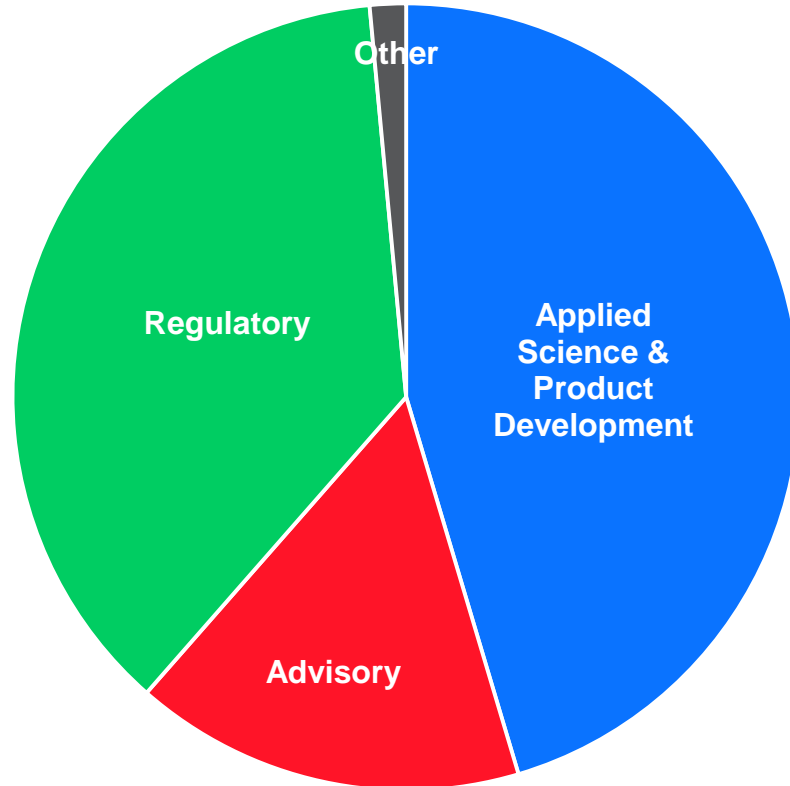
Market Sector Overview

- Medical: Flat revenue as some large projects successfully completed in H1.
- Commercial: Satisfactory performance across the Group with recovery in Product Development during the year.
- Food & Beverage: Strong performance in Advisory and Regulatory services. Breadth of services providing differentiator.

Full year 2018

Services Revenue Profile

Services Developments



Full year 2018

- Applied Science
 - Consolidated Sagentia and Leatherhead science teams into single function
 - Repositioned Food & Beverage science offerings
- Product Development
 - Medical performance impacted by completion of large projects
 - Recovery in Commercial sector
- Advisory
 - Consolidated all advisory activities into single organization
 - Strong revenue growth in 2018
- Regulatory
 - Integration and restructuring of TSG complete
 - Increasing integration of Regulatory services across Europe
 - Food & Beverage regulatory organisation integrated with TSG

2018 Case Studies (1)



Beverage manufacturer

- Mapping regulatory requirements in major markets
- Supporting their globalisation strategy



Medical diagnostics company

- Helping develop innovative diagnostics platform
- Driving higher-volume, lower-cost diagnostics

2018 Case Studies (2)



Beauty and personal care client

- Helped develop spa-like, home-use, hand-held skincare device
- Part of personalisation strategy



Agri-tech leader

- Helped develop intelligent precision-dispensing
- Reducing environment impact of chemical use in farming

Strategic Review

Strategic Review

Harston Mill recommended to be extracted from operating company

- Tax charge and cash outflow of approximately £2m
- Some recovery over 3-4 years by utilising historic investment company tax losses carried forward

Increase bank debt secured on freehold properties

- Low cost capital at relatively low risk due to minimal covenants
- Action completed in February : £4.75m increase

Separate operating business performance from property & corporate

- Increased transparency to assist valuation analysis

Broader range of acquisition/Investment opportunities to be considered

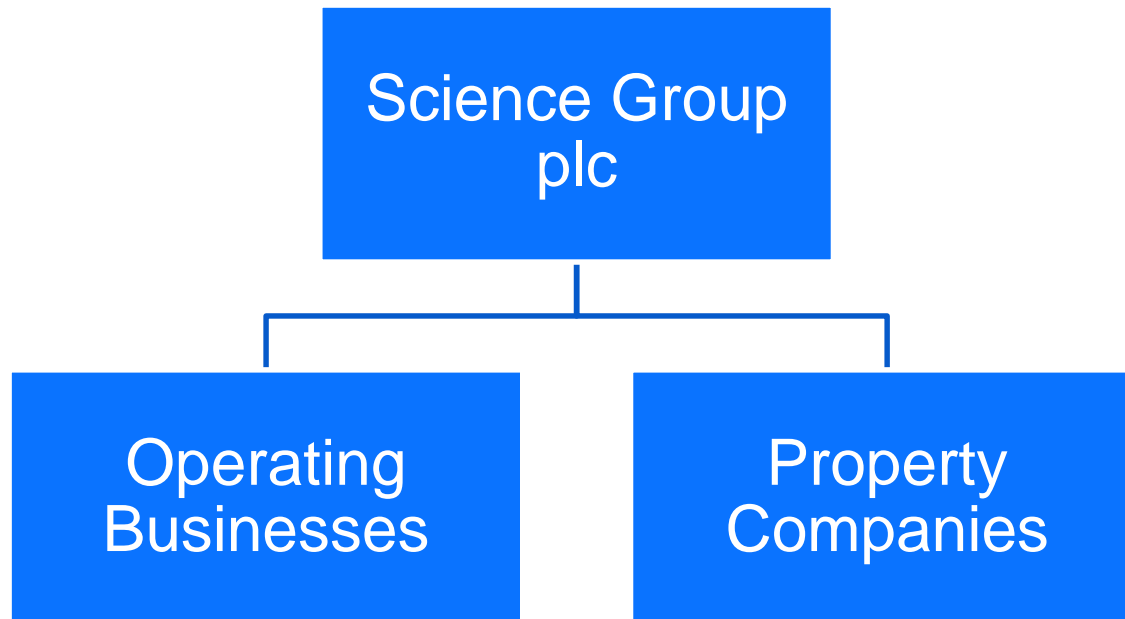
- May or may not have synergies with current business operations

Organisation now evolving to support the strategy

- Appointment of Dan Edwards to PLC Board as Group Managing Director

Strategic Review - Organisation

- Arms-length leases at market rates between Operating Businesses and Property companies. Estimated charge is £1.3m to £1.6m
- This charge is broadly offset by the removal of the Corporate costs from the Operating Businesses

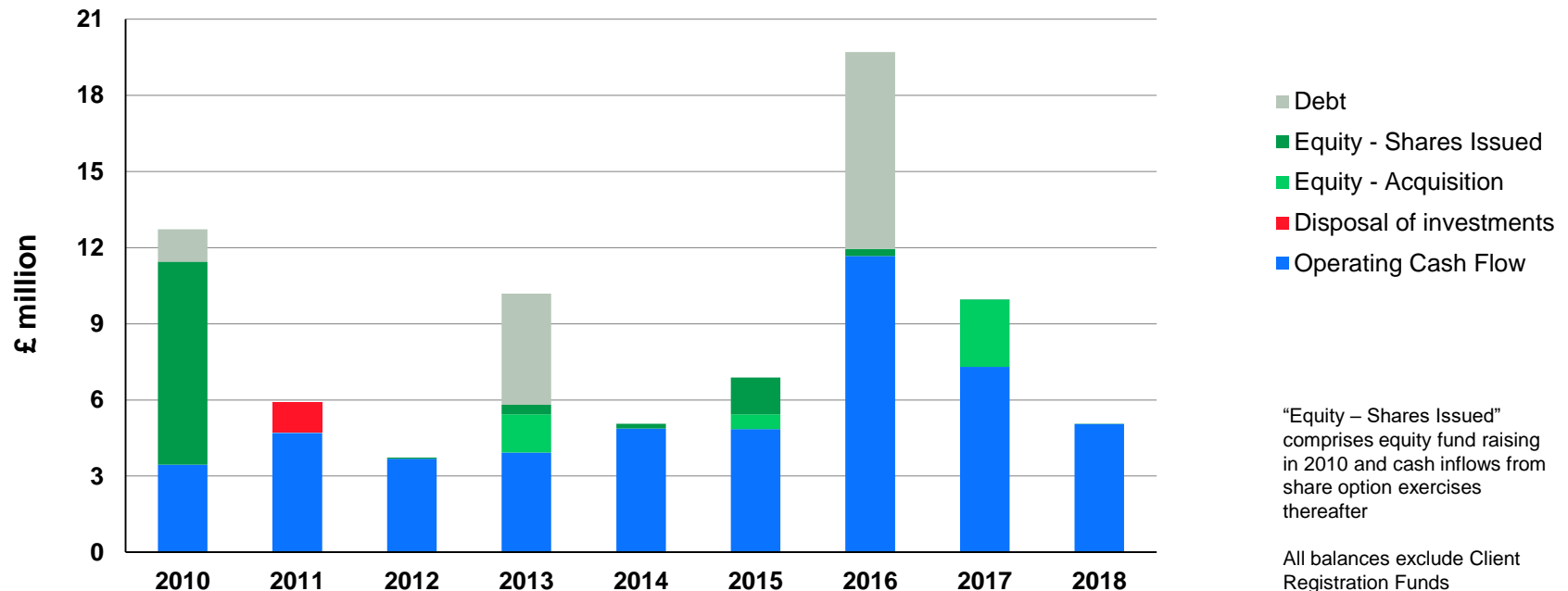


Appendix

Annual Review of Capital Sources & Allocation

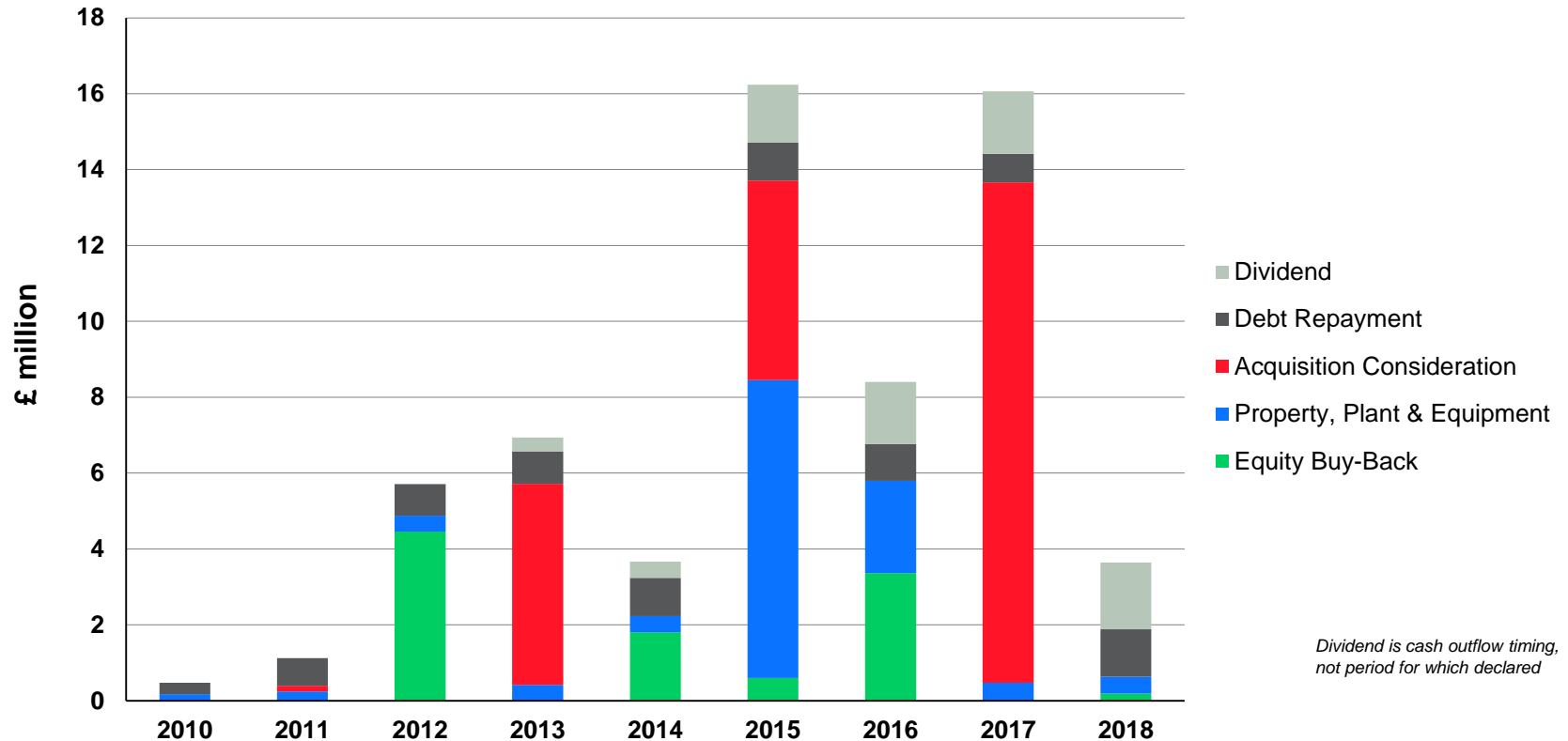
Capital Sources 2010-2018

- Debt funding in 2010, 2013 and 2016
 - Debt secured against Harston and Epsom freehold properties
 - Limited operating covenants due to asset security
 - 10 year term loan fixed at 3.5% using interest rate swap instruments to 2026
 - Term loan increased by £4.75m in February 2019, fixed at 4.0% using interest rate swap
- Strong operating cash flow has been primary capital source
 - Extraordinary operating cash flow in 2016 included one-off items



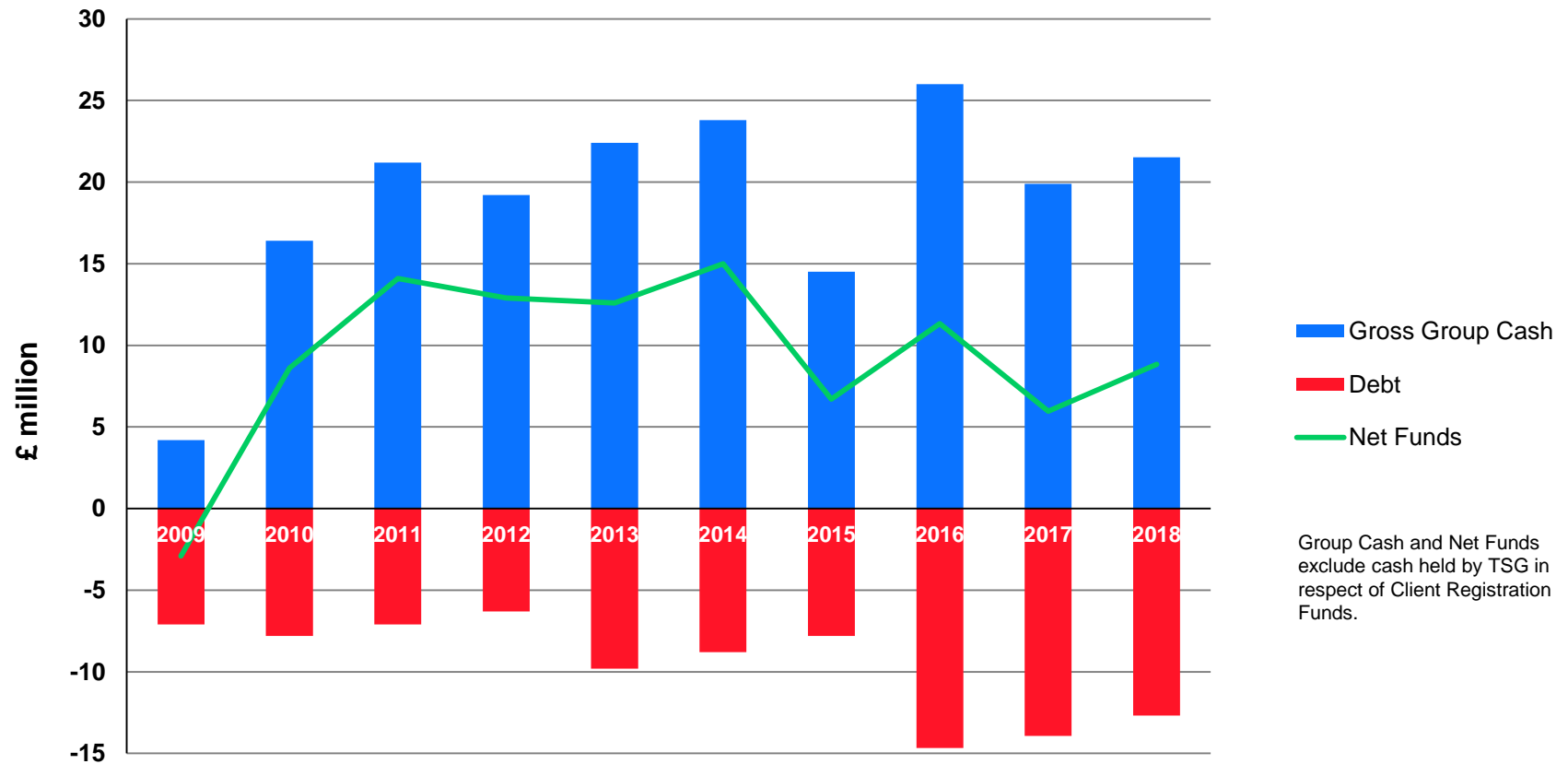
Capital Allocation 2010-2018

- Major capital deployments related to acquisitions
- Proposed dividend increase by 5%
- Equity buy-backs undertaken when appropriate. None in 2017



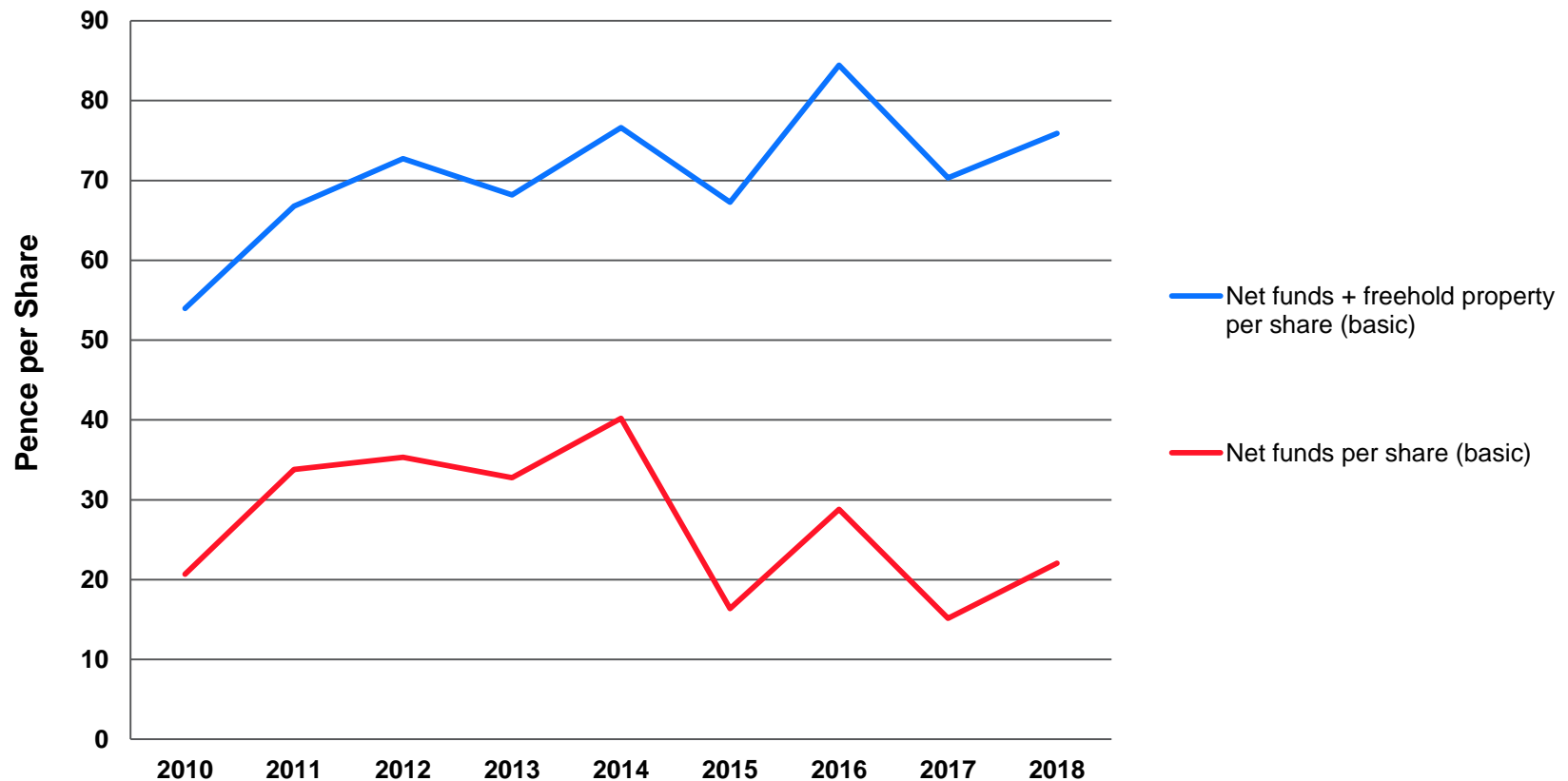
Cash & Debt 2009-2018

- Capital resources deployed for acquisitions (2013, 2015, 2017)
- Strong balance sheet maintained with cash resources for further investment/acquisition
- Debt refinanced in 2016. (Extended in February 2019)



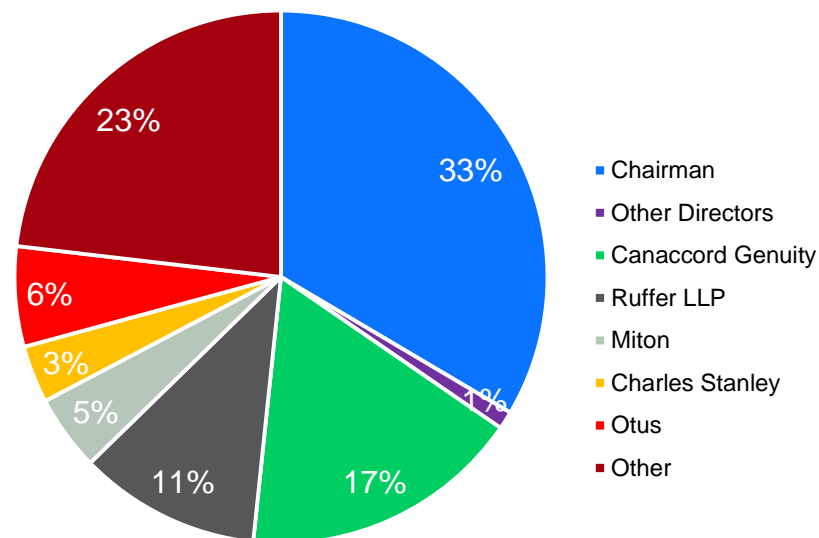
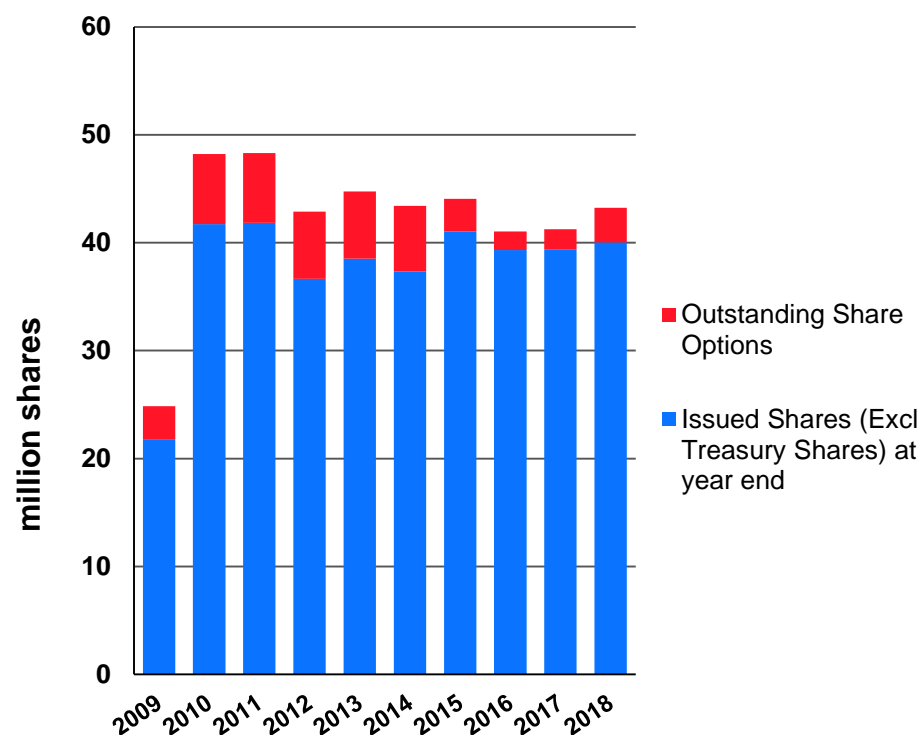
Net Funds + Freehold Property per Share

- Very strong asset base
 - Significant cash resources and freehold property assets
- Property valuations undertaken in 2018



Equity Share Capital

- Issued share capital has decreased by approximately 4% since 2010
- Acquisitions and investments funded primarily through operating cash flow
- Share options and acquisition-related equity have been offset by share buy-backs



Shareholdings >3% as reported to Company as at 1 March 2019
 Shares in issue (excluding treasury shares): 40.0m (2017: 39.4m)

www.sciencegroup.com

Head office

Harston Mill
Harston, Cambridge
CB22 7GG
UK

Phone: +44 1223 875200
info@sciencegroup.com