



SmartRadio
Technology

R&D
Consultancy

Regulatory &
Compliance

2020 Preliminary Results

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To be read in conjunction with the audited preliminary results announcement released on 9 March 2021

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.

Summary

Record revenue and adjusted operating profit, ahead of upgraded expectations, notwithstanding global pandemic and associated economic impact

Successful integration and turnaround of Frontier Smart Technologies with strong profit contribution. Future strategy under review

Evolution to three operating divisions

Group maintains strong balance sheet with significant cash resources and freehold property assets providing security for long-term debt

Since 2010, Science Group has delivered significant growth in Revenue and Adjusted Operating Profit without shareholder dilution

Group is well positioned for 2021 but remains mindful of ongoing pandemic and foreign exchange headwind

Financial Summary

Group revenue of £73.7m (2019: £57.2m)

- Record revenue for the Group, benefitting from Frontier acquisition

Adjusted operating profit increased by 62% to £10.9m (2019: £6.7m)

Reported profit before tax of £6.4m (2019: loss before tax of £1.6m)

- Acquisition related intangibles and share based payment charge totalled £3.7m (2019: £3.5m)
- 2019 also included one-off costs and accounting adjustments related to Frontier of £4.1m

Adjusted basic EPS increased by 67% to 19.4 pence (2019: 11.6 pence)

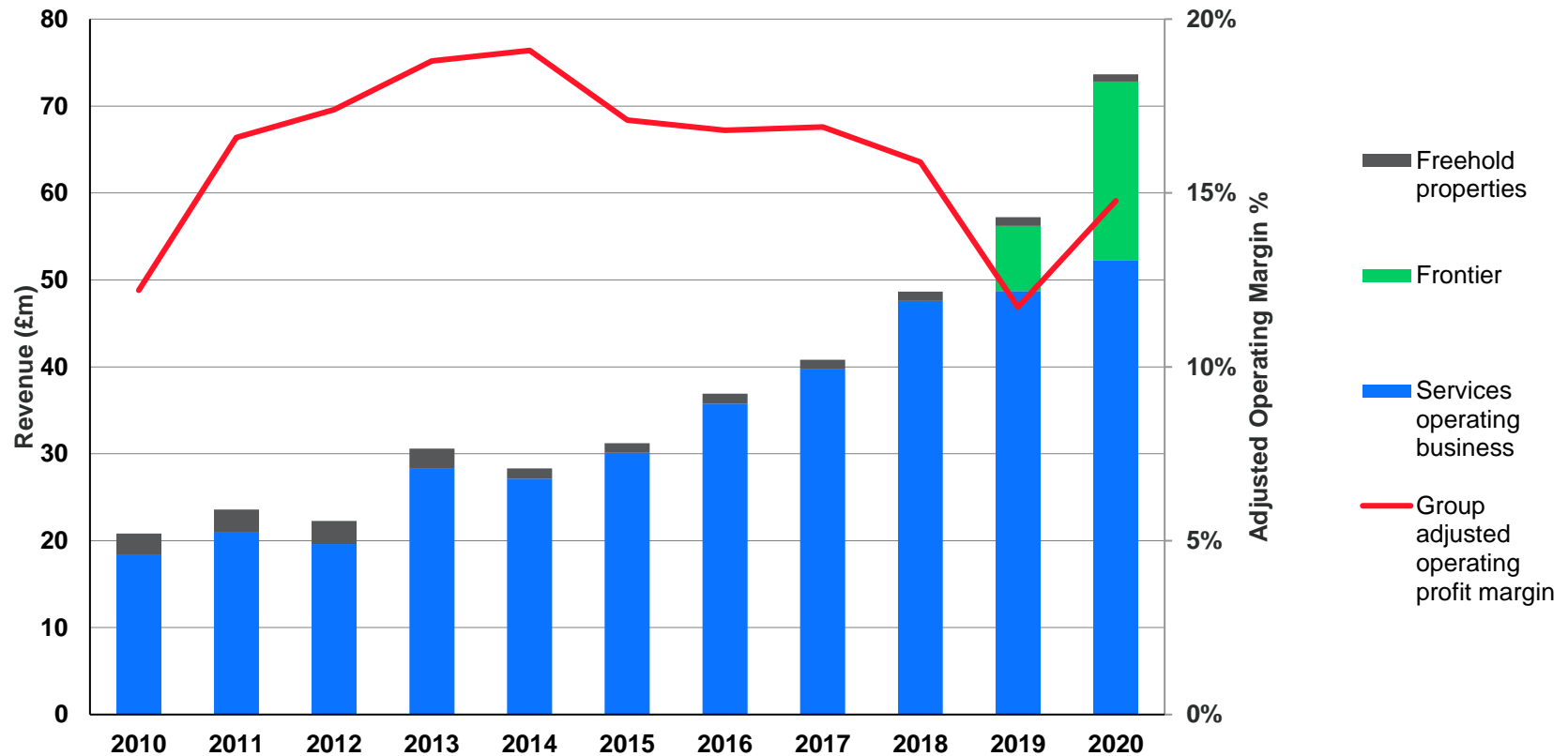
Cash balance of £27.1m (2019: £13.9m) and net funds of £10.6m (2019: net debt of £2.3m)

Dividend proposed of 4.0 pence per share

- Proposed 2019 final dividend was withdrawn due to Covid-19
- Interim dividend of 2 pence per share paid in October 2020

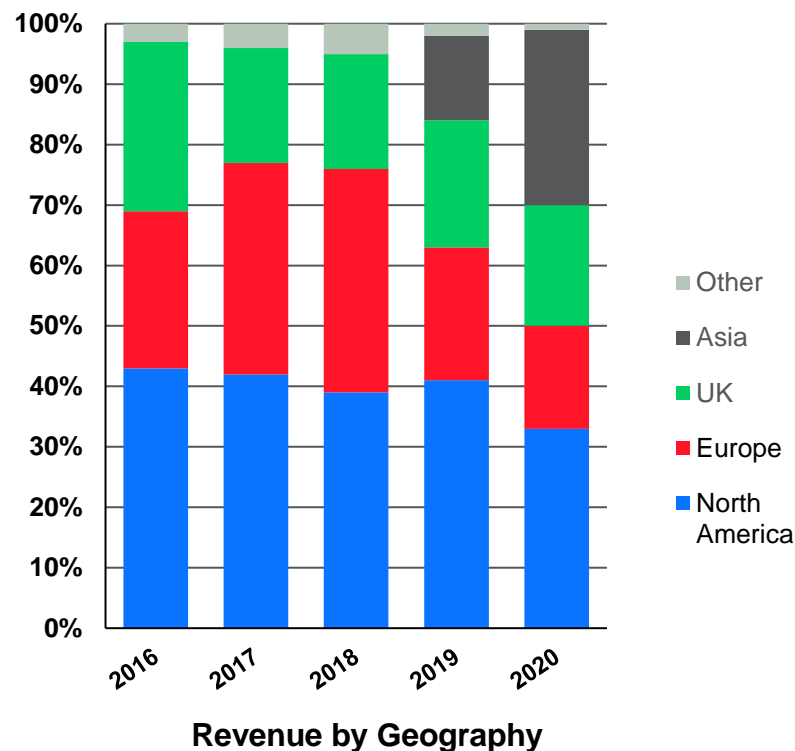
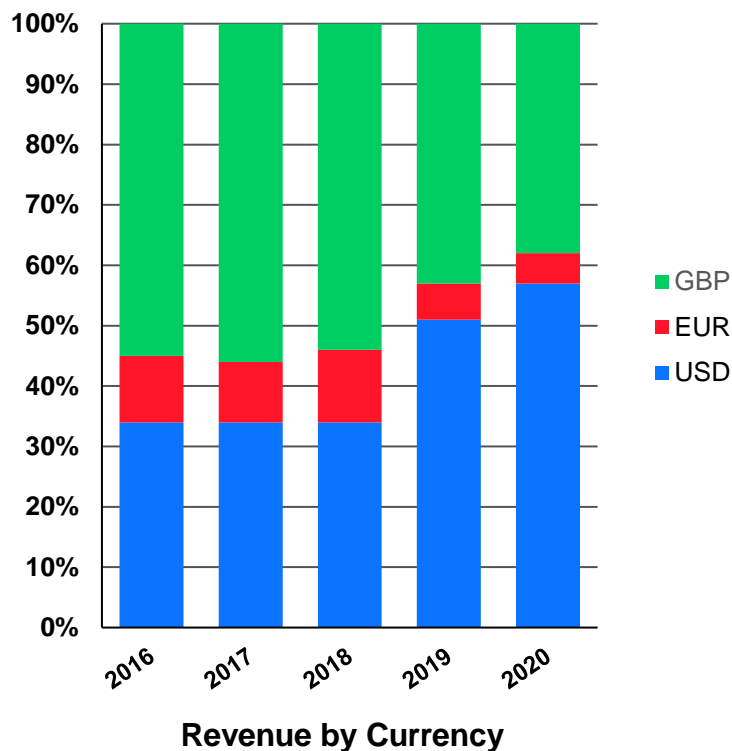
Group Revenue and Margin

- Growth enhanced through acquisitions
- >250% increase in revenue without shareholder dilution since 2010
- Consistent margin achieved over extended period
- 2019 reflects Frontier initial period with recovery following successful turnaround



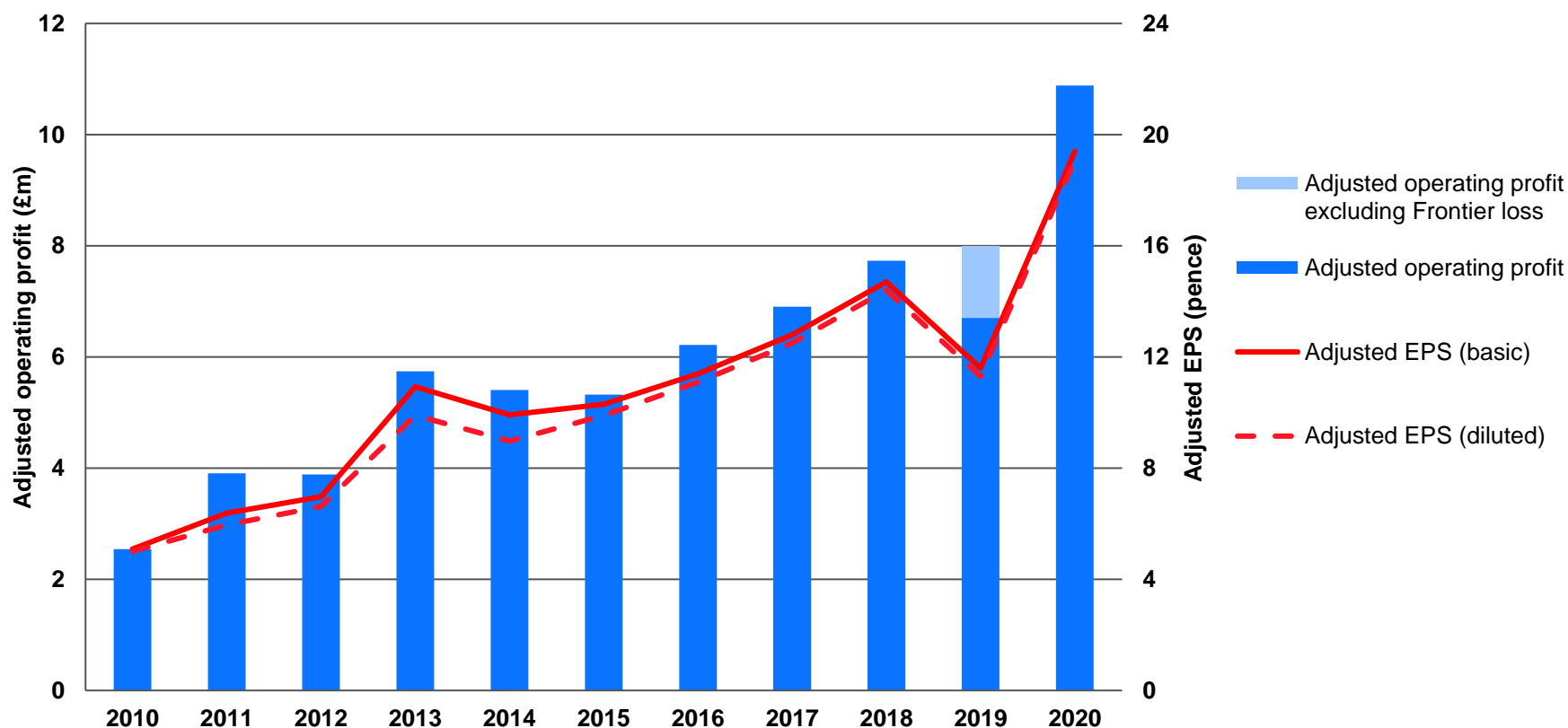
Revenue by Currency/Geography

- 57% of Group revenue is in US dollars and 5% in Euros
- 33% of the Group's business is from North America and 17% directly from Europe
- Average GBP/USD rate in 2020 was 1.29 (2019: 1.28)
- Average GBP/USD rate in February 2021 was 1.39. Monitoring fluctuations closely



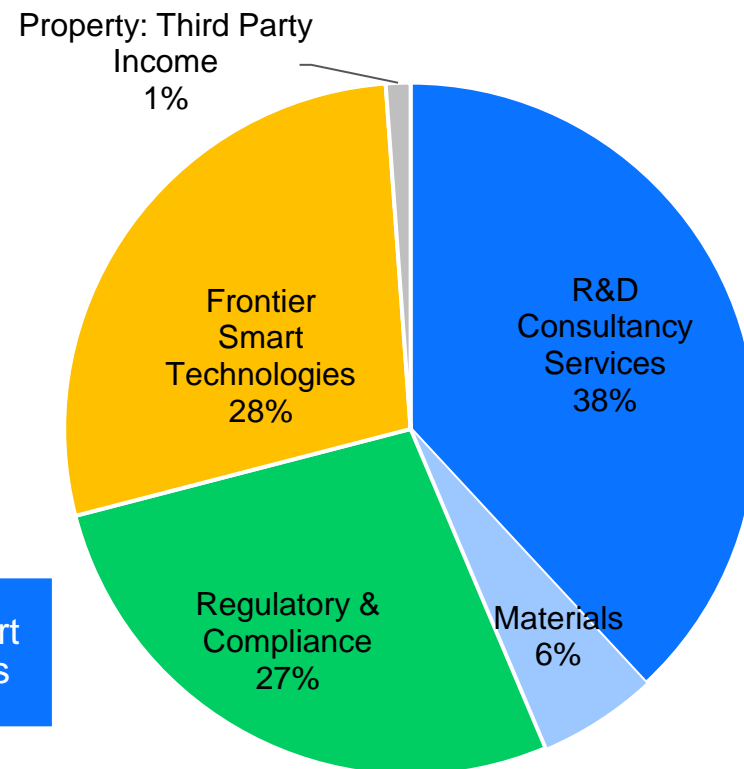
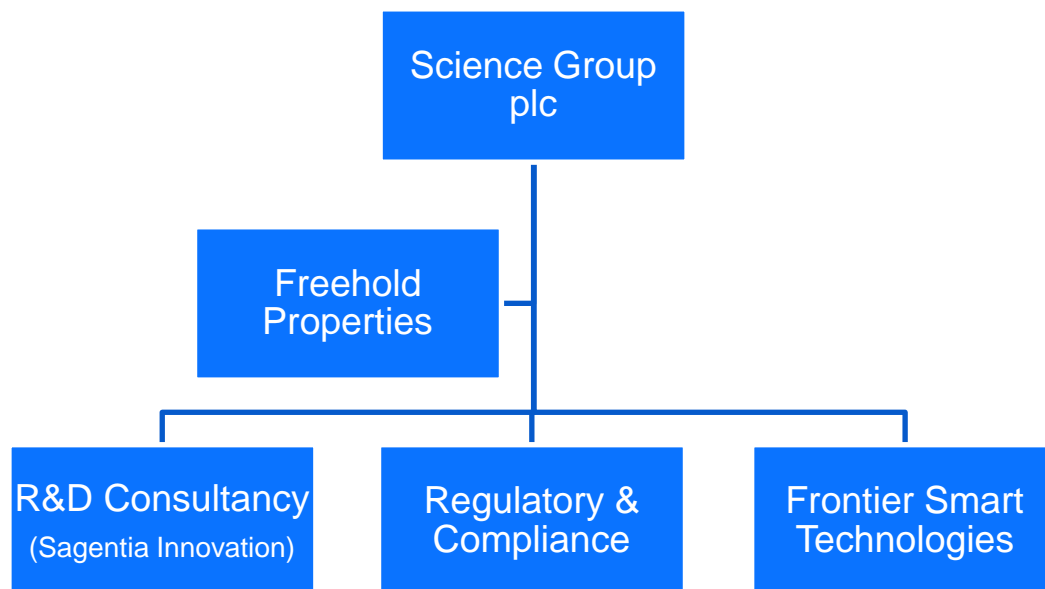
Delivering Shareholder Value

- Adjusted basic EPS increased by 67% in 2020
- Adjusted operating profit increased by 62% in 2020
- Since 2010, >300% increase in AOP
- Issued share capital (excl treasury) at Dec 2020 in line with Dec 2010



Operating Business Overview

Science Group Business Structure



Materials revenue exceptionally high in 2020 but generates minimal margin.

R&D Consultancy

Overview

- Science-led product development and advisory services including ISO13485 approval for design of medical products and (in 2021) small-scale manufacture
- Based Harston, Epsom and USA
- Serves medical, food & beverage, consumer, industrial, energy and agritech markets
- Employs biochemists/chemists, biologists, physicists, mathematicians, mechanical/electronic/software engineers, product design and human factors consultants, speaking 20+ languages

Strategy

- Organic growth supplemented by add-on acquisitions
- Increased integration of Applied Science, Product Development and Advisory (Sagentia, Oakland and OTM brands) with a single MD
- Single brand: Sagentia Innovation
- Investing in extending capabilities (small scale manufacture, data science) and senior industry hires in UK and USA

Financial Summary

- Services revenue of £28.1m (2019: £28.8m)
- Total revenue of £32.2m (2019: £30.6m) including pass-through materials related to UK medical project
- Resilient performance in a challenging year with customer impact varying by sector.

Outlook

- Good start to 2021, particularly medical sector
- Sensitivity to US dollar exchange rate. Significant proportion of revenue derived from the USA, but primarily UK cost base.

Covid-19 Effect & Actions

- Medical sector benefiting from significant H1 project related to UK government response to pandemic
- Non-medical sectors and Advisory services impacted by Covid-19
- Combination of home-working and office/lab presence enabled continuation of client work
- Strengthened USA sales team in Q4 to address ongoing international travel issues

Regulatory & Compliance

Overview

- Scientific advice, registration and compliance of regulated products internationally
- Based Epsom & Knaresborough in UK and Washington DC & Sacramento (CA) in USA with satellite offices in Germany, Spain and France
- TSG and Leatherhead Food Research brands
- Employs regulatory experts, toxicologists, chemists, microbiologists, environmental scientists and food scientists, speaking 30+ languages
- Serves chemicals, consumer and food & beverage markets

Strategy

- Organic growth supplemented by add-on acquisitions
- Integration of TSG and Leatherhead businesses in Europe with single MD
- Development of services to address market adjacencies such as medical devices
- Investment in USA renewals services to increase recurring revenue

Financial Summary

- Revenue of £20.1m (2019: £18.1m)
- c.26% revenue is of a recurring nature
- Very strong performance in TSG, particularly USA, with improving margins. Leatherhead operations resilient

Outlook

- Performance to date in 2021 consistent with 2020

Covid-19 Effect & Actions

- Combination of home-working and office presence enabled continuation of client work
- Delivery of most services continued in all geographies but consumer testing suspended
- US services in high demand led by Covid-related product approvals

Frontier Smart Technologies

Overview

- Market leader in DAB/DAB+ radio chips and modules with estimated 80% market share (excluding automotive)
- Acquired by Science Group in 2019
- Employs RF, hardware, software and field applications engineers
- Based in Harston (UK), Shenzhen (China) and Hong Kong

Financial Summary

- Revenue of £20.5m (2019: £7.5m, 4 months only)
- Profit contribution of £3.2m, ahead of expectations
- Market share maintained

Outlook

- Strong order book entering 2021
- Semiconductor supply may constrain
- Frontier sales are denominated in US dollars

Strategy

- Successful turnaround and restructuring completed within 6 months, prior to pandemic outbreak
- Formal review of strategy underway but this will take several months. Options are:
 - Retain the business within the Group;
 - Increase operating scale through the merger or acquisition of a similar business or businesses;
 - Sell all or part of the business.

Covid-19 Effect & Actions

- Temporary factory closure in Shenzhen at start of year followed by closure of retail operations in Europe
- Revenue impact in H1-20 but H2-20 recovered strongly

Freehold Properties

Science Group owns two freehold properties (Harston Mill, near Cambridge and Great Burgh, Epsom) which are managed separately from the operating business

- Total income in 2020 was £4.0m (2019: £3.9m)
- Income from third party tenants of £0.8m (2019: £1.0m)
- Income from intra-Group rental charges at market rates of £3.2m (2018: £2.9m). Intra-group rent eliminated at Group consolidation
- Adjusted Operating Profit £1.0m (2019: £1.5m) following investment in upgrading facilities

Separation of freehold properties from operating business

- Great Burgh held in separate company
- Harston Mill held in Sagentia Ltd. Decision taken to separate but will incur c.£2m tax cash outflow. Action deferred due to Covid-19
- Book value: £21.2m (2019: £21.4m)
- Last valuation (March 2018): £22.6m to £33.9m



Corporation Tax

Tax credit in P&L of £0.6m (2019: tax charge of £0.2m)

- Underlying tax charge on profits in services business more than offset by recognition of brought forward tax losses in Frontier
- £0.6m of Frontier losses utilised in 2020; a further £1.0m recognised and will be utilised in future periods
- R&D tax credit of £0.2m (2019: £0.4m)

Tax cash outflow of £2.0m (2019: £0.8m)

- Payments on account in organic business
- Tax payable estimates were slightly overstated; anticipated to reverse in 2021

Carried forward tax losses at 31 December 2020 of £31.7m (2019: £34.7m)

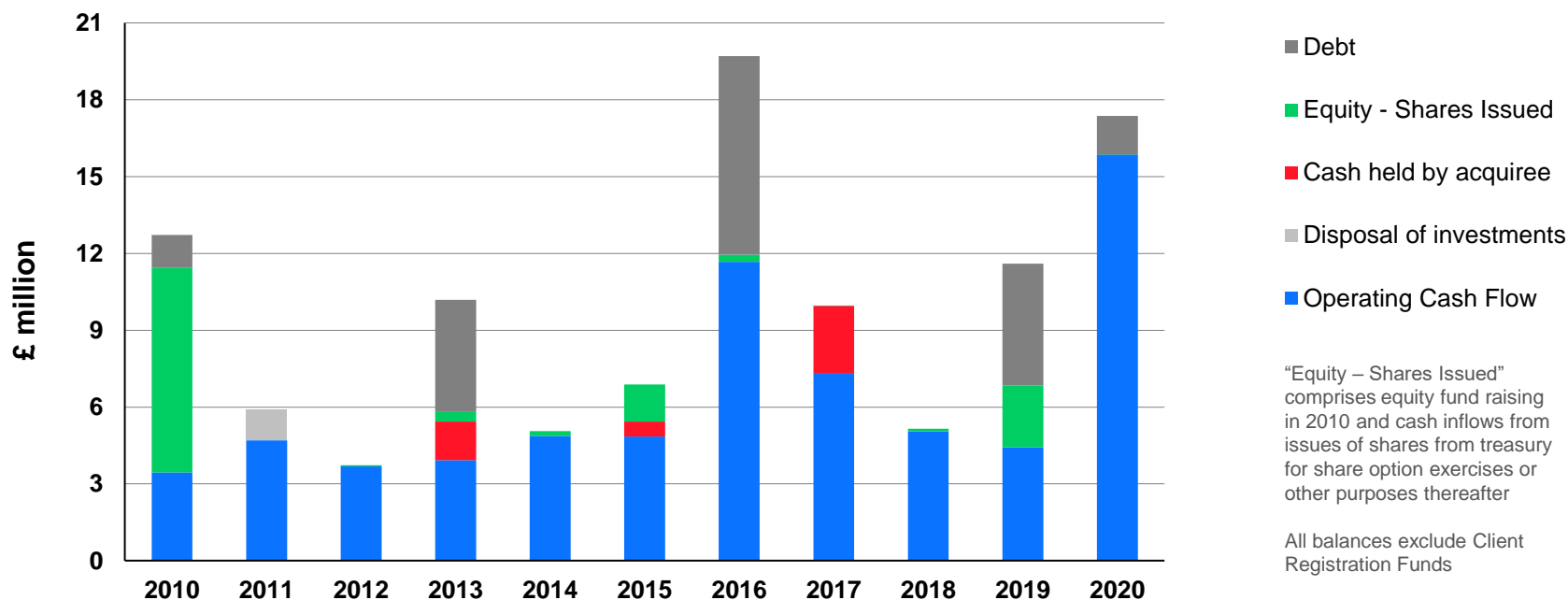
- Tax losses in Frontier of £21.4m (2019: £24.0m)
 - £3.2m of losses were utilised in 2020; £5.3m recognised as a deferred tax asset to be utilised against future profits generated by Frontier
 - Carried forward of £16.1m not recognised as a deferred tax asset due to uncertainty in timing of utilisation of losses
- Other unrecognised tax losses of £10.3m (2019: £10.5m) will only be recognised if probable that losses can be utilised

Appendix

Annual Review of Capital Sources & Allocation

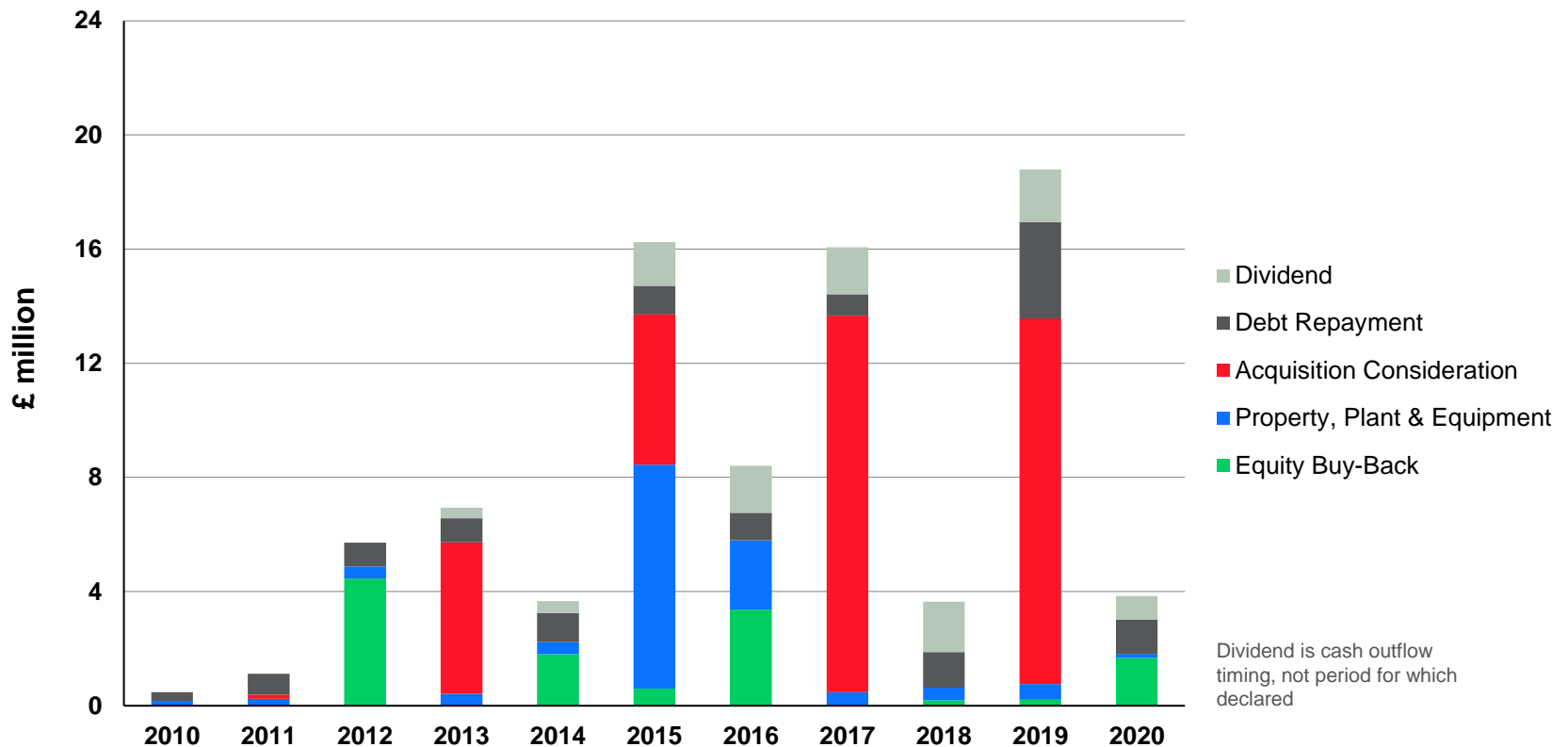
Capital Sources 2010-2020

- Debt refinancing in 2016 and topped up in 2019 and 2020
 - Debt secured against Harston and Epsom freehold properties, limited operating covenants
 - 10 year term loan fixed at 3.5% using interest rate swap instruments to 2026
- Strong operating cash flow has been primary capital source
- After 2010, treasury shares acquired through buy-backs, used in relation to acquisitions



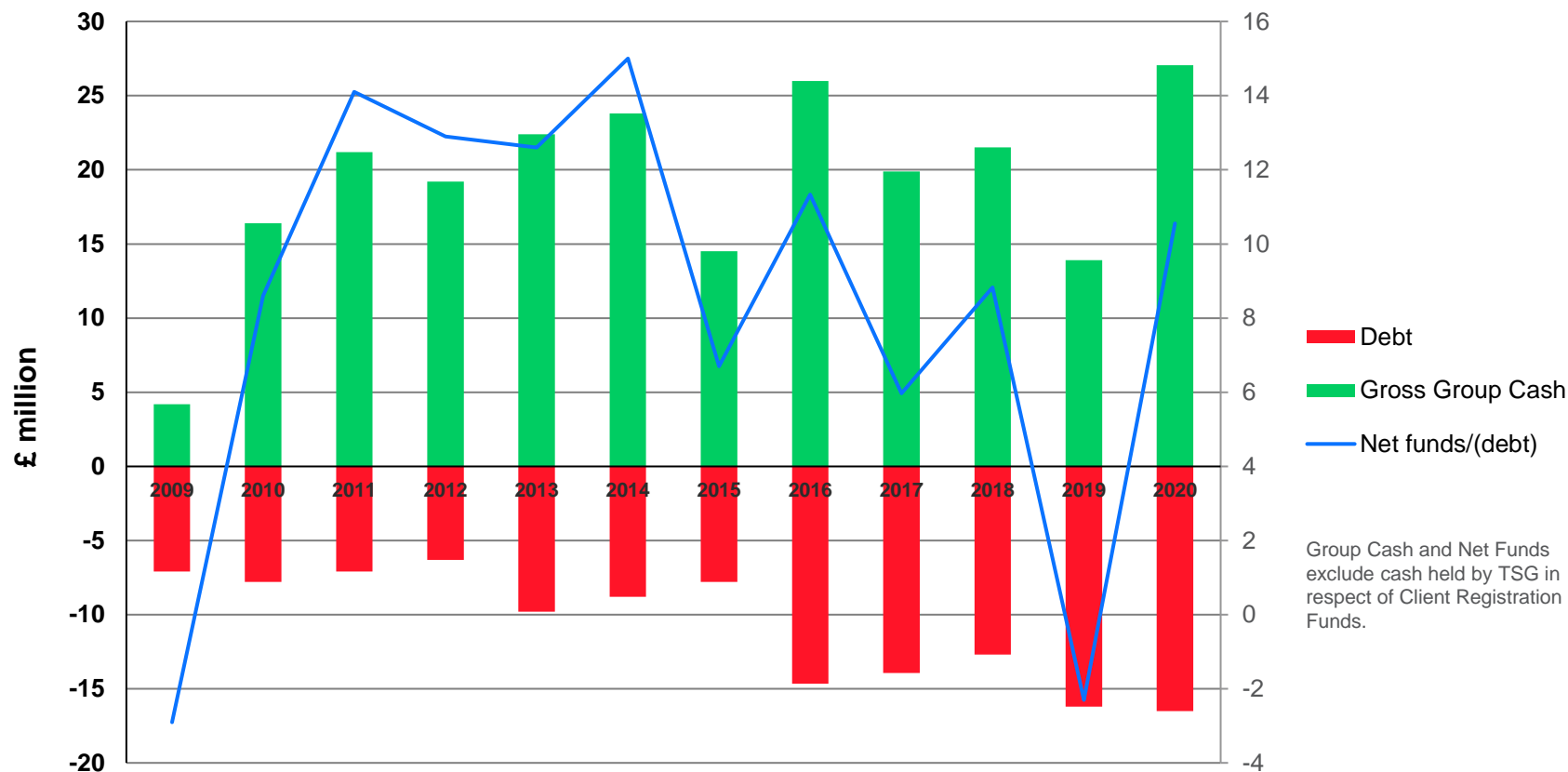
Capital Allocation 2010-2020

- Major capital deployments related to acquisitions
- Dividend payment outflow in 2020 reduced due to Covid-19
- Equity buy-backs undertaken when appropriate and shares held in Treasury



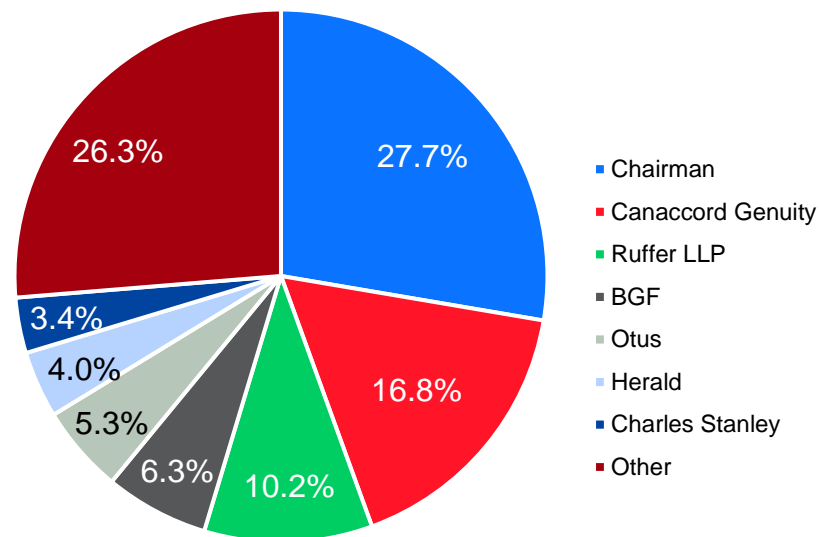
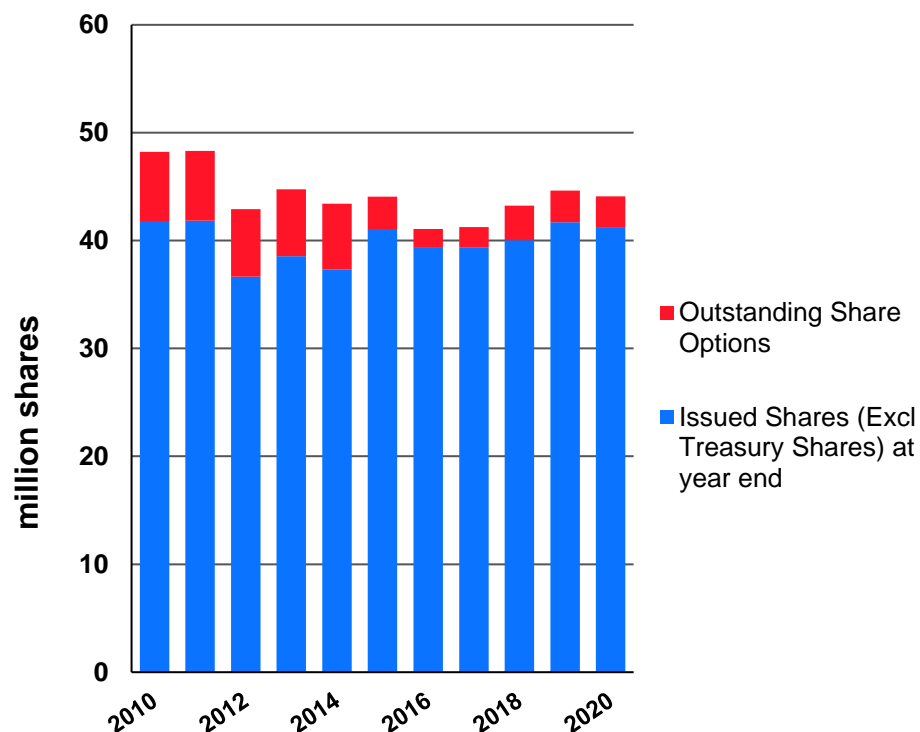
Cash & Debt 2009-2020

- Capital resources deployed for acquisitions (2013, 2015, 2017, 2019)
- Strong balance sheet maintained
- Debt refinanced in 2016 and loan increased in 2019 and 2020



Equity Share Capital

- Issued share capital (excl treasury shares) at 31 Dec 2020 in line with Dec 2010
- Acquisitions and investments funded primarily through operating cash flow, resulting in no shareholder dilution since 2010
- Institutional shareholder base expanded



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