

2021 Preliminary Results

Martyn Ratcliffe
Executive Chair

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Dan Edwards
Group Managing Director

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Jon Brett
Finance Director

To be read in conjunction with the audited preliminary results announcement released on 16 March 2022

In addition to IFRS measures, alternative performance measures are used in this presentation. Refer to Note 1 to the Financial Statements within the preliminary results announcement for detail and explanation.



Financial Summary

Group revenue £81.2m 2020: £73.7m	Adjusted operating profit £16.3m 2020: £10.9m	Reported profit before tax £10.9m 2020: £6.4m	EPS (adjusted basic) 28.5 pence 2020: 19.4 pence	Dividend 5.0 pence 2020: 4.0 pence
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– Record revenue and adjusted operating profit

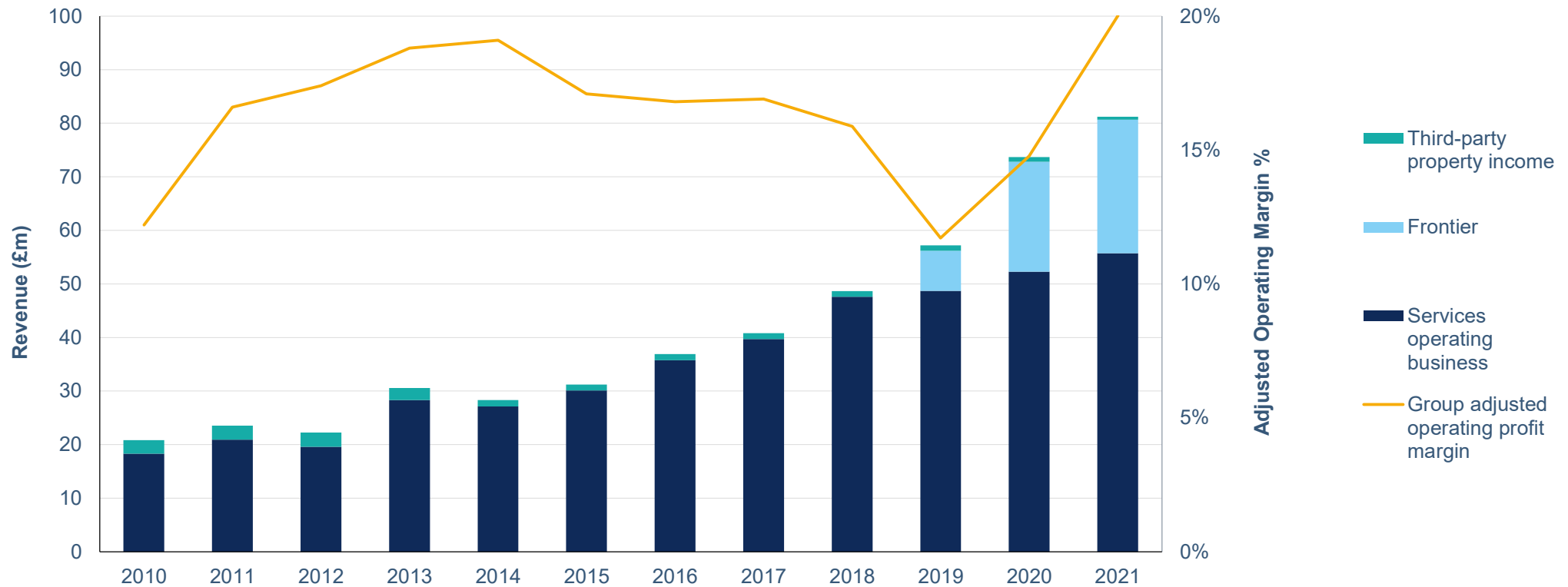
- AOP increased by 49% year on year
- EPS (adjusted basic) increased by 47% year on year
- Organic revenue growth of 10%

– Robust balance sheet

- Group cash of £34.3m and net funds of £19.0m at 31 December 2021 (2020: £27.1m and £10.6m respectively)
- First fundraising since 2010: £17.8m net raised at a premium to prevailing share price
- Investments of £18.6m: TP Group and Frontier (royalty buy-out and Magic Systech acquisition)
- New 4+1 year, £25m bank facility in December 2021, in addition to existing term loan (£15.4m) to 2026
- Freehold property assets valued in March 2021: £21m to £35m

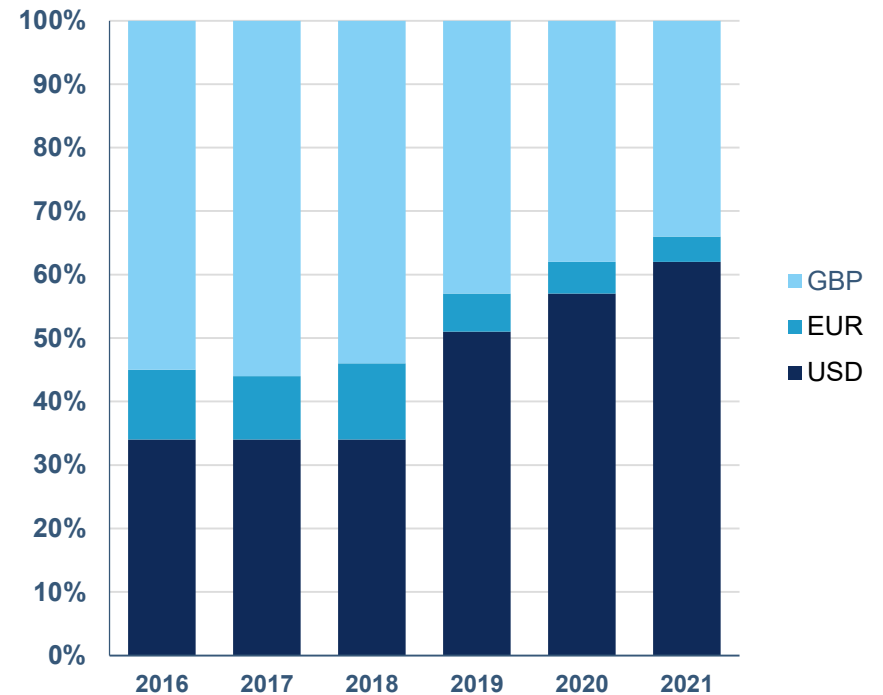
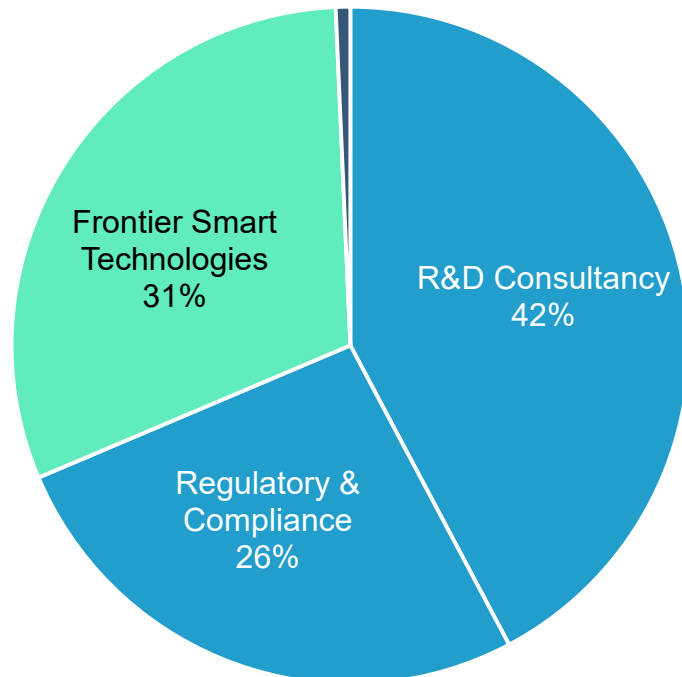
Group Revenue and AOP Margin

- Organic growth in all divisions
- Frontier revenue growth of 21% despite global supply chain constraints
- Strong performance from R&D Consultancy, particularly Medical sector
- Growth in Regulatory & Compliance broadly consistent between North America and Europe
- Benefits of increased Group scale converting into enhanced AOP margin



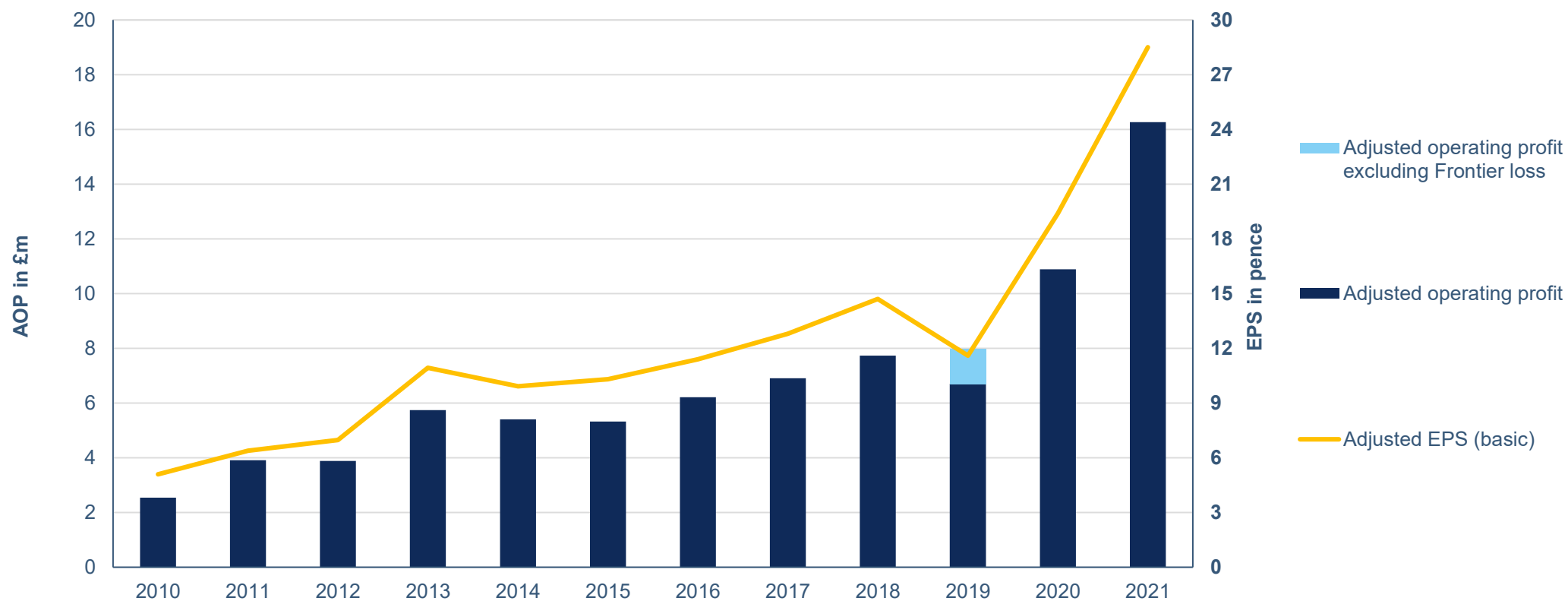
Revenue by Division and Currency

- Balanced divisional portfolio provides resilience
- 62% of Group revenue in US dollars and 4% in Euros
- Frontier and TSG America have revenue and costs in US dollars
- Average GBP/USD rate in 2021 was 1.37 (2020: 1.29)
- FX headwind of approx. £3.5m revenue and £2.3m AOP



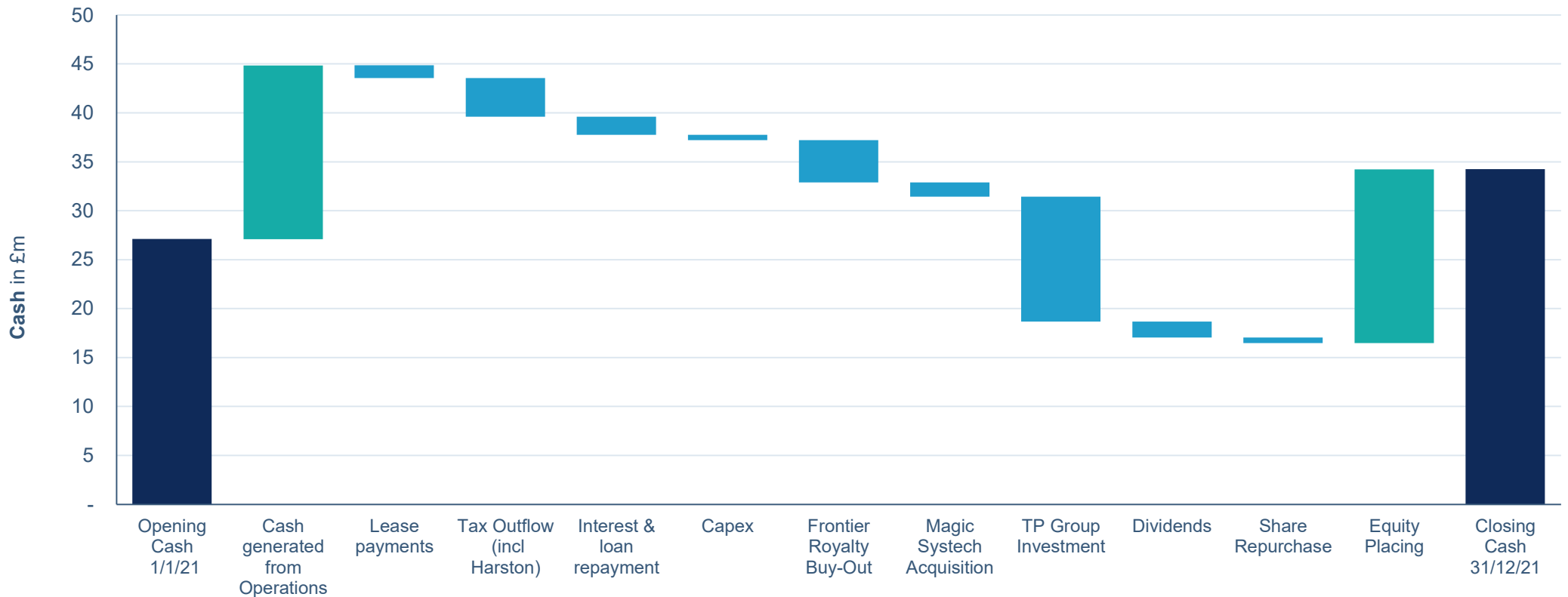
Delivering Shareholder Value

- Adjusted basic EPS increased by 47%
- Adjusted operating profit increased by 49%
- Frontier acquisition in 2019 highly earnings enhancing
- Operating leverage achieved through acquisitions



Cash Bridge

- Continued strong cash generation from operations
- Working capital neutral – receivables/payables inflow of £1.1m offset by inventory outflow of £1.0m
- Investments in TP Group and Frontier
- Equity placing in September 2021
- Term loan at 31/12/21 was £15.4m. Net funds of £19.0m.
- Additional facility of £25m signed in December 2021, not drawn to date.



Group Overview

Science Group is an international science, technology and consulting organisation with 3 operating divisions.



– Consultancy revenue of £31.5m (2020: £28.0m)

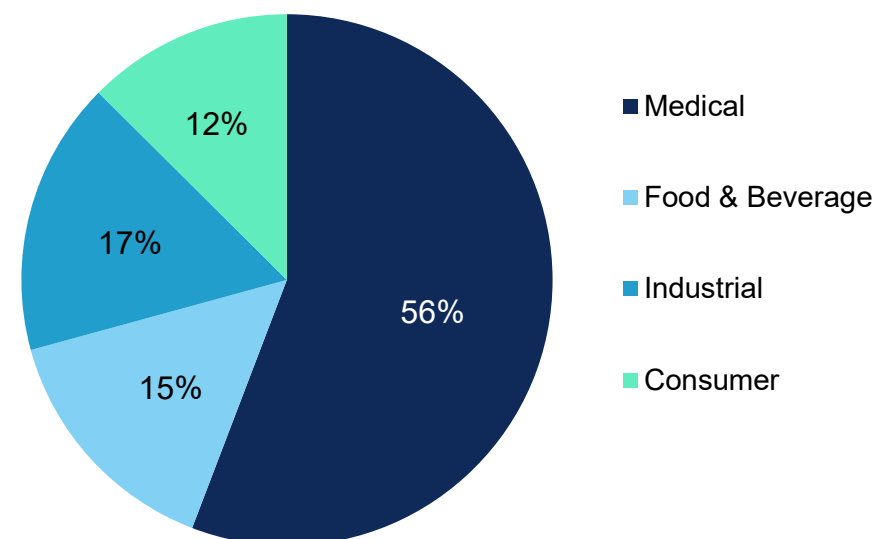
- 12% organic growth (16% in constant currency)
- Total revenue of £34.3m (2020: £32.1m)
 - M&E low-margin pass-through of £2.8m (2020: £4.1m)
- 50% of revenue in US Dollar and 4% in Euro
- Medical strong reflecting global investment in Medtech

– Services segment margin of 25.3% (2020: 17.3%)

- (AOP for services segment includes Regulatory & Compliance)
- Significant M&E costs in 2020 at lower margin

– R&D Consultancy rebranded Sagentia Innovation

- Advisory, applied science and product development activities
- Integrated set of services well received by clients
- Opportunity to cross-sell additional services
- Services extended to include small-scale manufacture
 - ISO13485 accredited



Consultancy Revenue by Sector

Regulatory & Compliance

– Revenue of £21.4m (2020: £20.1m)

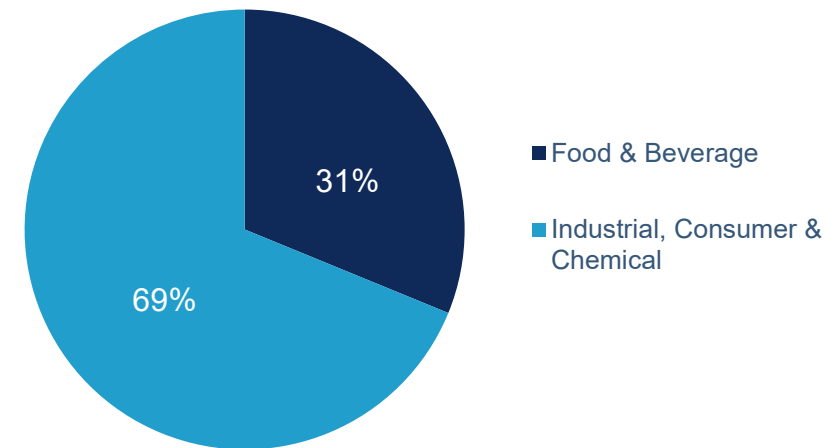
- 38% of revenue in US Dollar and 8% in Euro
- Organic growth broadly consistent between America & Europe

– Services segment margin 25.3% (2020: 17.3%)

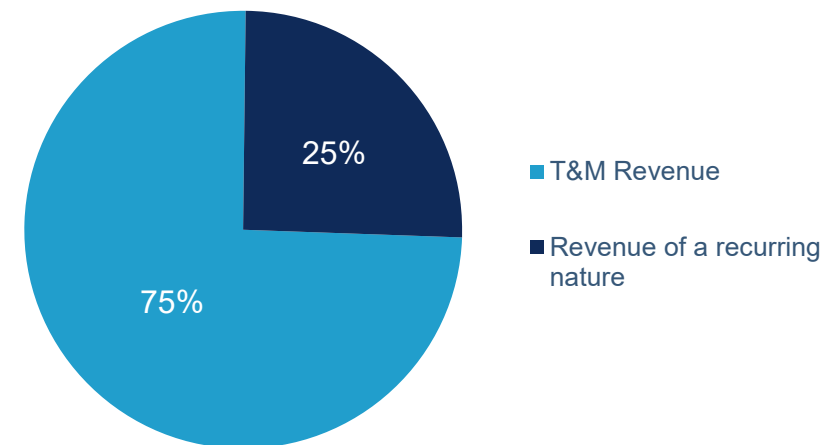
- (AOP for services segment includes R&D Consultancy)
- Regulatory & Compliance improved AOP margin
- Increased utilisation of resources in TSG Europe

– Strategic development

- Increasing scale/reputation attracting larger opportunities
 - £1m+ contract win, major chemicals company, Q1 2022
- Investment in new infrastructure
 - New finance system live across the division
 - New rules-based system for TSG America “renewals”



Revenue by Sector



Revenue by Type

Frontier Smart Technologies

– Revenue of £24.9m (2020: £20.5m)

- Component shortages well managed, assisted by favourable post-acquisition supplier relationships

– AOP margin of 20.7% (2020 15.8%)

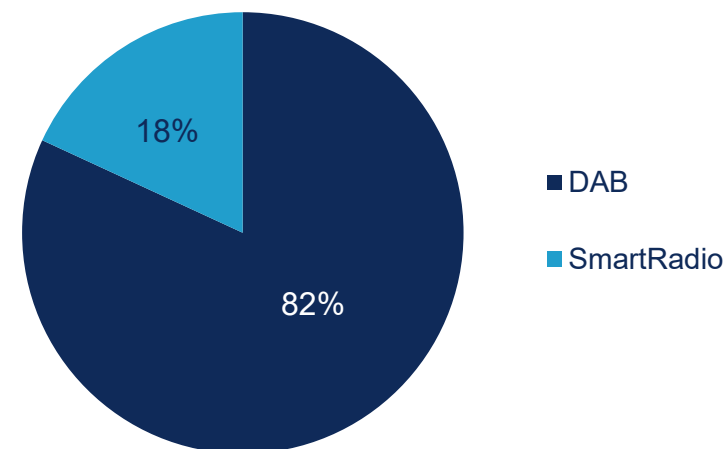
- Component price rises being passed onto customers
- Reduced royalty payments in H2 as a result of buy-out
- Increased revenue driving improved profitability

– Investment in Frontier

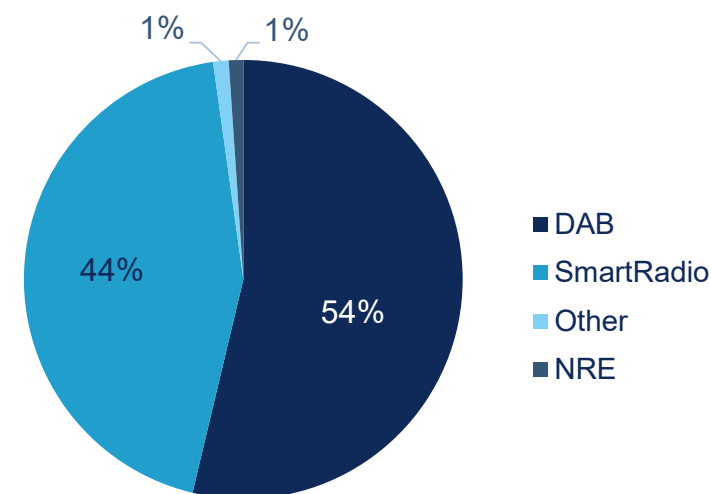
- Buyout of royalties for \$6.0m (2020 payments of \$1.0m)
- \$4.0m (\$2.0m net) acquisition to enhance SmartRadio

– Ongoing materials constraint

- Global semiconductor supply shortage
- Expected to continue through 2022



Units by Product Line



Revenue by Product Line

Corporate costs of £4.4m (2020: £2.5m): Active period of corporate activity

– TP Group (TPG) investment of £12.8m

- Largest shareholder with 28.0% shareholding
- Accounting treatment
 - Investment until 13 October 2021
 - Equity accounted thereafter
- 2 seats on TPG Board, including Executive Chair
- TPG strategy redefined
- Standby credit facility for TPG provided by Science Group, undrawn to date.
- Anticipated TPG losses in 2021 due to restructuring and exceptional items
- Science Group share of estimated loss of £1.1m

– Frontier strategic review completed

- Royalty buy-out
- Acquisition of Magic Systech

– Successful fundraising

- First equity placing since 2010
- Oversubscribed at premium to prevailing share price

– Share buy-back programme

- c.149,000 shares bought back in 2021 at cost of £0.6m (2020: £1.7m)

– New revolving credit facility

- £25m currently undrawn

–Environmental

- Created and manage CTO Forum of leading international companies – primary focus is NetZero planning
- Commenced assessment of GHG emissions with view to planning for NetZero
- Waste management policy and practices to maximise reuse, recycling and reduction
- Electricity for major sites from renewable sources, when available
- Electric vehicle charging points installed at freehold properties

–Social

- Diverse employee base and actively promote diversity and inclusion
- Active programmes of social engagement during lockdown periods
- Investment in training and development of staff at all levels
- Donations to charity (primarily foodbanks) increased during the pandemic
- Attractive workplace environments with open space and promotion of employee wellbeing
- Sharing success with employees through profit share and bonus schemes

–Governance

- Executive Chair Group's largest shareholder, drives corporate strategy
- Day-to-day operations managed by the Group Managing Director
- Strong independent NEDs. Succession planning taking into account Board diversity
- Both Remuneration and Audit Committees are 100% independent Directors
- Board well balanced between Executive and Non-Executive Directors ensuring objectivity in decision-making

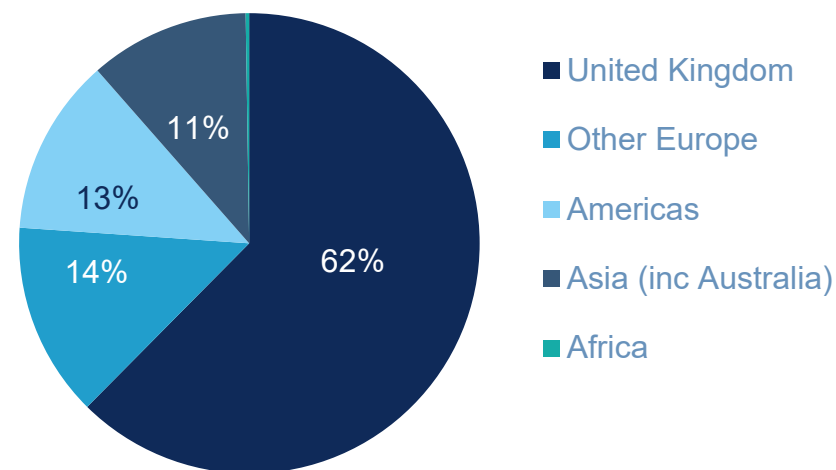
People

Group profile

- Approx. 400 employees Group-wide
- International workforce: 30 nationalities
- Speaking 30+ languages
- Education
 - 16% of employee base have PhDs
 - 29% of R&D Consultancy division have PhDs

Managing Covid-19

- Record performance in unprecedented circumstances
- Quickly adapted to new working environment
- Home/office/lab-based working
- Policy more cautious than UK government
- Invested in social online engagement for employees



Employees split by nationality

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
- Natural open spaces promoting employee wellbeing and supporting Group's ESG policies
- Book value: £21.0m (2020: £21.2m)
- Triennial independent valuation (March 2021): £21m to £35m

– Ownership normalisation of Harston Mill completed

- Tax cash outflow of £1.8m in 2021

– Total income in 2021 was £3.6m (2020: £4.0m)

- Income from third-party tenants of £0.6m (2020: £0.8m)
- Income from intra-Group rental charges at market rates of £3.0m (2020: £3.2m). Intra-group rent eliminated at Group consolidation
- Adjusted Operating Profit £0.4m (2020: £1.0m).



–Tax charge of £1.4m (2020: tax credit of £0.6m)

- Frontier brought forward losses offset current year taxable profits
- Deferred tax asset in respect of Frontier losses increased
- Harston Mill property intra-Group transfer completed
- R&D tax credit of £0.3m (2020: £0.2m)

–Tax cash outflow of £4.0m (2020: £2.0m)

- Payments on account in organic business
- Tax cash outflow in respect of the Harston property transfer (£1.8m)

–Carried forward tax losses at 31 December 2021 of £27.8m (2020: £31.7m)

- Tax losses in Frontier of £17.6m (2020: £21.4m)
 - £10m recognised as a deferred tax asset to be utilised against future Frontier profits (2020: £5.3m);
 - £7.6m not recognised as an asset due to uncertainty in timing or feasibility of utilisation (2020: £16.1m).
- Other Group tax losses of £10.2m (2020: £10.3m) not recognised as an asset due to a low probability of utilisation

Appendix

Annual Review of Capital Sources & Allocation

Capital Sources 2010-2021

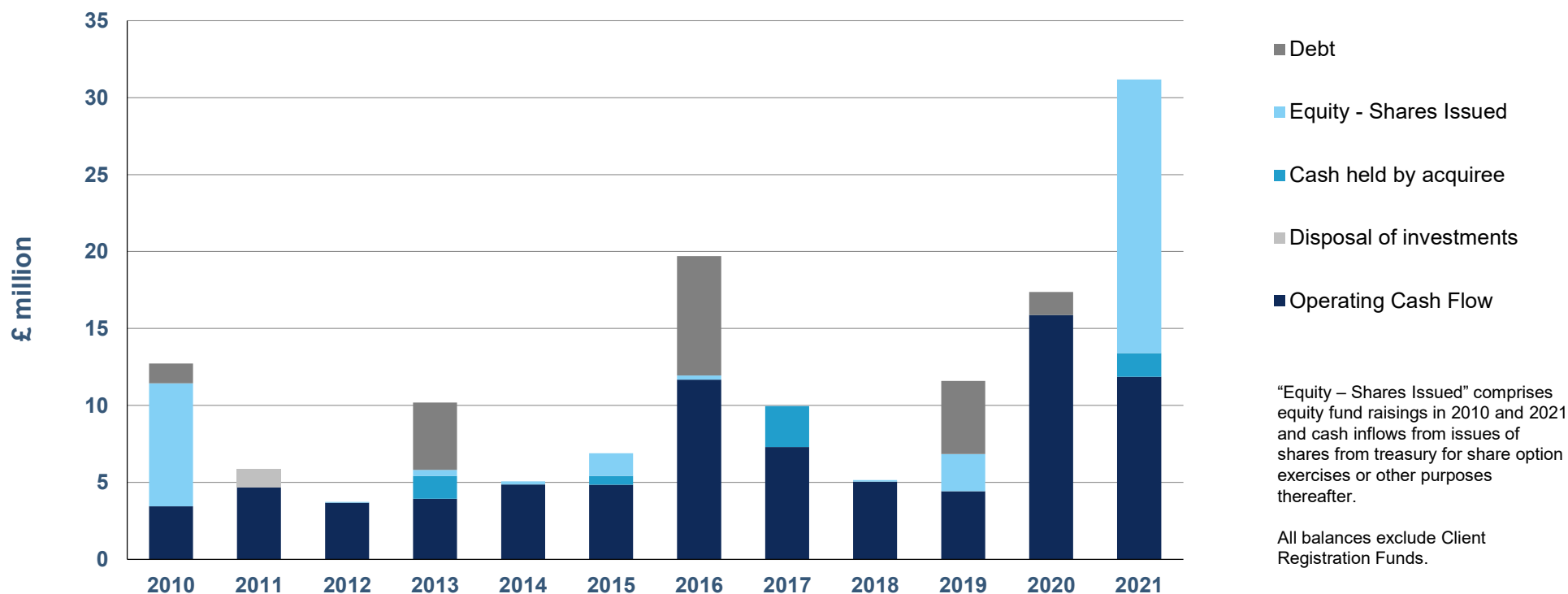
–Debt refinancing in 2016 and topped up in 2019 and 2020

- Debt secured against Harston and Epsom freehold properties
- 10 year term loan fixed at 3.5% using interest rate swap instruments to 2026

–Revolving credit facility of £25m agreed at end of 2021 (undrawn to date)

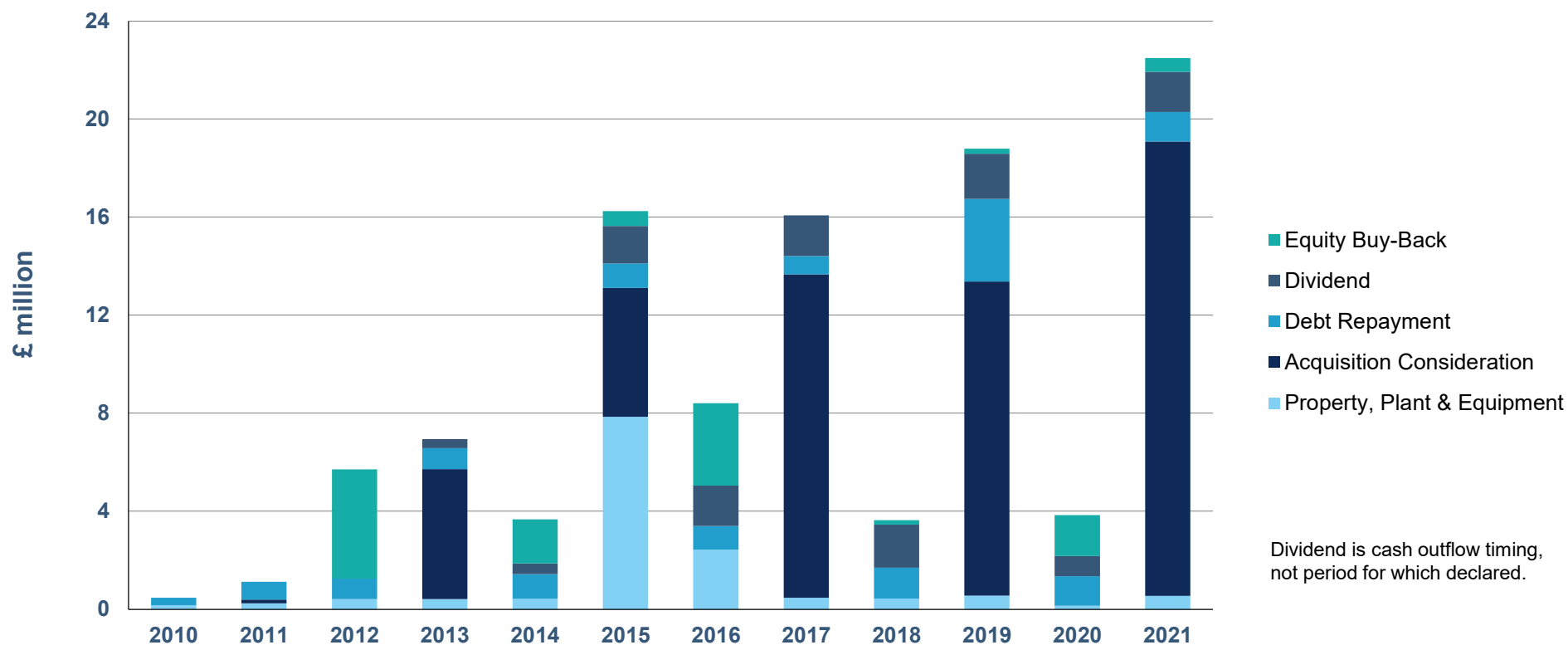
–Strong operating cash flow, enhanced by equity placing

–After 2010, treasury shares acquired through buy-backs, used in relation to acquisitions



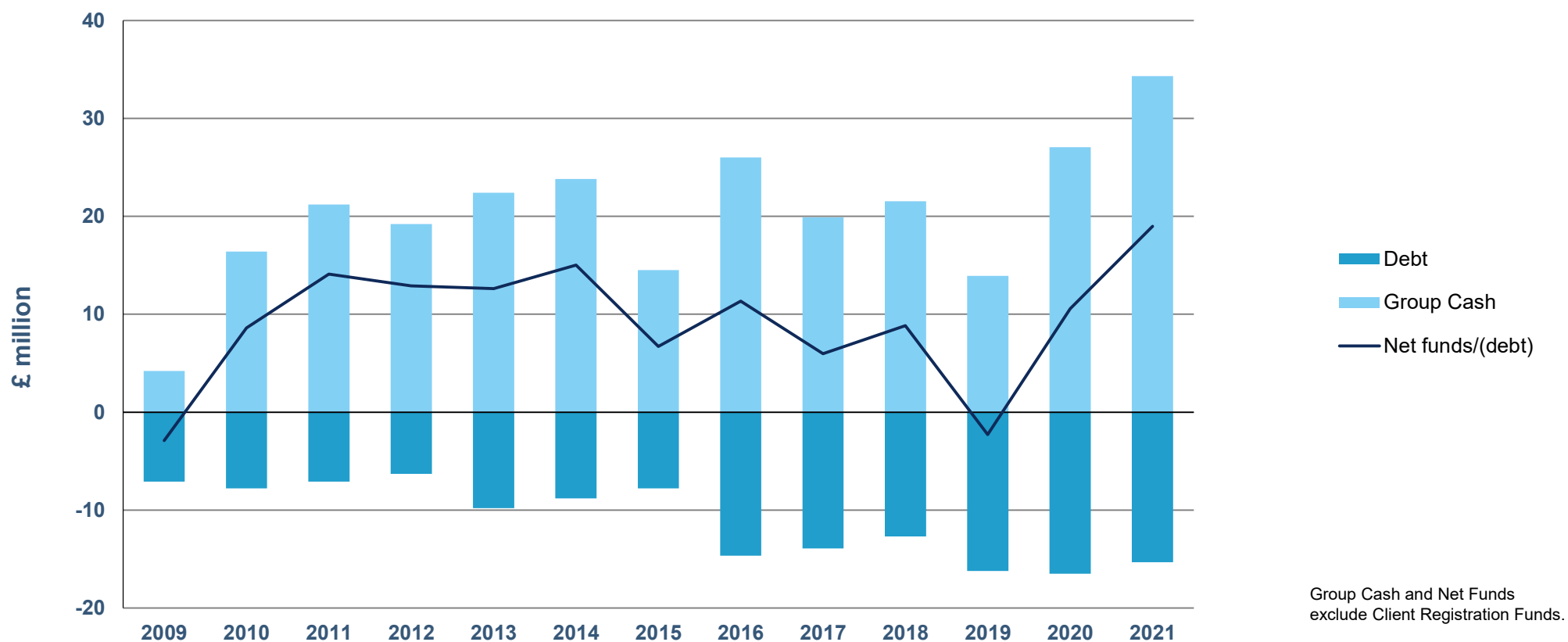
Capital Allocation 2010-2021

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



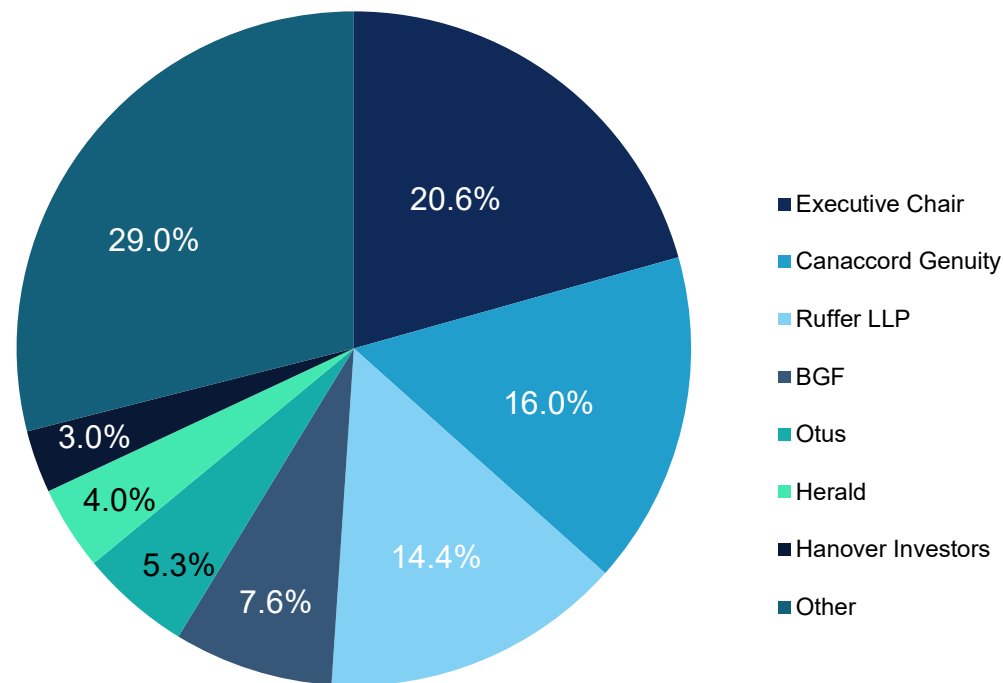
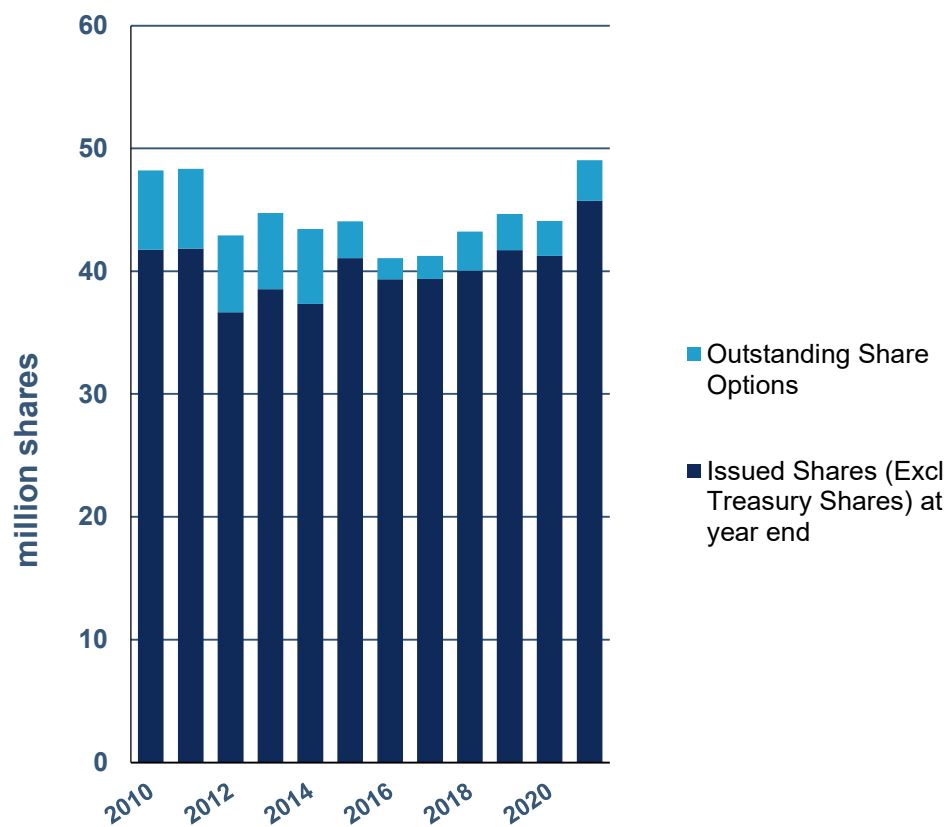
Cash & Debt 2009-2021

- Capital resources deployed for acquisitions / investments (2013, 2015, 2017, 2019, 2021)
- Debt refinanced in 2016 and loan increased in 2019 and 2020
- Revolving credit facility of £25m undrawn



Equity Share Capital

- First fundraising since 2010
- Institutional shareholder base expanded



Shareholdings at 11/3/22
excluding Treasury and EBT