

2022 Preliminary Results

Martyn Ratcliffe

Executive Chair

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Dan Edwards

Group Managing Director

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Jon Brett

Group Finance Director

To be read in conjunction with the audited preliminary results announcement released on 21 March 2023

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 £86.3m 2021: £81.2m	Adjusted operating profit £17.6m 2021: £16.3m	Reported profit before tax £11.1m 2021: £10.9m	EPS (adjusted basic) 29.4 pence 2021: 28.5 pence	Dividend 5.0 pence 2021: 5.0 pence
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– Record revenue and adjusted operating profit

- Organic revenue growth of 6%
- AOP increased by 8% year on year against a strong prior year comparator
- Resilient performance in deteriorating economic environment

– Corporate development

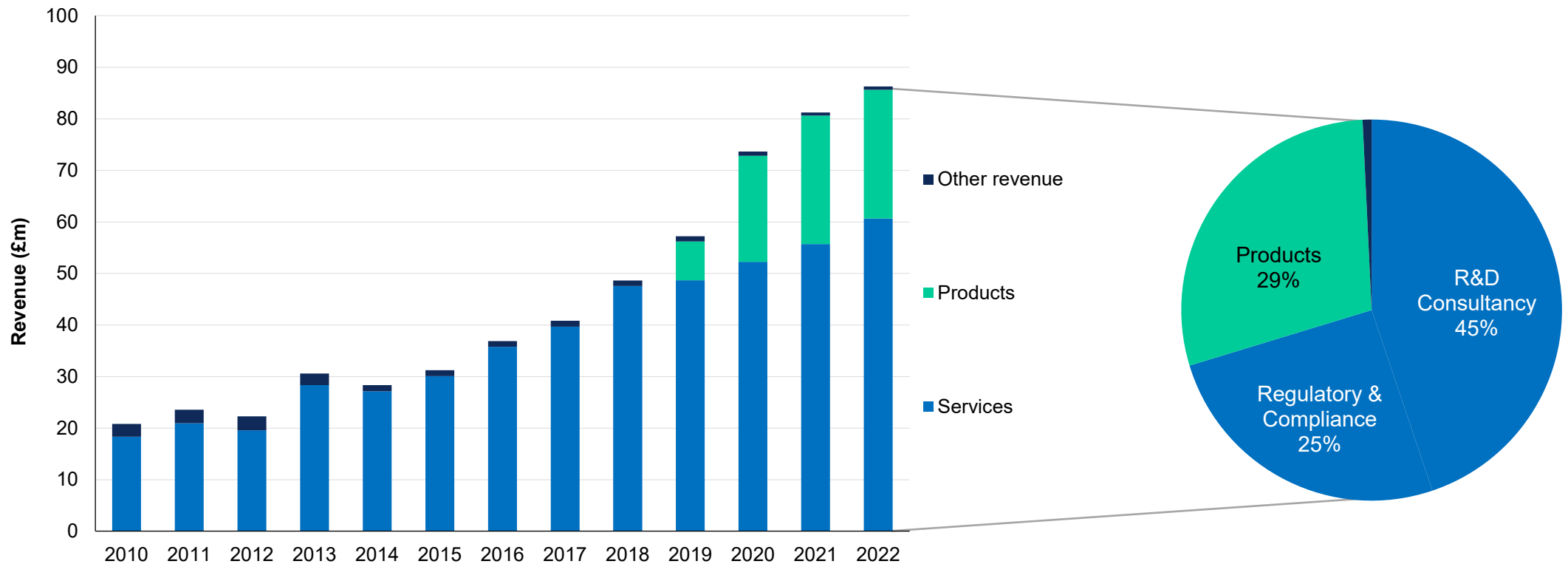
- TPG investment – disposal of non-core businesses and successful Maritime contract renegotiation
- TPG acquisition completed in January 2023 through scheme of arrangement

– Robust balance sheet

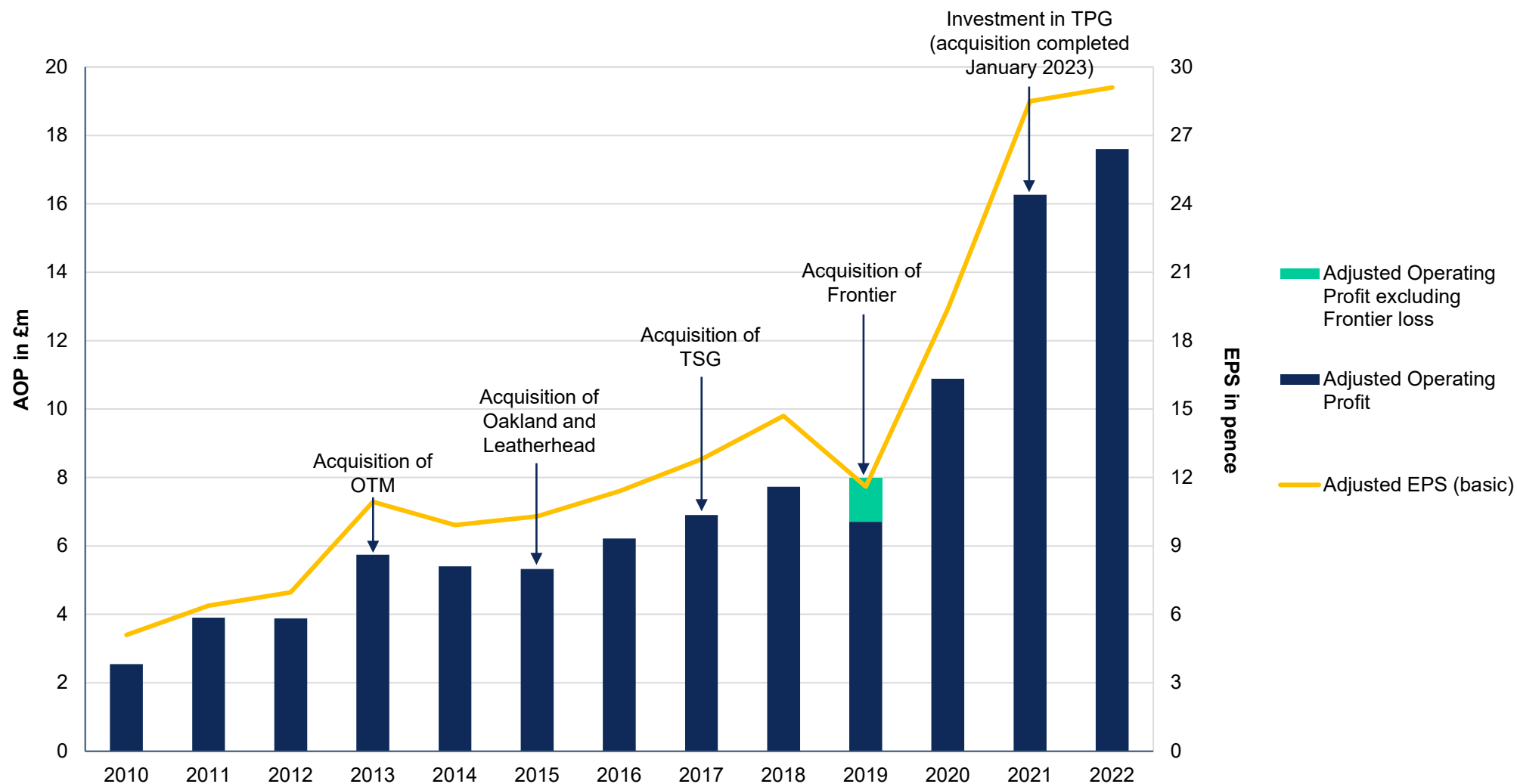
- Group cash of £43.6m and net funds of £29.5m at 31 December 2022 (2021: £34.3m and £19.0m respectively)
- Group cash at 28 February 2023 of £33.4m and net funds of £19.3m after TPG acquisition
- Unused £25m bank facility, in addition to existing term loan (£14.2m) to 2026
- Two substantial freehold property assets

Group Revenue

- Satisfactory performances from all divisions against strong prior year comparator
- Consumer-facing businesses impacted by global economic slowdown
- 63% of Group revenue in US dollars
- Balanced divisional portfolio provides resilience

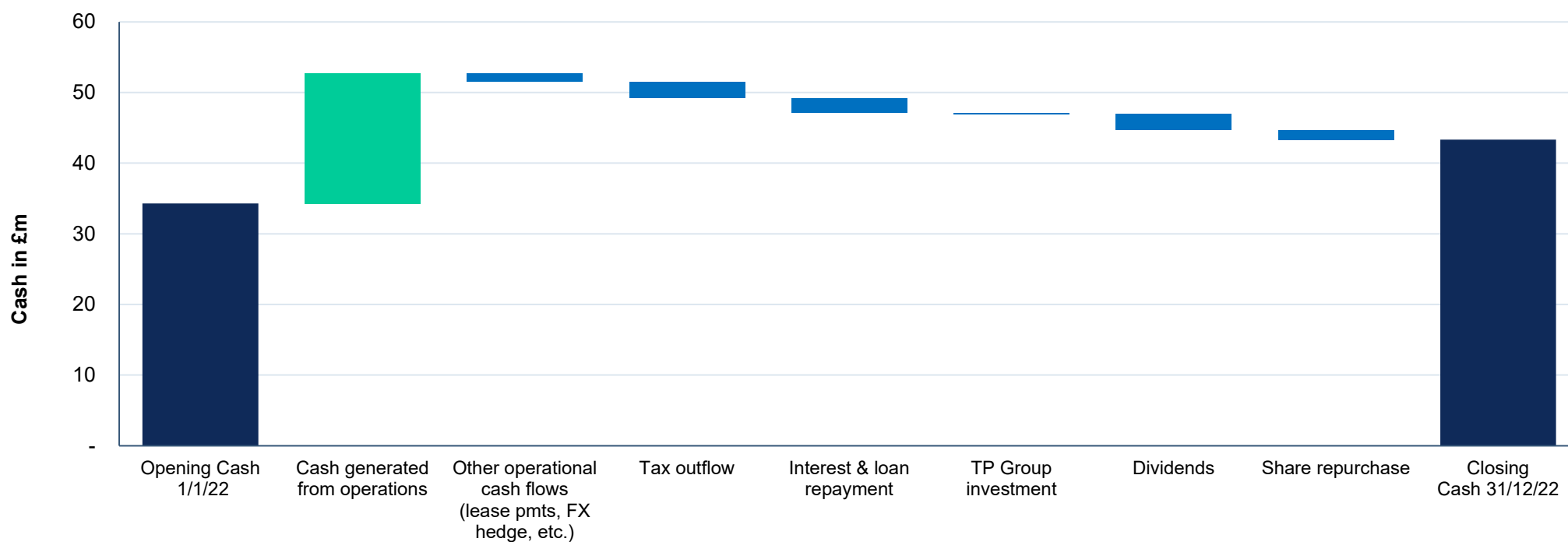


Delivering Shareholder Value



Cash Bridge

- Continued strong cash generation from operations
- Group cash of £43.6m and net funds of £29.5m at 31 December 2022 (2021: £34.3m and £19.0m)
- Term loan at 31 December 2022 was £14.2m (net funds of £29.5m)
 - Additional debt facility of £25m remains undrawn
- At 28 February 2023, post completion of TPG acquisition, Group cash of £33.4m (net funds £19.3m)
 - TPG acquisition funded through organic operating cash flow



Enlarged Group Overview

Science Group is an international science, engineering and technology business

Services businesses

R&D Consultancy



Provides science-led advisory and product/technology development services in medical, consumer, food & beverage and industrial sectors.

Primary Brands:

- ✓ Sagentia Innovation

Regulatory & Compliance



Provides scientific and regulatory advice together with registration and compliance services for the chemicals and food & beverage sectors

Primary Brands:

- ✓ TSG America
- ✓ TSG Europe
- ✓ Leatherhead Food Research

Defence & Aerospace Consultancy



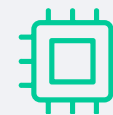
Provides technical expertise for successful delivery of large, complex and critical programmes in defence and aerospace

Primary Brands:

- ✓ TPG Services
- ✓ Osprey Consulting Services

Products businesses

Audio Chips & Modules



Market leader in DAB/DAB+/SmartRadio/connected audio technology chips and modules

Primary Brands:

- ✓ Frontier

Submarine Atmosphere Management Systems



Designs, develops and manufactures atmosphere management and life support systems for submarines

Primary Brands:

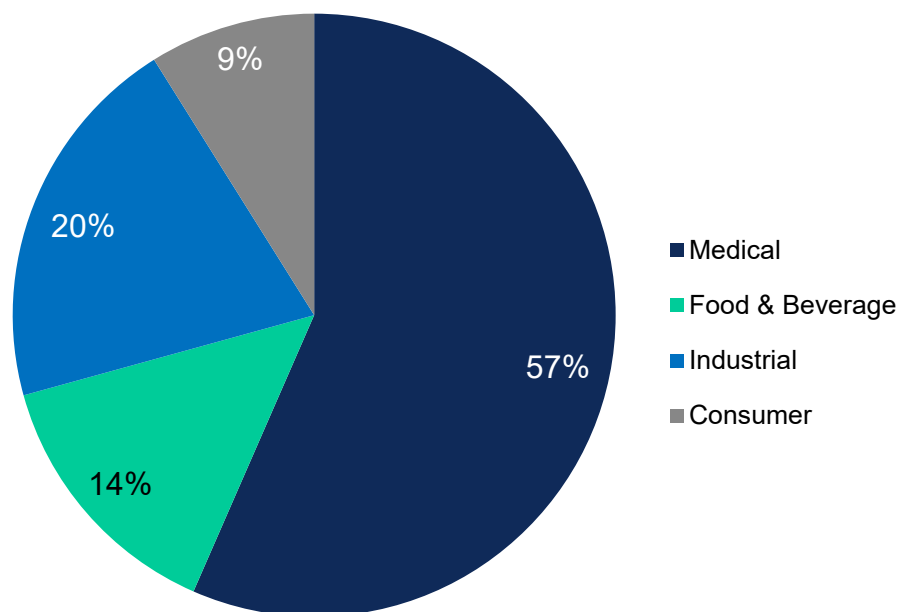
- ✓ TPG Maritime (in process of rebranding)

Services - R&D Consultancy and Regulatory & Compliance

- Combined Revenue of £60.7m (2021: £55.7m)
- Services segment margin of 26.7% (2021: 25.3%)

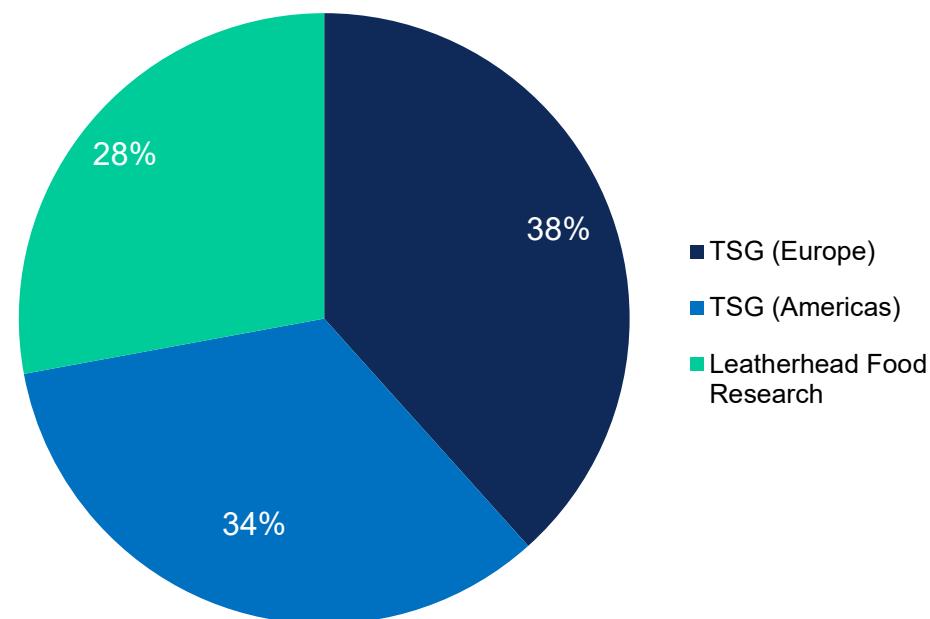
R&D Consultancy

- Revenue of £38.7m (2021: £34.3m)
- Organic growth of 13% assisted by FX tailwind
- 56% of revenue in US Dollar and 4% in Euro



Regulatory & Compliance

- Revenue of £22.0m (2021: £21.4m)
- Revenue in H1 and H2 2022 was broadly flat
- 36% of revenue in US Dollar and 5% in Euro



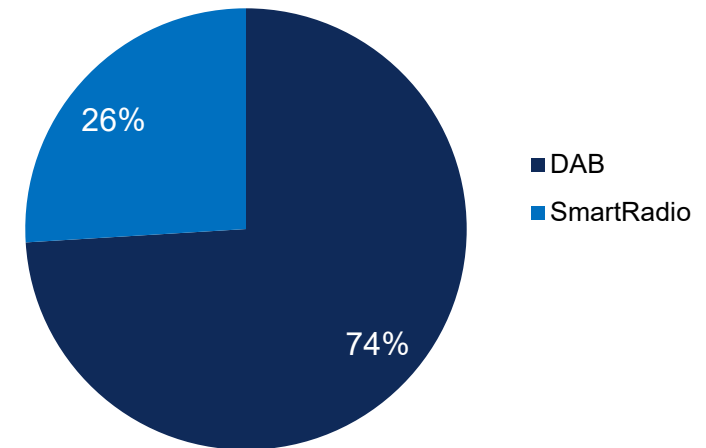
– Revenue of £25.0m (2021: £24.9m)

- H1 characterised by supply shortages
 - Customers over-ordered to compensate for allocations
- H2 impacted by decline in demand for consumer electronics products
 - Independent data shows market reduced by 16% in Q3

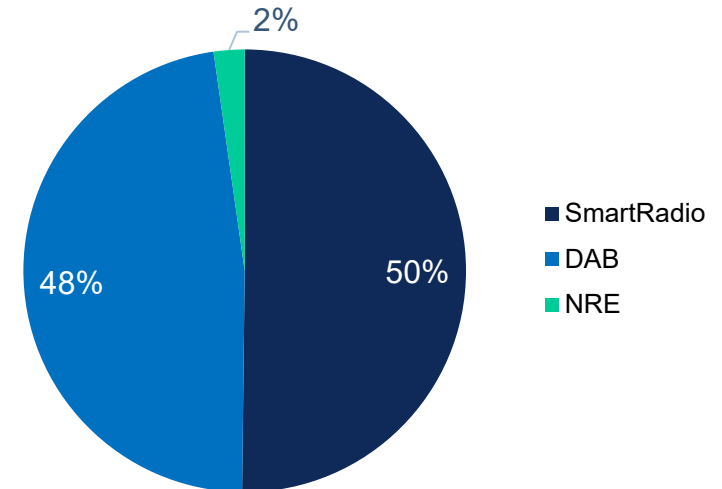
– AOP margin of 15.5% (2021: 20.7%)

– Outlook

- Supply chain normalised and material costs now reducing
- Slower H1 2023 anticipated returning to more conventional cycle in H2
- Continued investment in new products scheduled for 2023 and 2024





Units by Product Line



Revenue by Product Line

- Investment made in mid-2021
- October 2021, Science Group nominees appointed to TPG Board
- Restructuring
 - Renegotiated onerous TPG Maritime contracts
 - Disposal of non-core businesses
- Acquisition offer made in October 2022 and completed in January 2023

Maritime	Services	Non-core
		
Designs, develops and manufactures atmosphere management and life support systems for submarines	Provides technical expertise for successful delivery of large, complex and critical programmes in defence and aerospace	Businesses which were disposed of prior to completion of acquisition or shortly thereafter
Primary Brands: <ul style="list-style-type: none">✓ TPG Maritime in process of rebranding	Primary Brands: <ul style="list-style-type: none">✓ TPG Services✓ Osprey Consulting Services	Former Brands: <ul style="list-style-type: none">✓ Sapienza✓ NorthStar✓ Westek

–Environmental

- Created Science Group-Sustainability practice
 - Spans R&D Consulting and Regulatory & Compliance
 - Developed new service lines including design for sustainability and product stewardship
 - Released Playbook for Net Zero prepared in conjunction with CTOs from 7 major global organisations
- Expanded R&D product development capabilities to include Lifecycle Analysis (LCA)
- Continued internal assessment of GHG emissions in preparation for SECR and TCFD regulation

–Social

- Diverse employee base and actively promote diversity and inclusion
- Investment in training and development of staff at all levels
- Attractive workplace environments with open space and promotion of employee wellbeing
- Sharing success with employees through profit share and bonus schemes
- Temporary financial support provided to employees to assist with energy and fuel cost spike in 2022

–Governance

- Executive Chair remains Group's largest shareholder and drives corporate strategy
- Day-to-day operations managed by the Group Managing Director
- Strong independent NEDs with appointment of new NED, Susan Clement Davies, in 2022
- Both Remuneration and Audit Committees are 100% independent Directors
- Board well balanced between Executive and Non-Executive Directors ensuring objectivity in decision-making

–Tax charge of £0.5m (2021: £1.4m)

- Frontier brought forward losses offset current year taxable profits
- R&D tax credit of £0.5m (2021: £0.3m)

–Tax cash outflow of £2.3m (2021: £4.0m)

- 2021 exceptionally high in respect of the Harston property transfer (£1.8m)

–Carried forward tax losses at 31 December 2022 of £26.7m (2021: £27.8m)

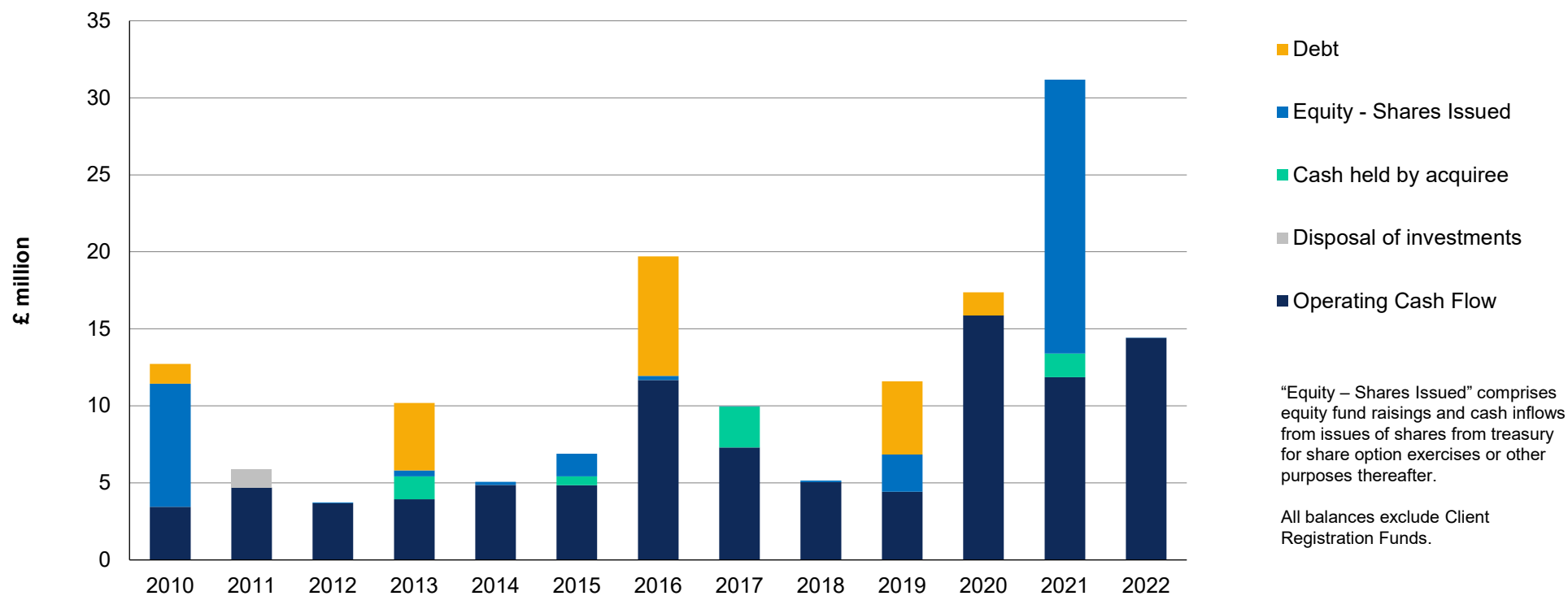
- Tax losses in Frontier of £17.1m (2021: £17.6m). Utilisation of losses in year, offset by exchange revaluation
 - £8.7m recognised as a deferred tax asset to be utilised against future Frontier profits (2021: £10m);
 - £8.4m not recognised as an asset due to uncertainty in timing or feasibility of utilisation (2021: £7.6m).
- Other Group tax losses of £9.6m (2021: £10.2m) not recognised as an asset due to a low probability of utilisation

Appendix

Annual Review of Capital Sources & Allocation

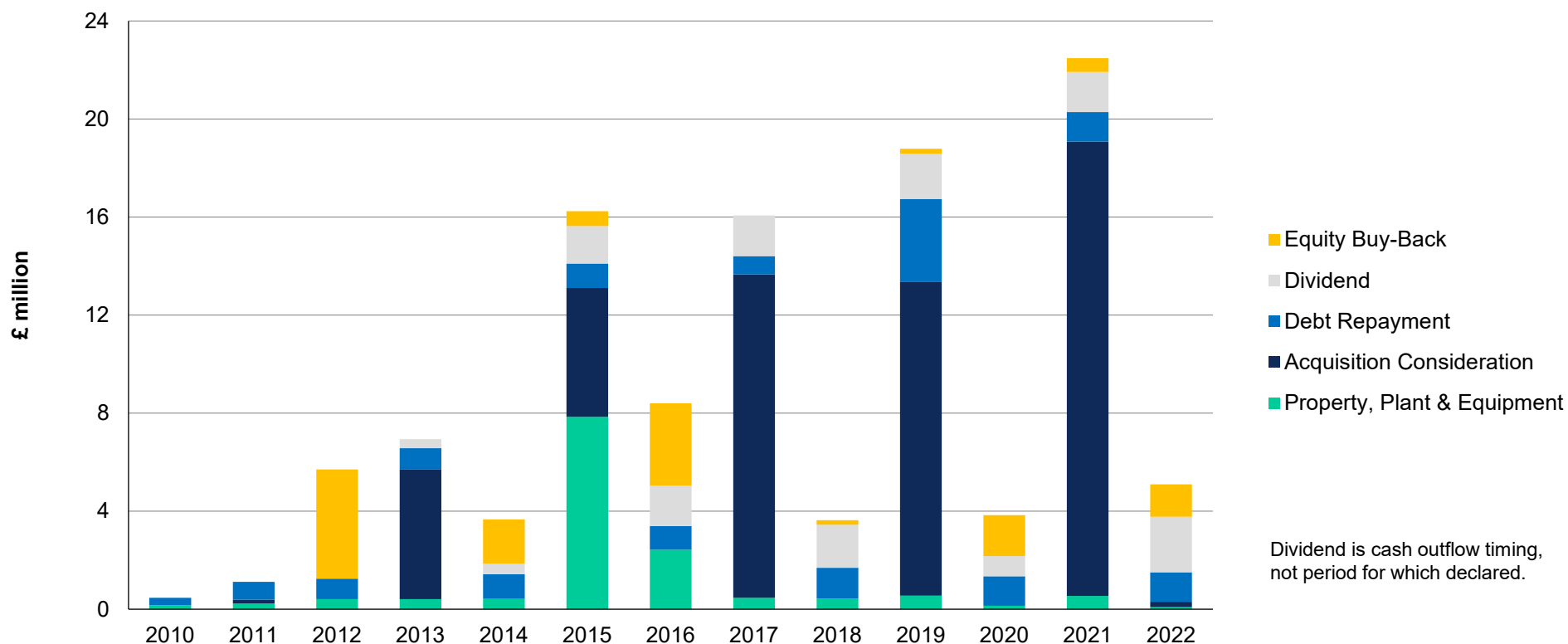
Capital Sources 2010-2022

- 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
- Equity placings in 2010 and 2021



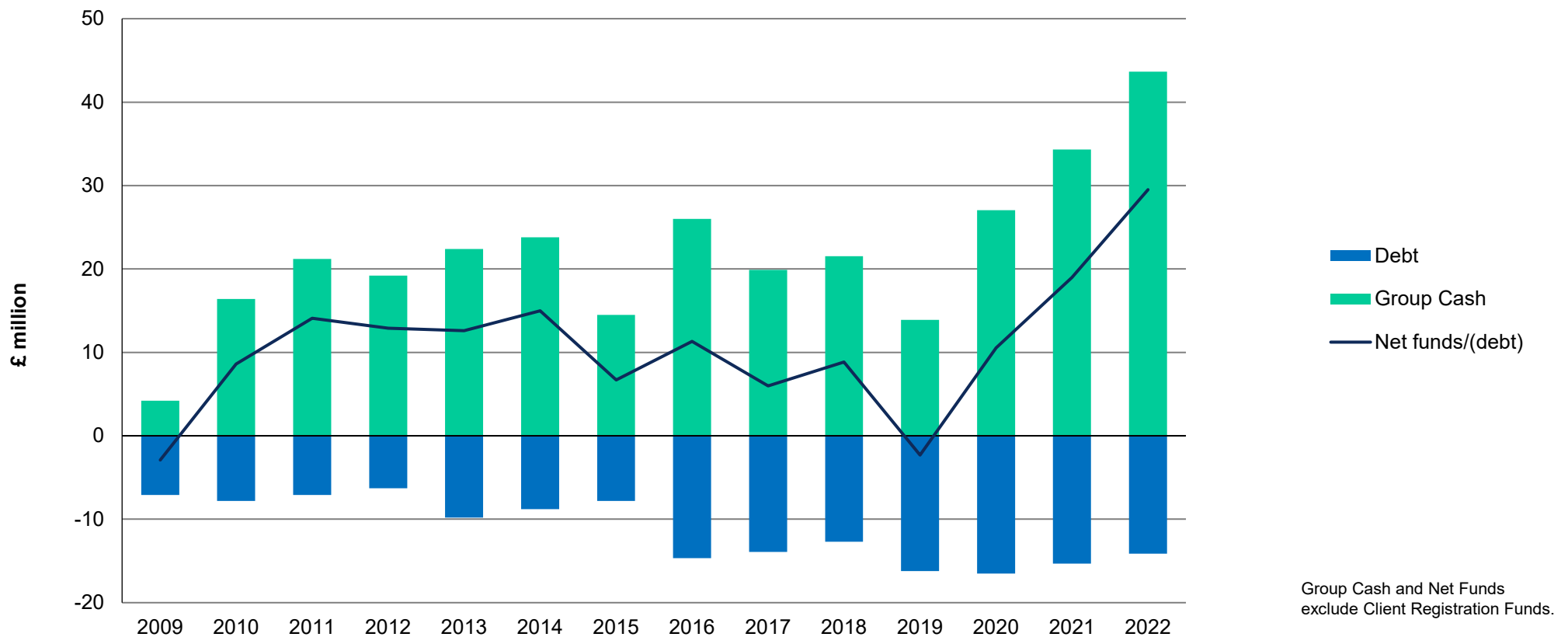
Capital Allocation 2010-2022

- Major capital deployments related to acquisitions
- 2023 capital allocation will include the completion of TPG acquisition
- Equity buy-backs undertaken when appropriate and shares held in Treasury
- Share buy-back of £1.3m in 2022 (2021 : £0.6m)

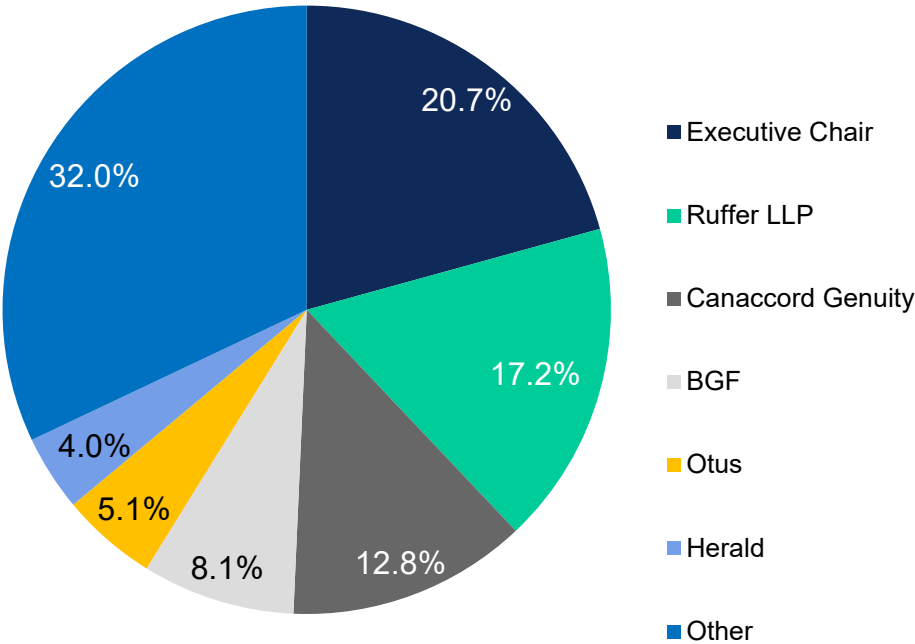
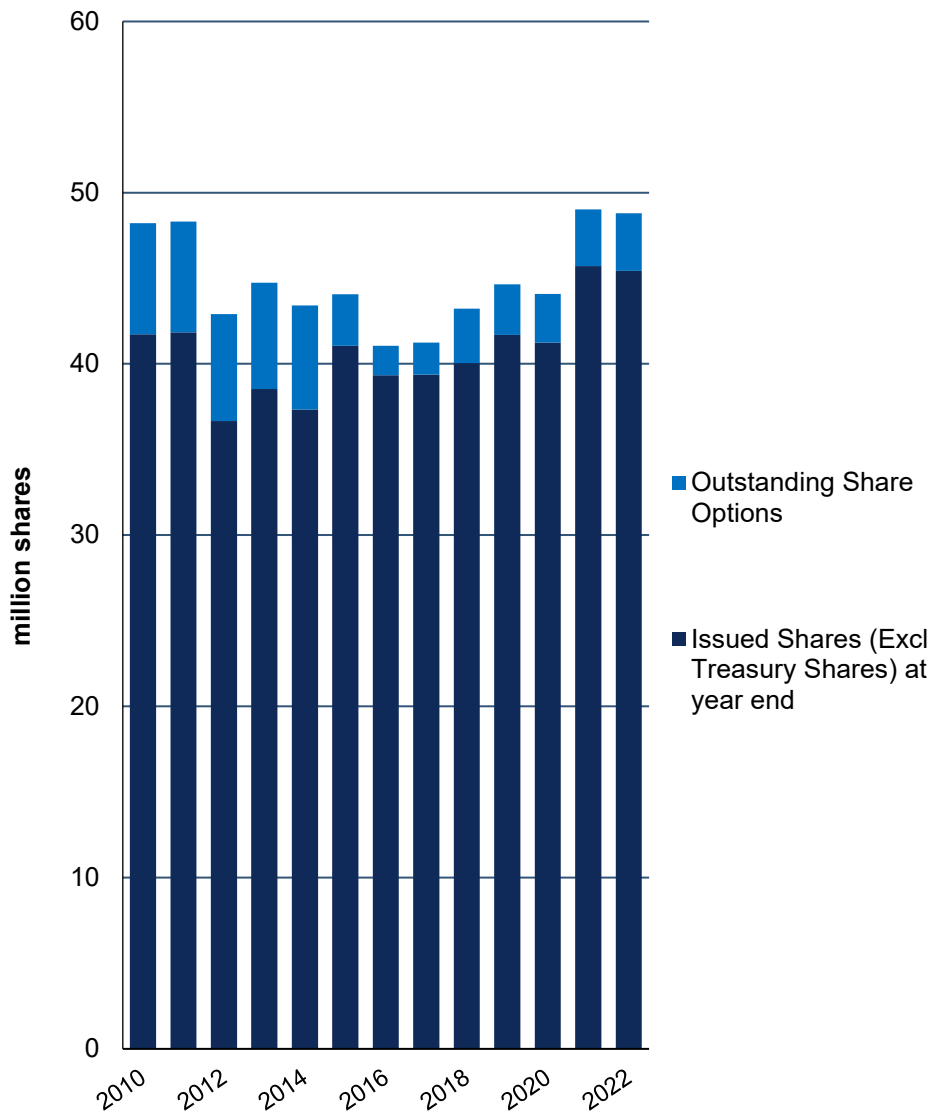


Cash & Debt 2009-2022

- Capital resources deployed for acquisitions / investments
- Debt refinanced in 2016 and loan increased in 2019 and 2020
- Revolving credit facility of £25m undrawn
- Group cash at 28 February 2023 of £33.4m and net funds of £19.3m



Equity Share Capital



Shareholdings at 28/2/23
excluding Treasury and EBT