

science group plc

2021 Interim Results

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Chairman

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Group Managing Director

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To be read in conjunction with the Interim Results
announcement released on 26 July 2021



Financial Summary

<p>Group revenue</p> <p>–</p> <p>£40.7m</p> <p>–</p> <p>H1-20: £36.9m</p>	<p>Adjusted operating profit</p> <p>–</p> <p>£7.3m</p> <p>–</p> <p>H1-20: £4.9m</p>	<p>Earnings per share (adjusted basic)</p> <p>–</p> <p>13.3pence</p> <p>–</p> <p>H1-20: 8.8 pence</p> <p>Adjusted diluted EPS 13.0 pence (H1-20 8.5 pence)</p>	<p>Gross cash (excluding client funds)</p> <p>–</p> <p>£29.0m</p> <p>–</p> <p>H1-20: £22.0m</p>
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– Record H1 performance, ahead of upgraded expectations at AGM

- Organic revenue growth of approx. 10%
- Revenue growth of approx. 16% on constant currency basis
- Adjusted operating profit 47% growth on H1-20
- AOP increased by 120% compared to H1-19

– Very strong balance sheet

- Net funds of £13.0m (2020: £4.9m)
- Freehold property valuations confirmed in March 2021
- £1.9m returned to Shareholders in half year - dividend and share buyback

Group Overview

Science Group is an international, science-led services and product development organisation with 3 operating divisions.



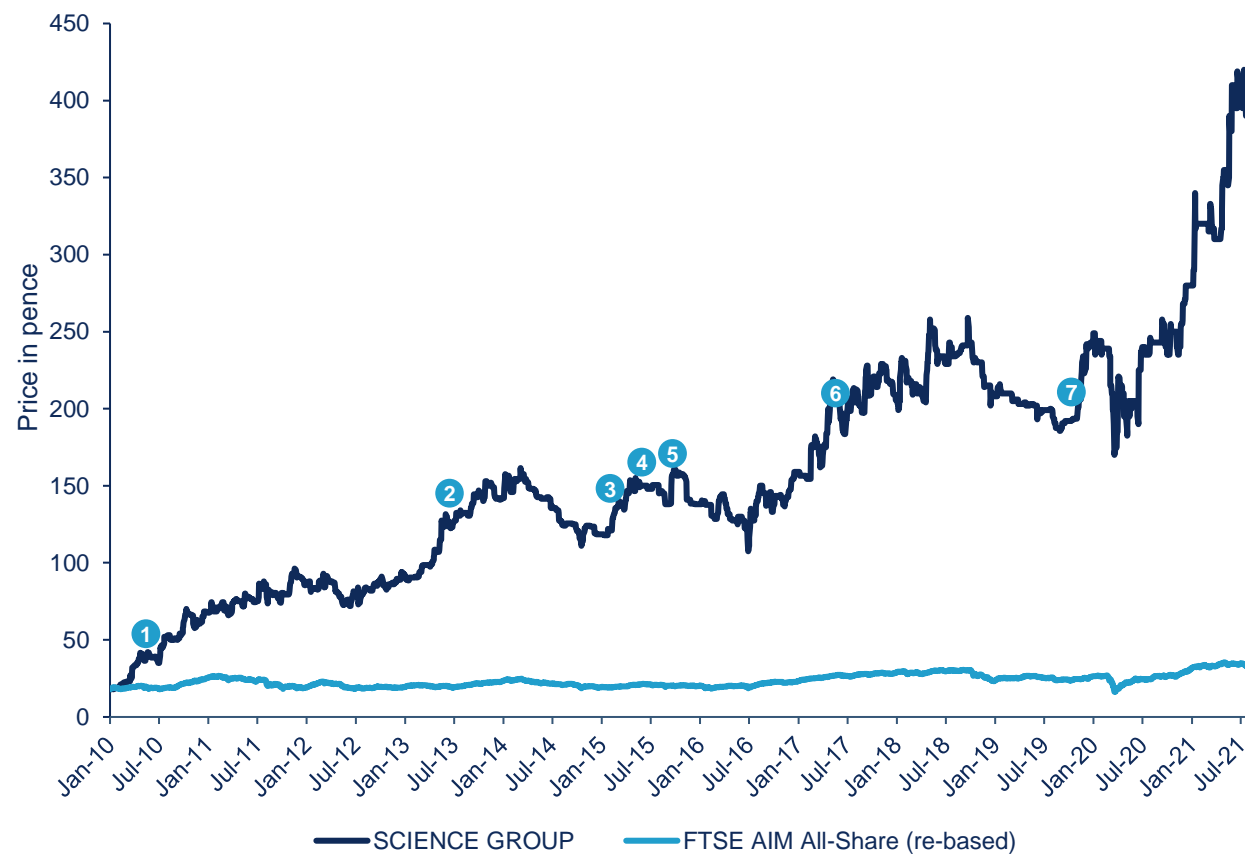
Science Group History

Recent history (post 2010)

- ① Change of Control
- ② Acquisition of OTM
- ③ Acquisition of Oakland Innovation
- ④ Name change to Science Group plc
- ⑤ Acquisition of Leatherhead Food Research
- ⑥ Acquisition of TSG
- ⑦ Acquisition of Frontier Smart Technologies

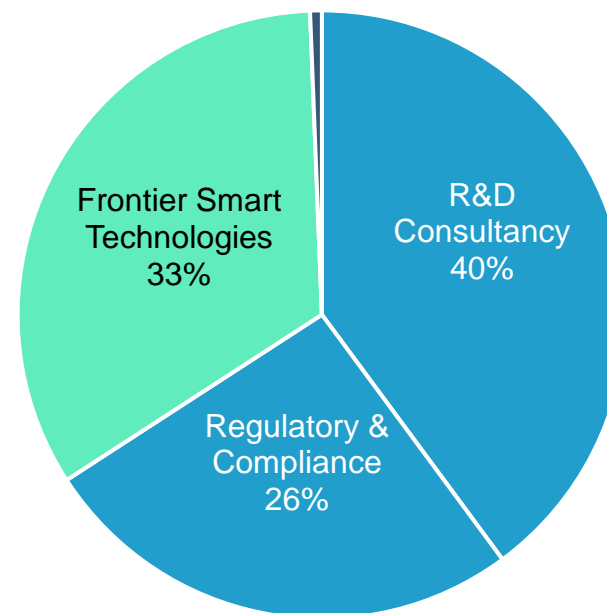
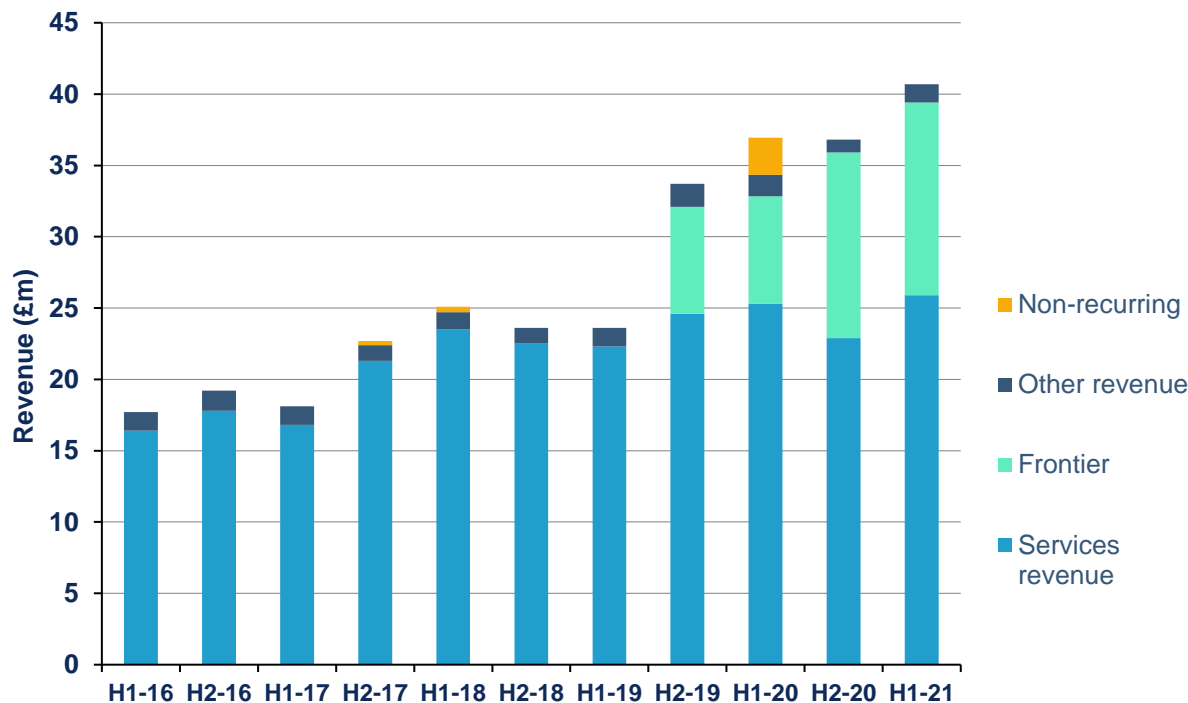
Early history (pre 2010)

- 1987** Formation of Sagentia (Generics Group AG)
- 2000** IPO on LSE
- 2008** Listing on AIM Market
- 2010** Change of Control (Market cap: c.£5m)



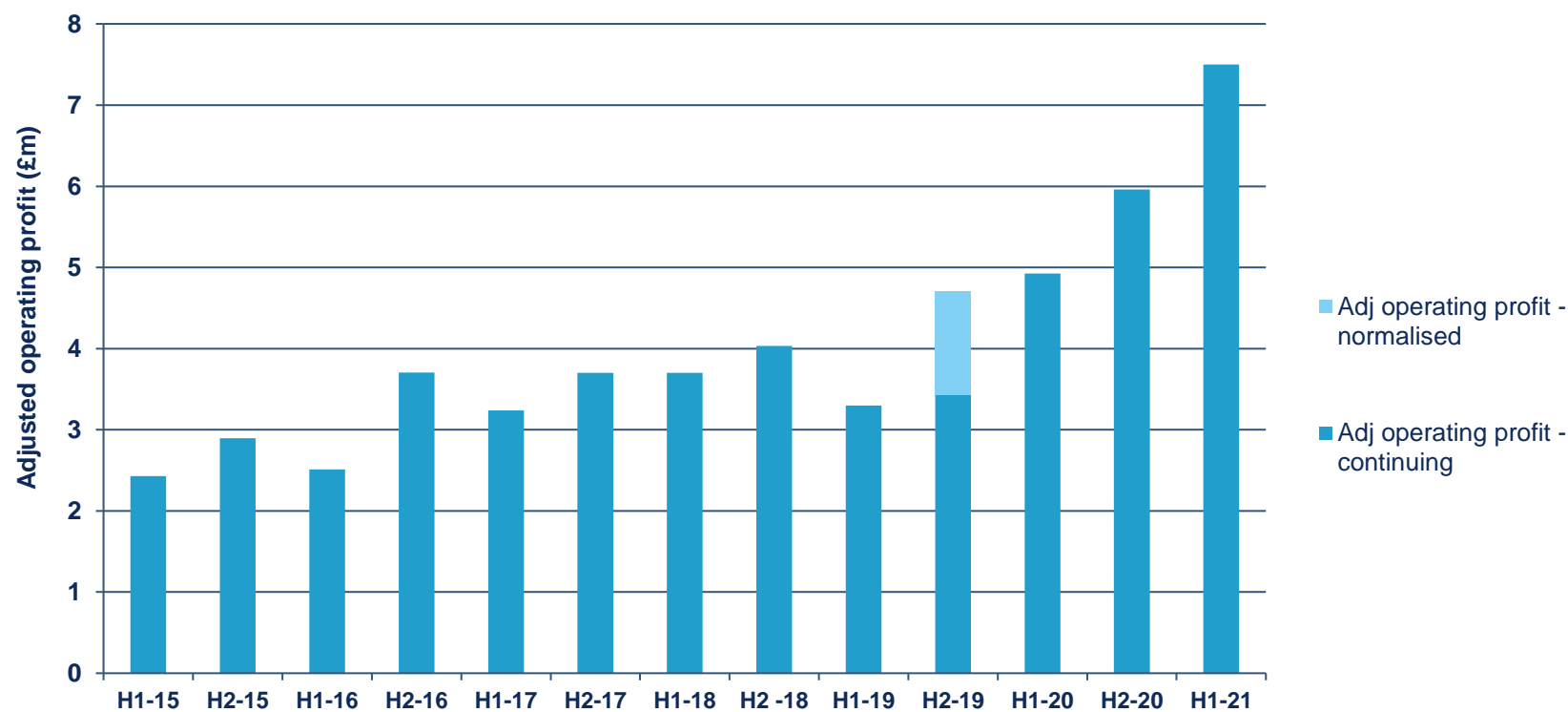
Group Revenue

- Record revenue of £40.7m (H1-20 £36.9m)
- Organic growth of approx. 10%
- Revenue growth of approx. 16% on constant currency basis
- Balanced portfolio - good performance in all divisions



Group Adjusted Operating Profit

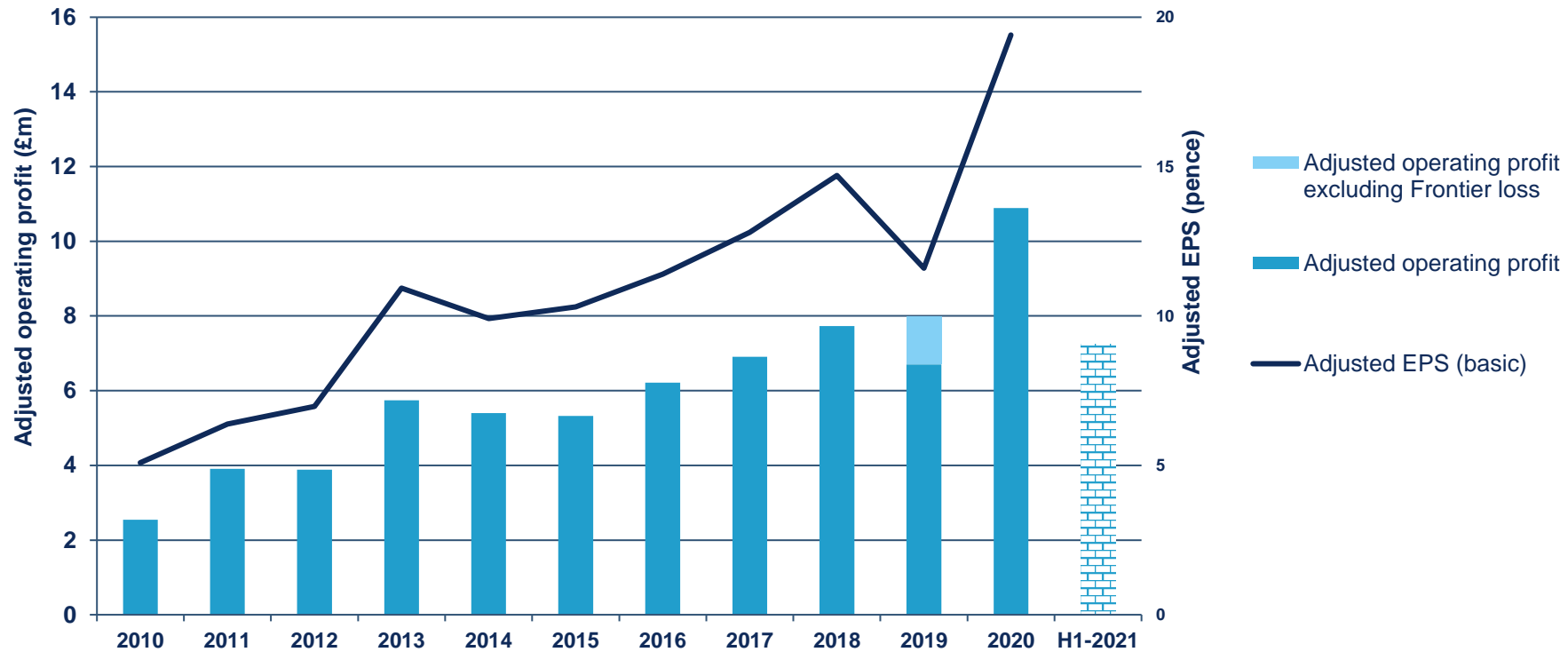
- Record half-year adjusted operating profit of £7.3m (H1-20: £4.9m)
- Increase of 47% on H1-20. Increase of 120% on H1-19 (£3.3m)
- AOP Margin of 17.8% (H1-20: 13.3%)
- Services Divisions AOP margin: 19.3% (H1-20: 15.7%)
- Product Division AOP margin: 21.8%. (H1-20: 6.6%). Nil R&D capitalisation



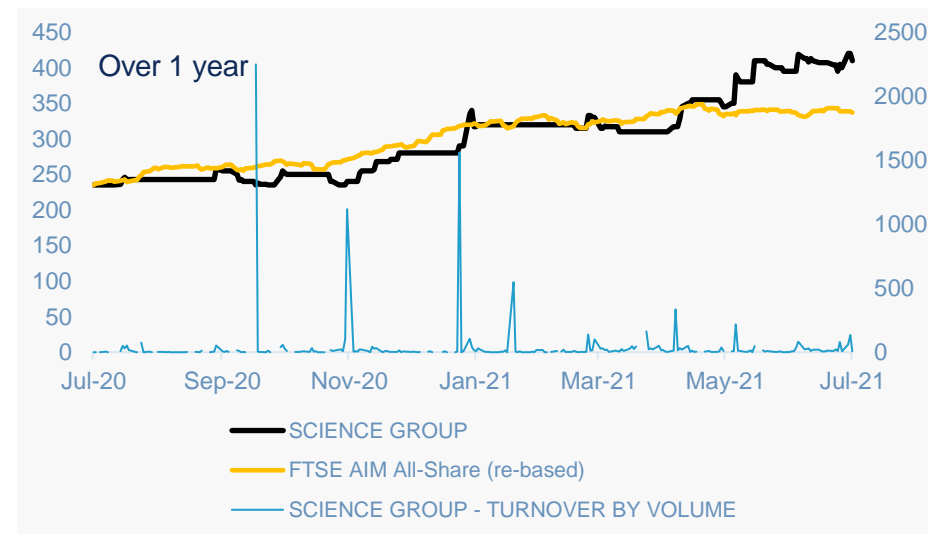
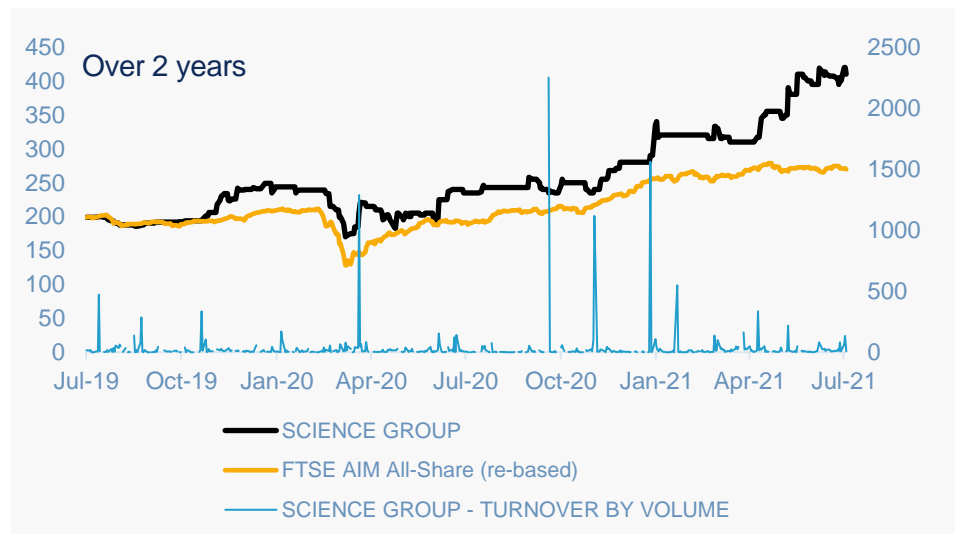
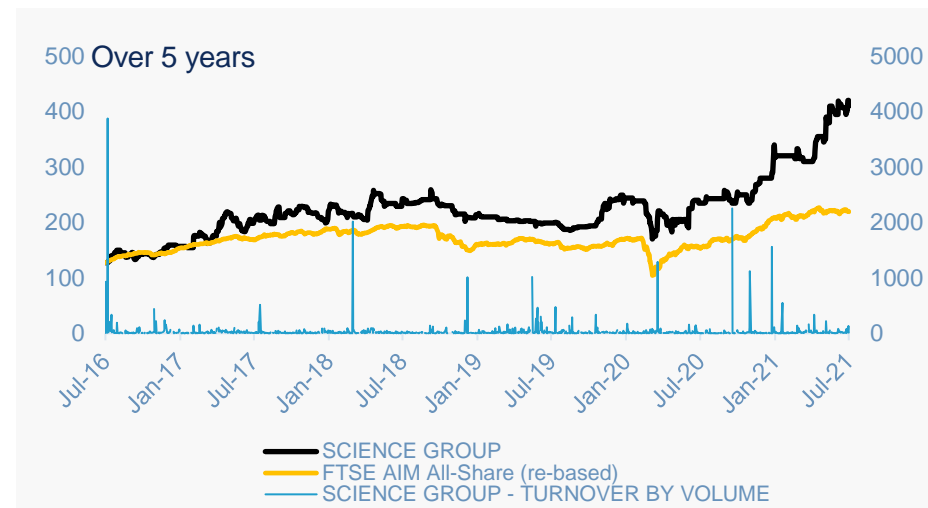
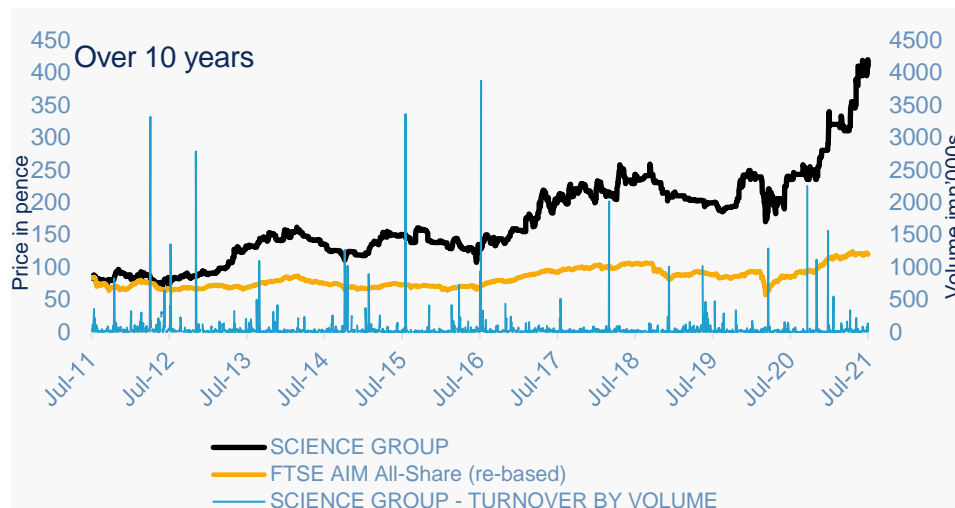
H2 2019 normalisation removes Frontier loss to show underlying performance

Delivering Shareholder Value

- Substantial profit growth with strong cash conversion
- Nil shareholder dilution since 2010
- Converts into strong track record of EPS growth
- Strong alignment of management and institutional shareholders

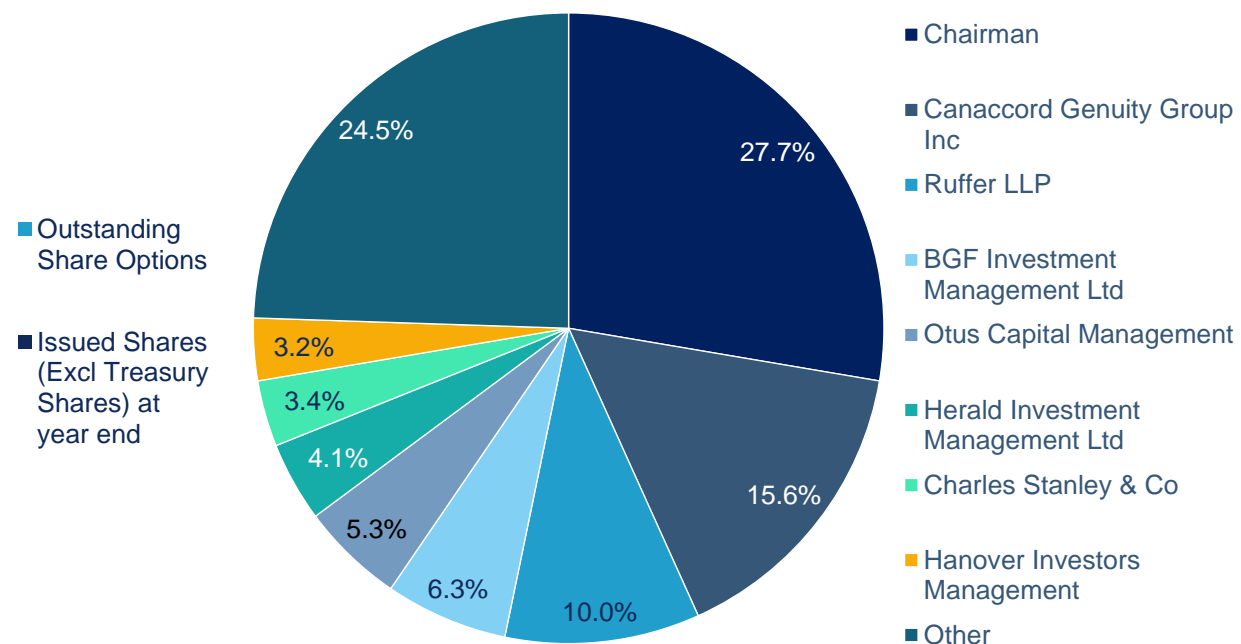
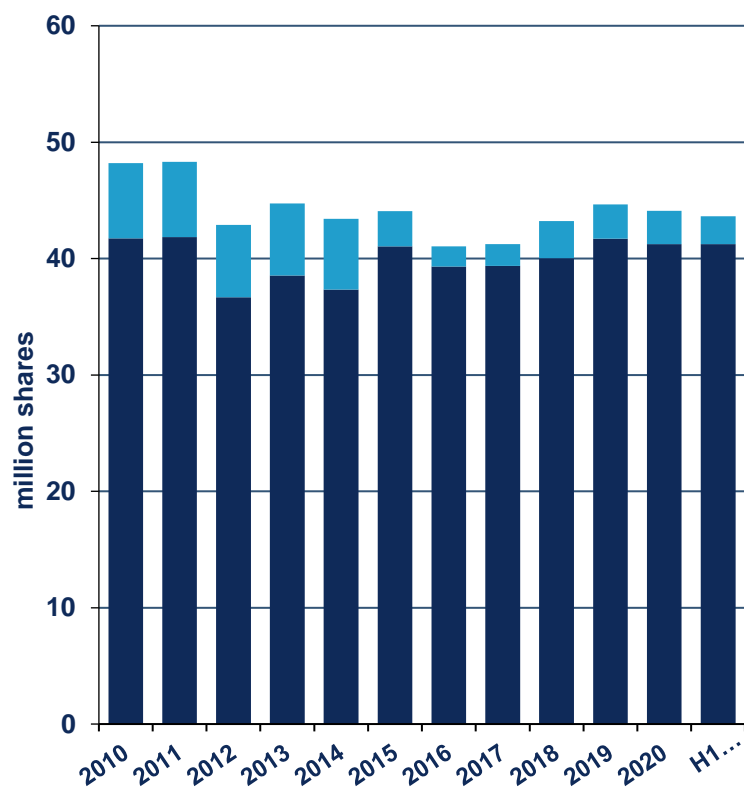


Shareholder value relative to FTSE AIM All-Share index



Equity Share Capital

- Net nil shareholder dilution in over a decade
- Acquisitions and investments funded primarily through operating cash flow
- Acquisition-related share issues and share options offset by buy-backs
- Institutional shareholder base expanded following 2018 strategic review
- Shares in issue (excluding treasury shares): 41.2m (Total voting rights: 41.1m)



Operating Business Performance

– Services revenue of £15.2m (H1-20 £15.2m)

- Tough H1-20 comparator (UK ventilator)
- 4% organic growth on constant currency
- 50% of revenue in US\$ and 7% in Euro

– AOP margin of Services Div of 19.3% (H1-20: 15.7%)

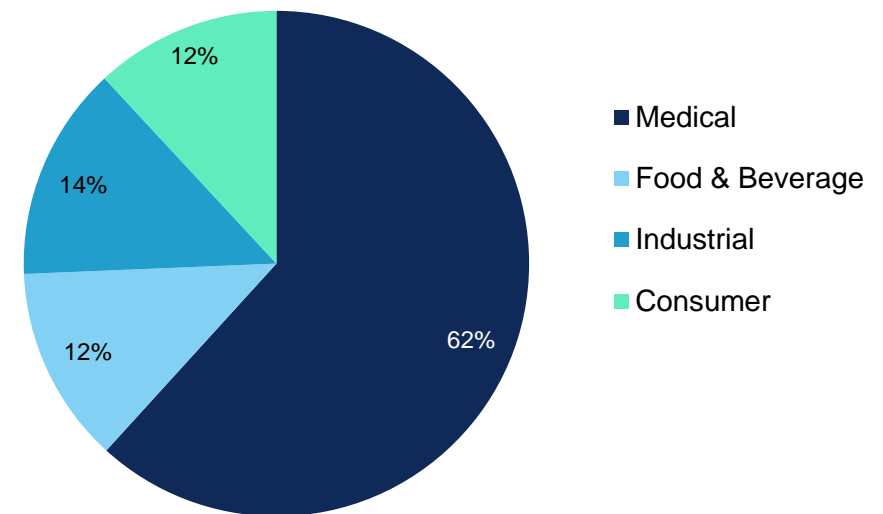
– R&D Consultancy branded Sagentia Innovation

- Advisory, applied science and product development activities
- Services extended to include small-scale manufacture – ISO13485 accredited

– Medical sector delivered strong performance

- Signs of economic recovery across sectors

Revenue by sector



R&D Consultancy Division: Project Examples

Surgical Robotics



- Working with several clients in surgical robotics
- Projects ranging from concept development to full product development
- Systems, electronics, mechanical and software engineering

Energy Efficiency



- Worked with a leading beverage company to develop a novel, breakthrough technology
- The technology will result in significant energy and cost savings
- Mechanical engineering, physics and chemistry skills

Sustainability Food Alternatives



- Worked with leading food company to develop innovative plant-based alternatives to dairy products
- Products will deliver enhanced sensorial experiences to the consumer
- Chemistry, food science, sensory science, materials science

Surgical Loupe



- Investment project to develop edge-processed, voice-controlled surgical loupe for hands-free control
- Project won acclaimed Red Dot “Best of the Best” award
- Product design and usability
- Electronics, mechanical and software engineering

Regulatory & Compliance

– Revenue of £10.5m (H1-20 £10.0m)

- 36% of revenue in US\$ and 8% in Euro
- Organic growth broadly consistent North America and Europe

– AOP margin of Services Div of 19.3% (H1-20: 15.7%)

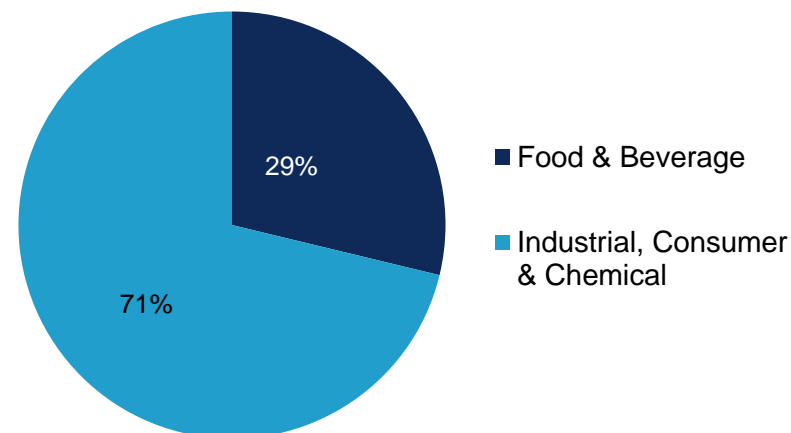
– Launch of medical device regulatory capability in USA

- Synergies with R&D Consultancy division

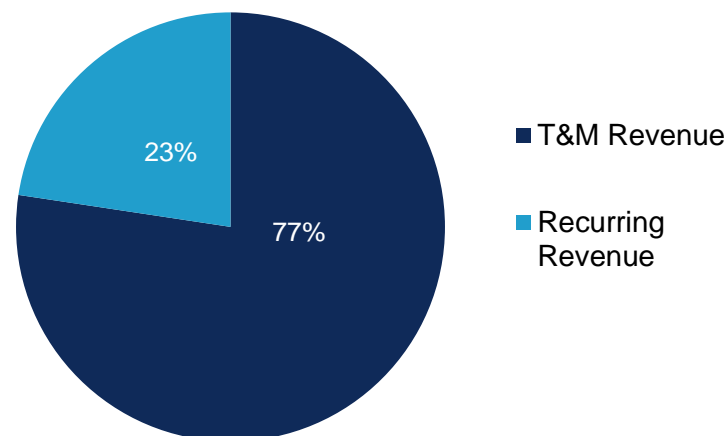
– Investment in IT infrastructure

- New finance system now live in TSGE and Leatherhead
- Same finance system to be implemented in TSGA
- New rules-engine based system for TSGA “renewals” anticipated to go live in H2

Revenue by sector



Revenue by type



Covid-19 Product Approval



- Continued to assist companies through the complex regulatory and technical landscape for products seeking claims associated with Covid-19.
- Assisted industrial, medical and consumer companies evaluate air treatment products to address the transmission of bacterial and viruses to include Covid-19.

Brexit-Driven Regulation



- Attained Authorisation for gene therapy client who was first applicant under UK REACH
- UK REACH is a new regulatory requirement driven by Brexit
- Providing ongoing support for companies to meet their UK REACH registration deadlines

New Fungicide Product



- Concluded regulatory strategy for Japanese manufacturer seeking market entry for a new active ingredient in Europe and North America
- Regulatory approval will require a significant data generation activity

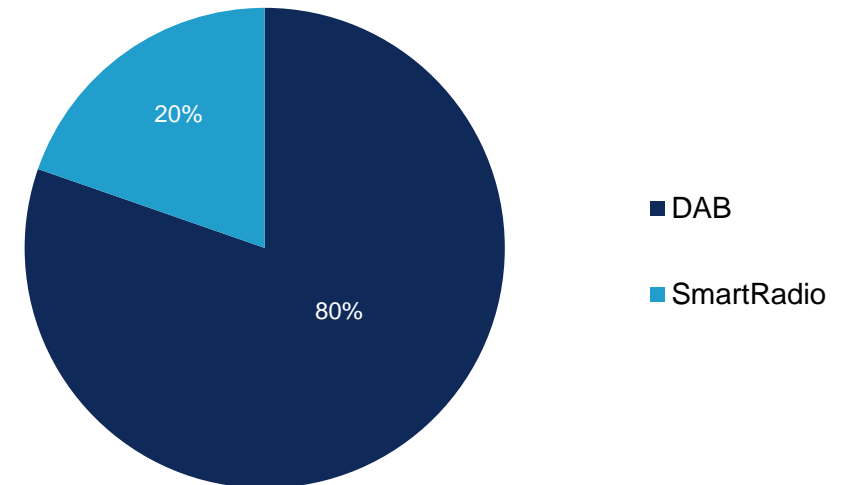
Monitoring Regulatory Change



- Assisted a leading multi-national food manufacturer assess the potential for and direction of regulatory change in agri-chemicals
- Helped client to understand the mid-term risks and opportunities related to food manufacturing and sale around the world

- Revenue of £13.6m (H1-20 £7.5m)
- Revenue in US\$, partially offset by US\$ materials purchases
- AOP margin of 21.8% (H1-20 6.6%)
- Ongoing materials constraint associated with the global semiconductor supply shortage
- Strategy review completed
 - Frontier acquisition has been very successful with anticipated rapid payback of acquisition costs
 - Buyout of royalties for \$6.0m. (2020 payments of \$1.0m)

Shipments by product line (H1-21)



Freehold Properties

– Science Group owns two freehold properties

- Harston Mill (Cambridge) and Great Burgh (Epsom)
- Out-of-town, low-rise facilities with substantial car-parking
- Book value: £21.1m (H1-20: £21.3m)
- Triennial independent valuation (March 2021): £23m to £35m

– Ownership normalisation of Harston Mill well advanced

- Tax cash outflow of approx. £2m in 2021

– Property rental and associated services income reducing as Group expands to use space

- Income from third-party tenants of £0.3m (H1-20: £0.6m)
- Income from Group operations eliminated on accounting consolidation but operating business P&L includes rental charges

– Returning to office-based working

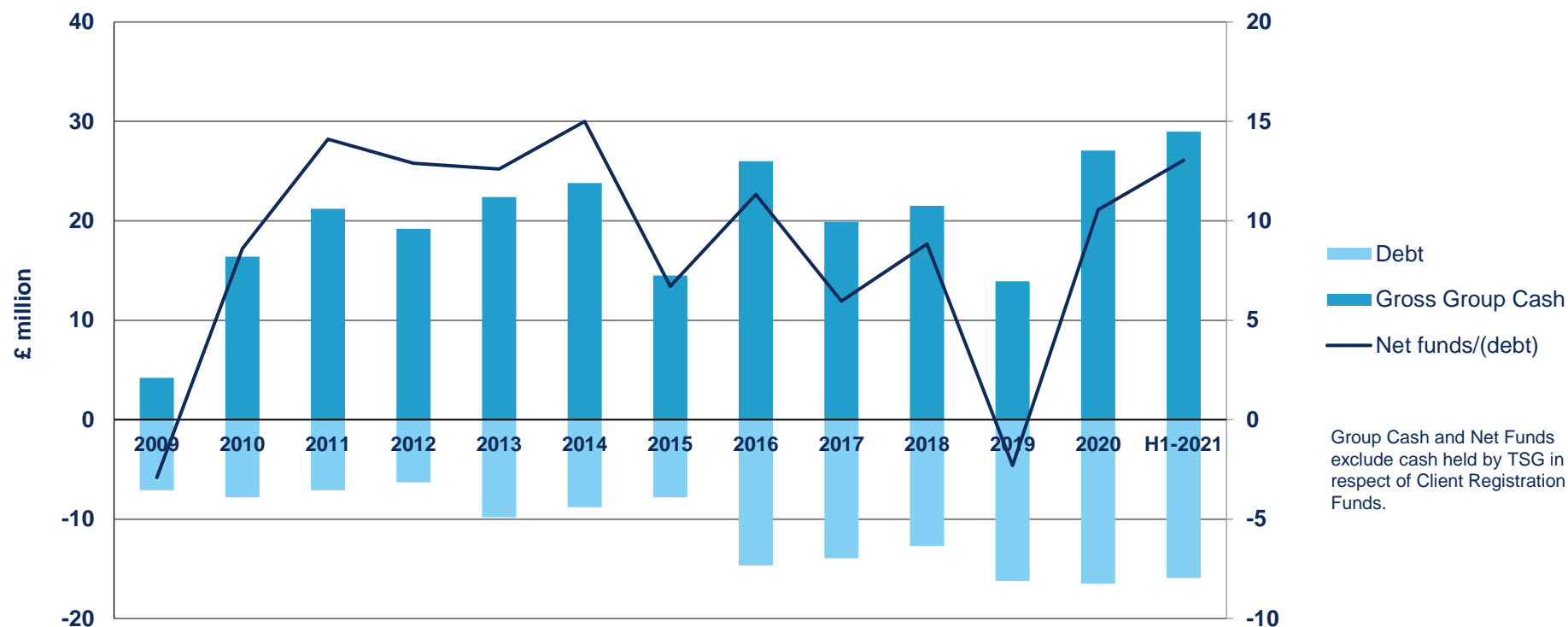
- Benefits of office-based environment
- Progressive migration to pre-Covid model anticipated
- Investment in maintenance/updating increased during 2020 and 2021



Appendix Capital Management Sources & Allocation

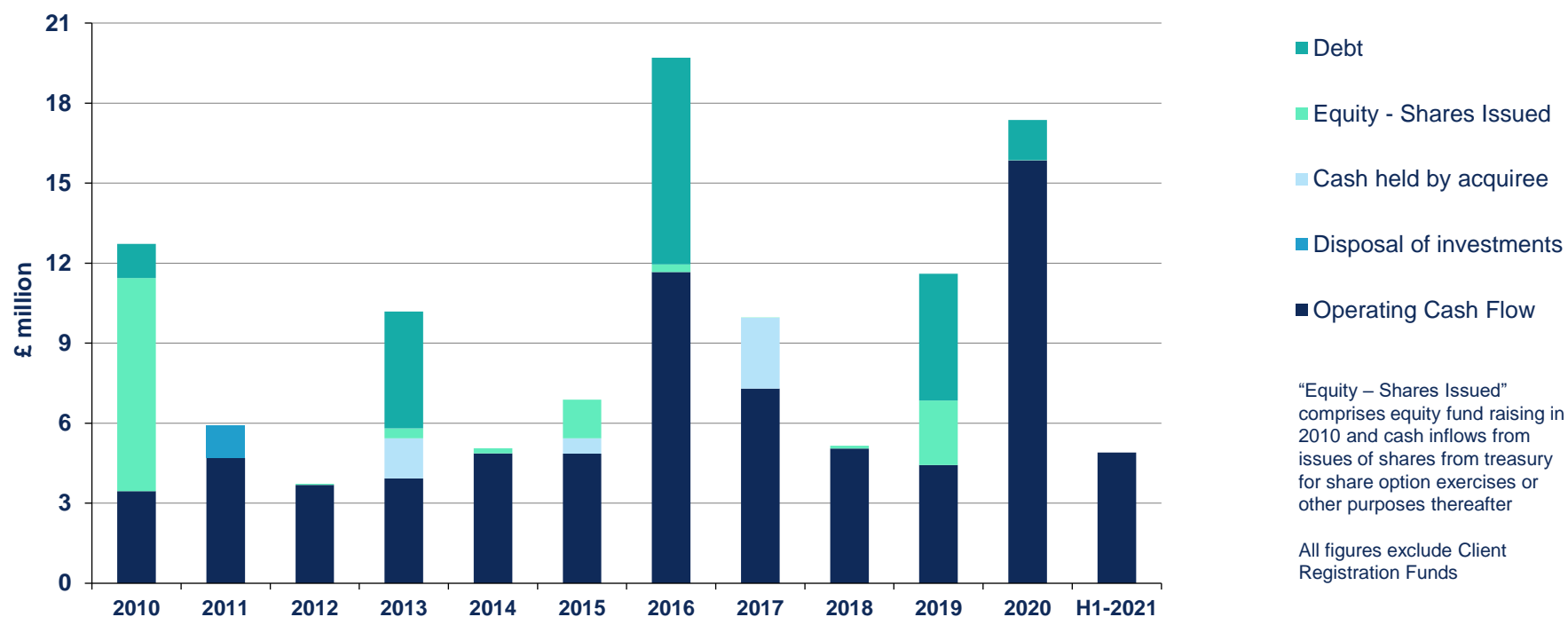
Cash & Debt 2009 to H1-2021

- Capital resources deployed for acquisitions (2013, 2015, 2017, 2019)
- Debt refinanced in 2016 and loan increased in 2019 and 2020
- Debt term to 2026
- No operating covenants if bank debt <£10m



Capital Sources 2010 to H1-2021

- Strong operating cash flow continues to be primary capital source
- 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
- Treasury shares acquired through buy-backs, used in relation to acquisitions



Capital Allocation 2010 to H1-2021

- Major capital deployments related to acquisitions
- Dividend payment outflow in H1-2021 realigned with pre-Covid level
- Equity buy-backs undertaken when appropriate and shares held in Treasury

