

# 2023 Preliminary Results

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**Martyn Ratcliffe**  
Executive Chair

**Dan Edwards**  
Group Managing Director

**Jon Brett**  
Group Finance Director

To be read in conjunction with the audited preliminary results announcement released on 21 March 2024.

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.

## Record underlying results against a challenging macro-environment

### – Group Revenue of £113.3m (2022: £86.3m)

- Increase of 31% including TP Group plc acquisition
- Consultancy Services revenue of £81.3m (2022: £60.7m)
- Systems businesses revenue of £31.2 million (2022: £25.0 million)

### – Group Adjusted Operating Profit (AOP) of £20.5m (2022: £17.6m)

- Adjusted EPS increased to 33.3 pence (2022: 29.4 pence)

### – Proposed dividend increase of 60% to 8.0p (2022: 5.0p)

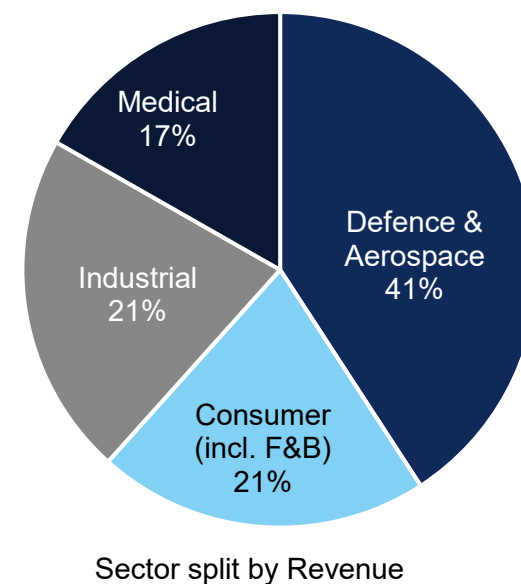
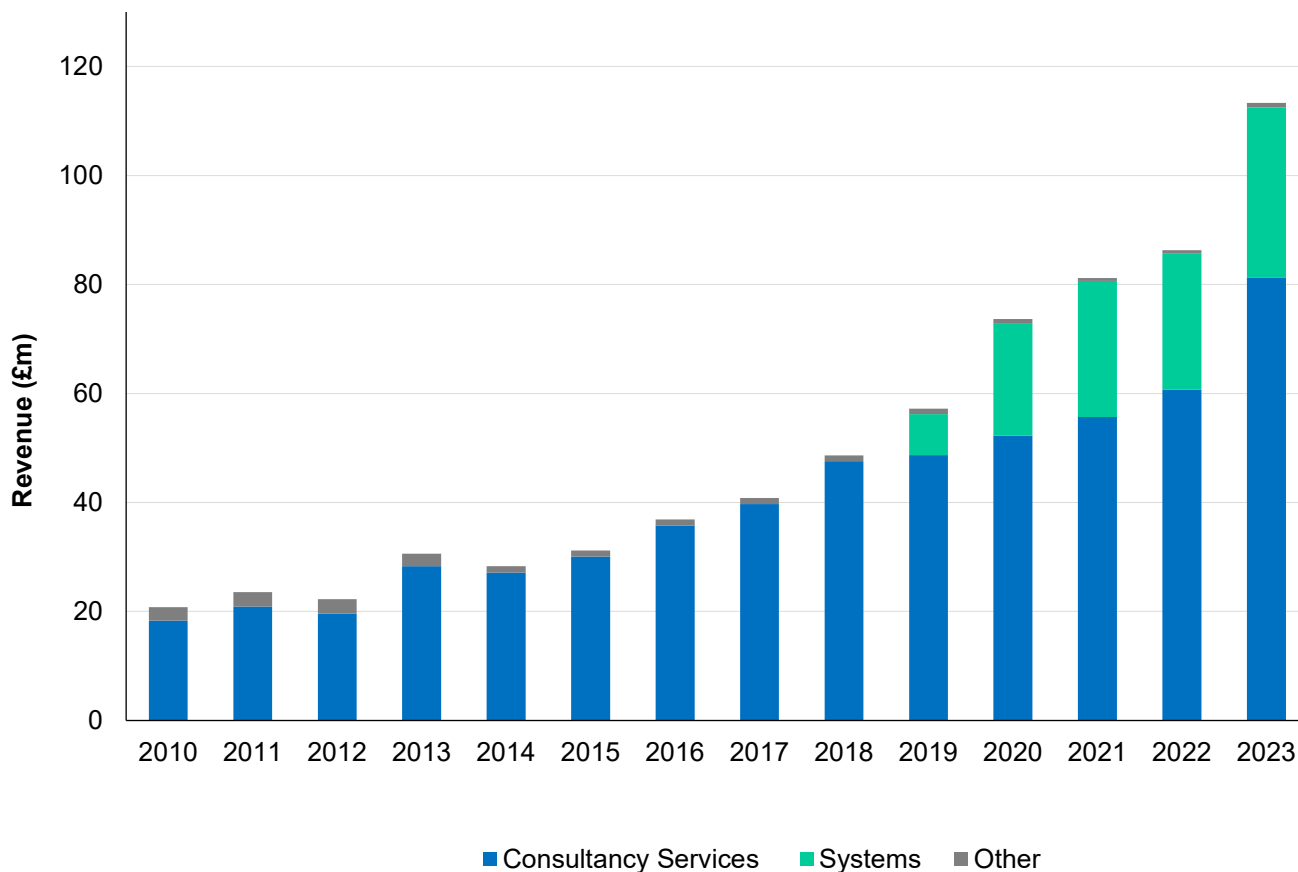
- Returns to shareholders (dividend and buy-back) in 2023 of £6.2m (2022: £3.6m)

### – Group cash of £30.9m and net funds of £18.0m at 31 December 2023

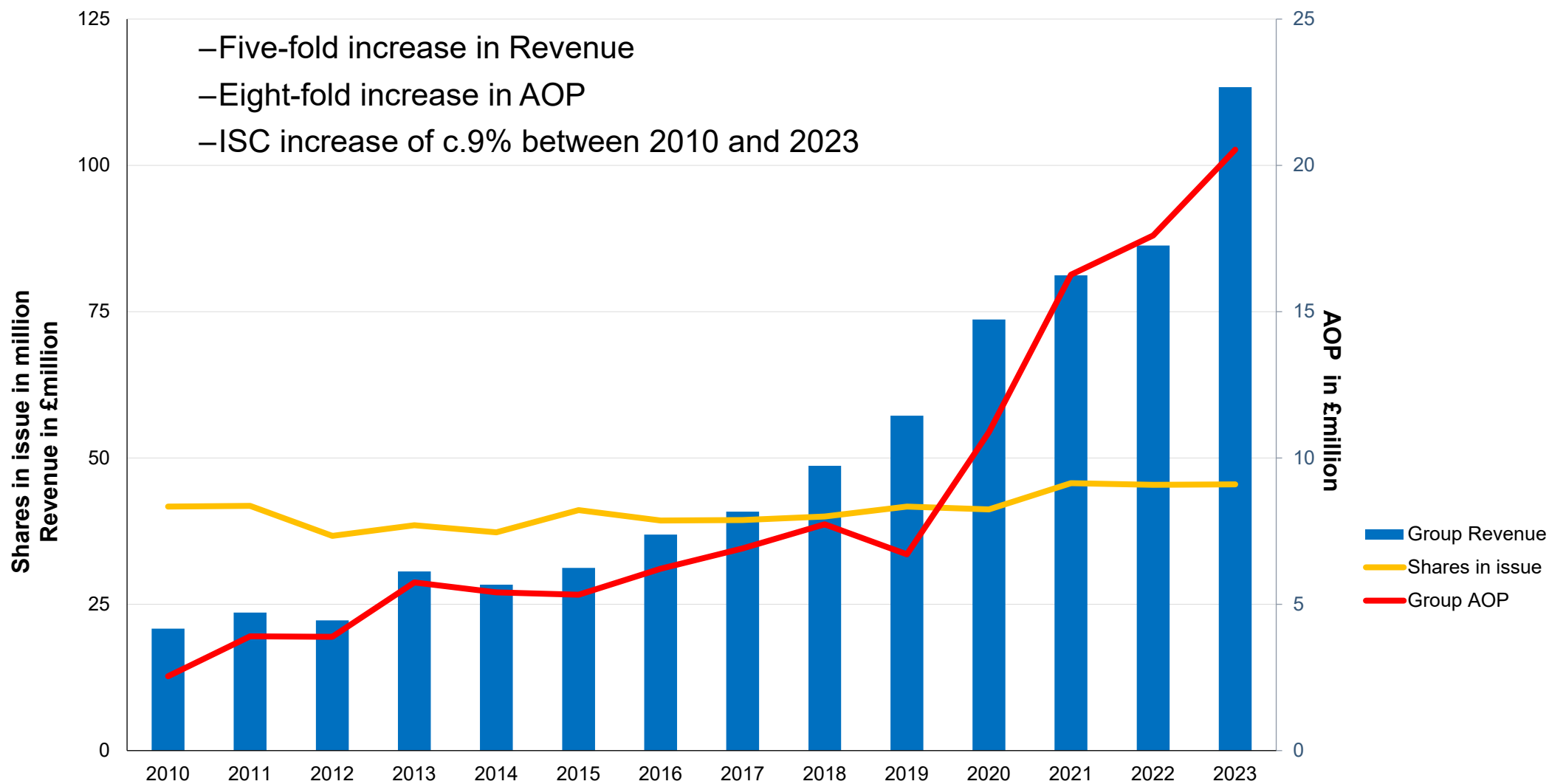
- (2022: £43.6m and £29.5m respectively, prior to TPG acquisition and buy-back programme)
- Unused £25m bank facility, in addition to existing term loan (£13.0m) to 2026
- Two substantial freehold property assets

# Group Revenue

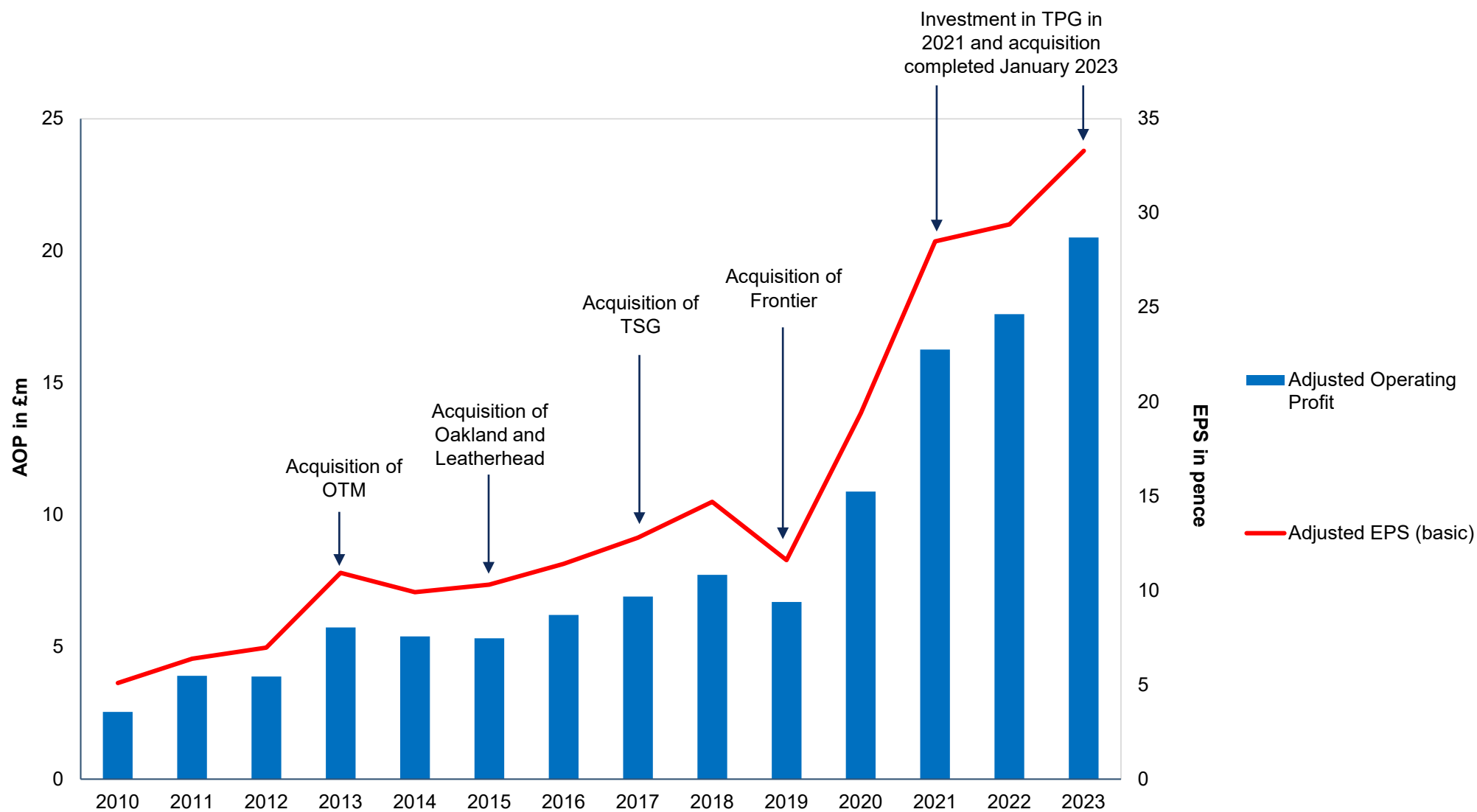
- Record revenue of £113.3m including contribution from TPG acquisition
- Consultancy Services revenue of £81.3m (2022: £60.7m)
- Systems businesses revenue of £31.2 million (2022: £25.0 million)
- Market sector diversity provides resilience



# Significant Growth with Minimal Shareholder Dilution



# Track Record of Delivering Shareholder Value



# 2023 Profit Reconciliation

£m	2023	2022
Consultancy Services AOP	20.4	16.2
Systems AOP	2.2	3.9
Property AOP	0.6	0.1
Corporate costs	(2.6)	(2.6)
<b>Group Adjusted Operating Profit</b>	<b>20.5</b>	<b>17.6</b>
<b>Adjusting items (primarily non-cash)</b>		
TPG acquisition:		
-revaluation of TPG equity investment - <b>non-cash</b>	(4.8)	-
-acquisition integration costs	(0.5)	(1.1)
-share of (loss)/profit when TPG held as associate - <b>non-cash</b>	(0.2)	0.6
Amortisation on acquisition related intangible assets - <b>non-cash</b>	(4.9)	(3.8)
Share-based payment charge - <b>non-cash</b>	(2.0)	(1.6)
Statutory Operating profit	8.1	11.7
Net finance costs	(0.5)	(0.6)
Statutory Profit before tax	7.6	11.1
Tax charge	(2.1)	(0.5)
Statutory Profit After tax	5.5	10.6

Notes:

Property AOP increased due to normalisation of energy costs

Investment cost mark to market at completion of acquisition

Increased 2023 tax charge

## – Tax charge of £2.1m (2022: £0.5m)

- Prior year tax charge unusually low due to deferred tax adjustments and some over accrual in 2021
- Charge in 2023 subject to increase in UK tax rate (19% to 25%)
- R&D tax credit of £0.5m (2022: £0.5m)
- R&D tax credits – taken at tax line not reduction in operating costs

## – Tax cash outflow of £1.3m (2022: £2.3m)

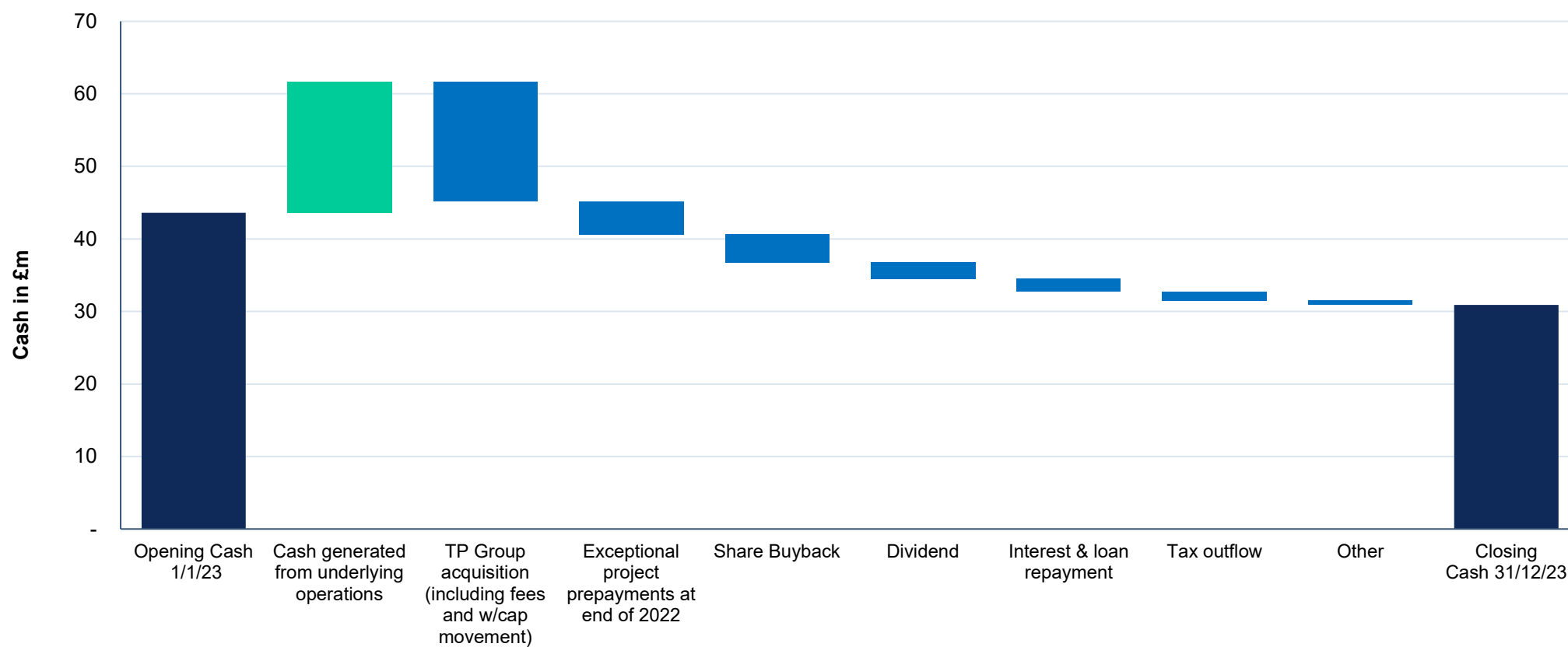
- Lower cash outflow due to use of loss relief and some overpayment in 2022

## – Carried forward tax losses at 31 December 2023 of £29.3m (2022: £26.7m)

- Tax losses in Frontier of £19.2m (2022: £17.1m)
  - Additional losses in year, offset by exchange revaluation
  - £9.1m recognised as a deferred tax asset to be utilised against future Frontier profits (2022: £8.7m)
  - £10.1m not recognised as an asset due to uncertainty in timing or feasibility of utilisation (2022: £8.4m)
- Tax losses in TPG of £5.9m (2022: n/a)
  - Utilised some tax losses in 2023
  - £5.4m recognised as a deferred tax asset to be utilised against future TPG profits (2022: n/a)
  - £0.5m not recognised as an asset due to uncertainty in timing or feasibility of utilisation (2022: n/a)
- Other Group tax losses of £4.2m (2022: £9.6m) not recognised due to a low probability of utilisation

# Cash Bridge

- Continued strong underlying cash generation from operations
- Group cash of £30.9m and net funds of £18.0m at 31 December 2023 (2022: £43.6m and £29.5m)
- After completion of TPG acquisition and share buy-back programme

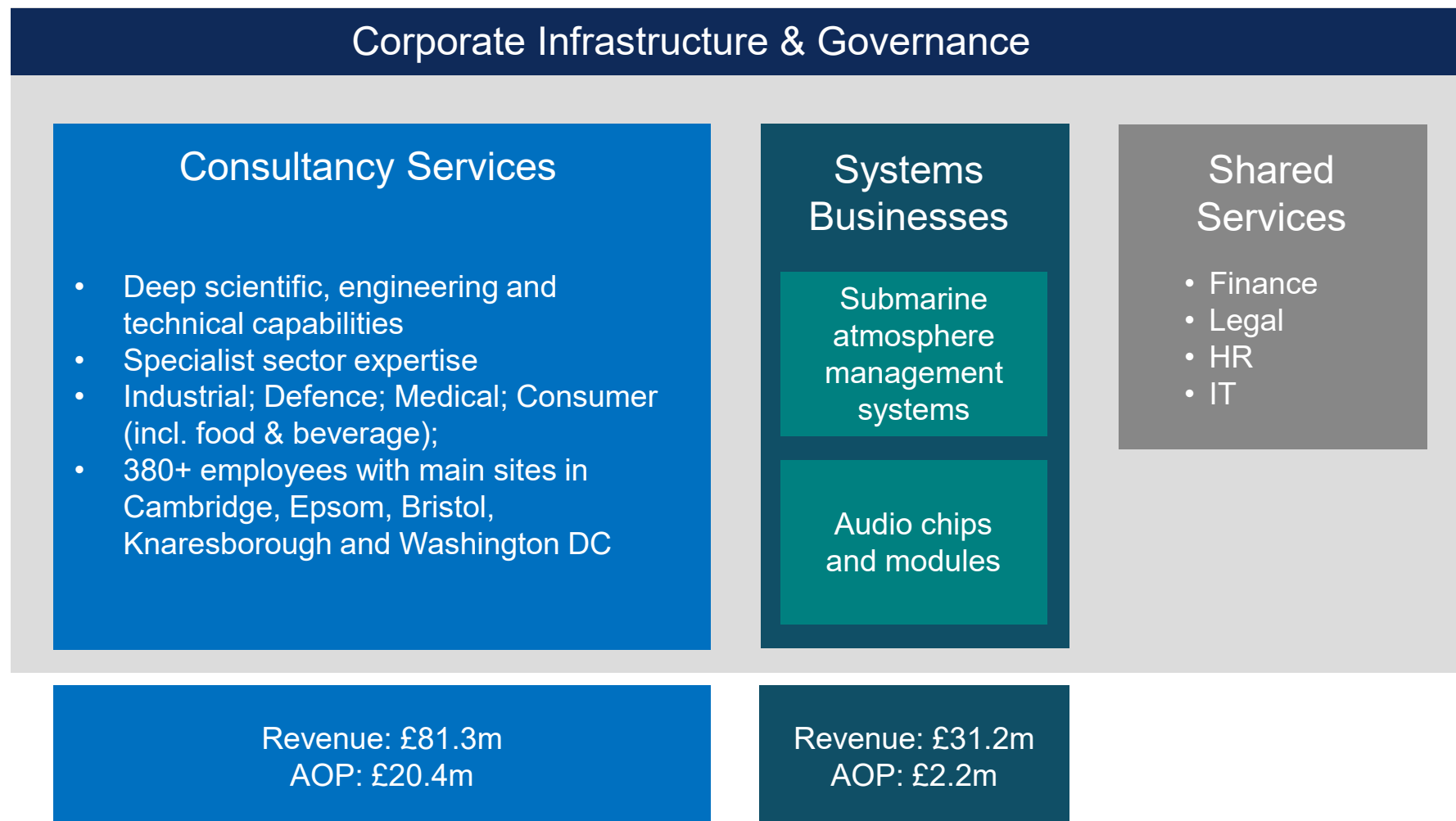






# Science Group Operations

# Science Group Structure



# Consultancy Services

## – Revenue\* of £81.3m (2022: £60.7m)

- TPG Services revenue included from January 2023

## – AOP of £20.4m (2022: £16.2m)

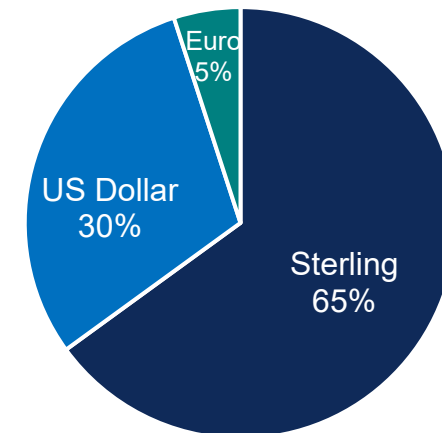
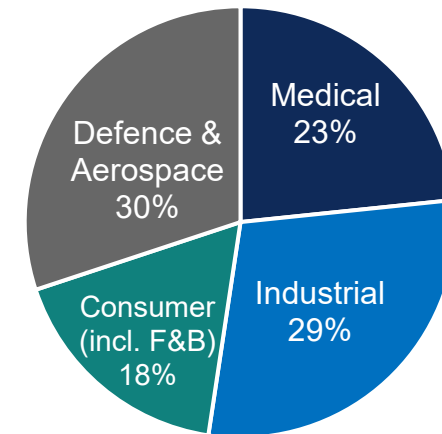
- High consultancy AOP margin of 25% (2022: 26.7%)
- Regulatory margin improvement in Europe
- Defence & Aerospace margin lower than other Services businesses

## – Tangible operational synergies

- Deep science, technology, engineering and regulatory capability
- Deployed across multiple market sectors with domain expertise
- TPG acquisition provided entry into Defence & Aerospace sectors

## – Growing proportion of projects related to sustainability

- Dedicated sustainability capability supported by multi-functional teams
- Combination of regulatory and scientific services valued by clients

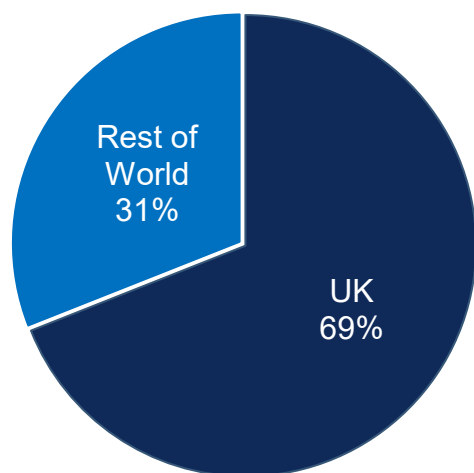


\*includes M&E

# Systems Businesses ('Satellites')

## Submarine Atmosphere Management Systems

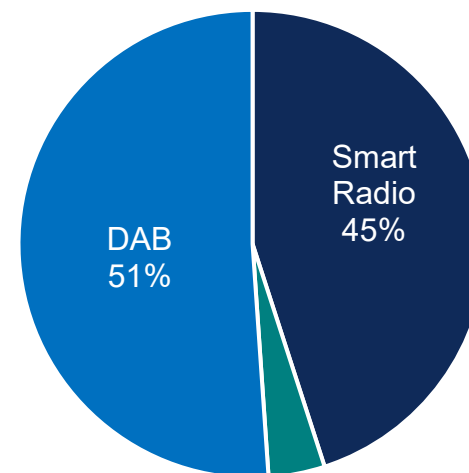
- Strong market position (outside USA)
- Revenue of £21.3m (2022: nil)
  - Incl. c.£5.3m of low-margin pass-through materials
- AOP margin of 17.0%
  - Benefitting from actions undertaken and one-off factors
- Investment
  - Infrastructure and process improvements
  - Developing new technology and IP supported by Science & Engineering consultancy
  - Increasing focus on services



Revenue by geography

## Audio Chips and Modules

- Leader in DAB/DAB+ and Smart Radio
  - Developing connected audio capability
  - Challenging market, compounded by channel overstocking
  - Market share/position believed to be maintained
- Revenue of £10.0m (2022: £25.0m)
  - Small loss in 2023, but cost base reduced to produce run-rate break-even contribution
  - R&D investment in new products expensed. No R&D capitalisation



Revenue by product line

## – Underlying corporate costs of £2.6m (2022: £2.6m)

- Total Corporate costs £8.1m (2022: £3.2m); including one-off (primarily non-cash) items related to TPG acquisition

## – Proposed dividend increase of 60% to 8.0p (2022: 5.0p)

- Returns to shareholders in 2023 of £6.2m (2022: £3.6m)
- £2.3m in dividend payments (2022: £2.3m) and £3.9m in share buybacks (2022: £1.3m)

## – Property

- The Group owns two substantial freehold properties, in Epsom and Cambridge
- Properties on the balance sheet on a cost basis at £20.6 million (2022: £20.8 million)
  - Properties valued in December 2023 in the range of £16.9 million to £31.6 million
- Total income was £4.2m (2022: £4.1m); income generated from third party tenants was £0.8m (2022: £0.7m)
  - Profit contribution increased as energy costs normalised
- Leased offices in Farnborough, Hong Kong, Northallerton, Sacramento, Taiwan, and Wincanton exited

## – Environmental Reporting

- Group undertook SECR reporting for first time
  - Reported Scope 1, Scope 2 and mandatory Scope 3 emissions in UK businesses
- Group undertook TCFD-aligned reporting for first time aided by specialist third-party consultants
  - Group exposure to climate-related risks concluded to be low

The background features a dark blue field with glowing, wavy lines in shades of cyan and gold. These lines flow from the top left towards the bottom right, creating a sense of motion and depth. Scattered throughout the scene are numerous small, bright blue and white particles, some appearing as sharp points of light and others as soft, out-of-focus bokeh. The overall aesthetic is futuristic and high-tech.

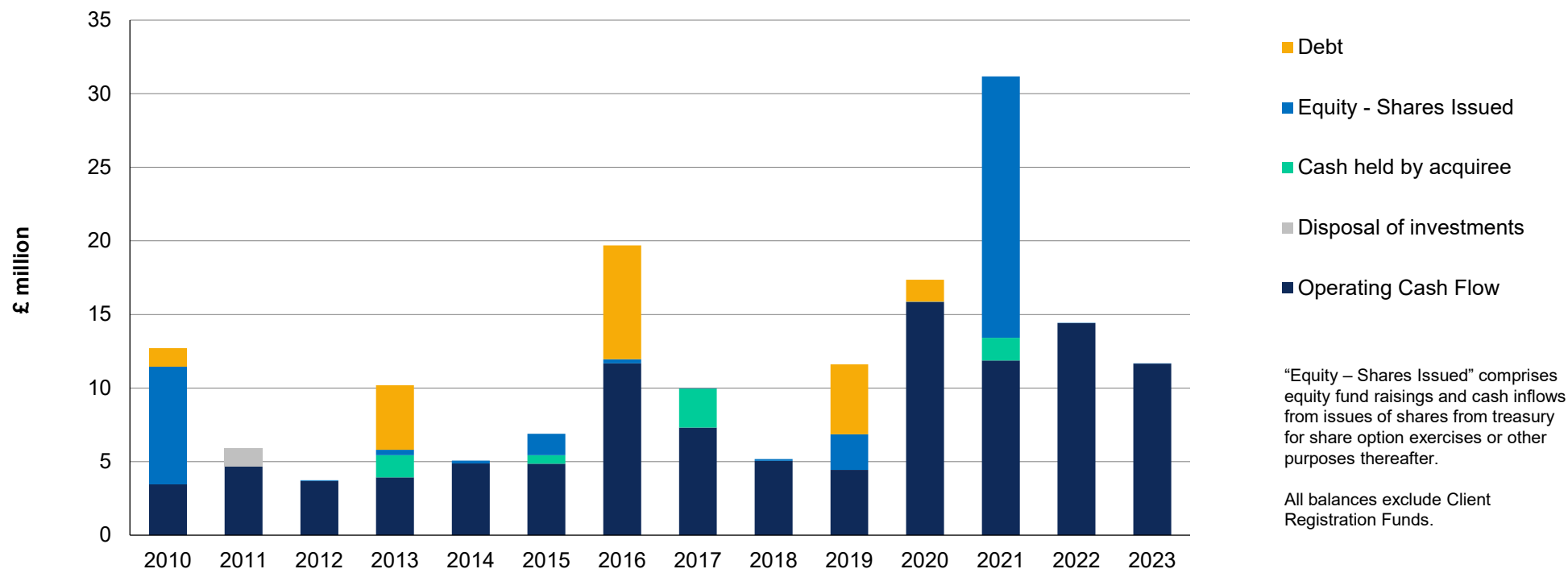
## Appendix 1

# Annual Review of Capital Sources & Allocation



# Capital Sources 2010-2023

- Consistently strong underlying operating cash flow
- Term debt refinancing in 2016 and topped up in 2019 and 2020
  - 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)
- Equity placings in 2010 and 2021



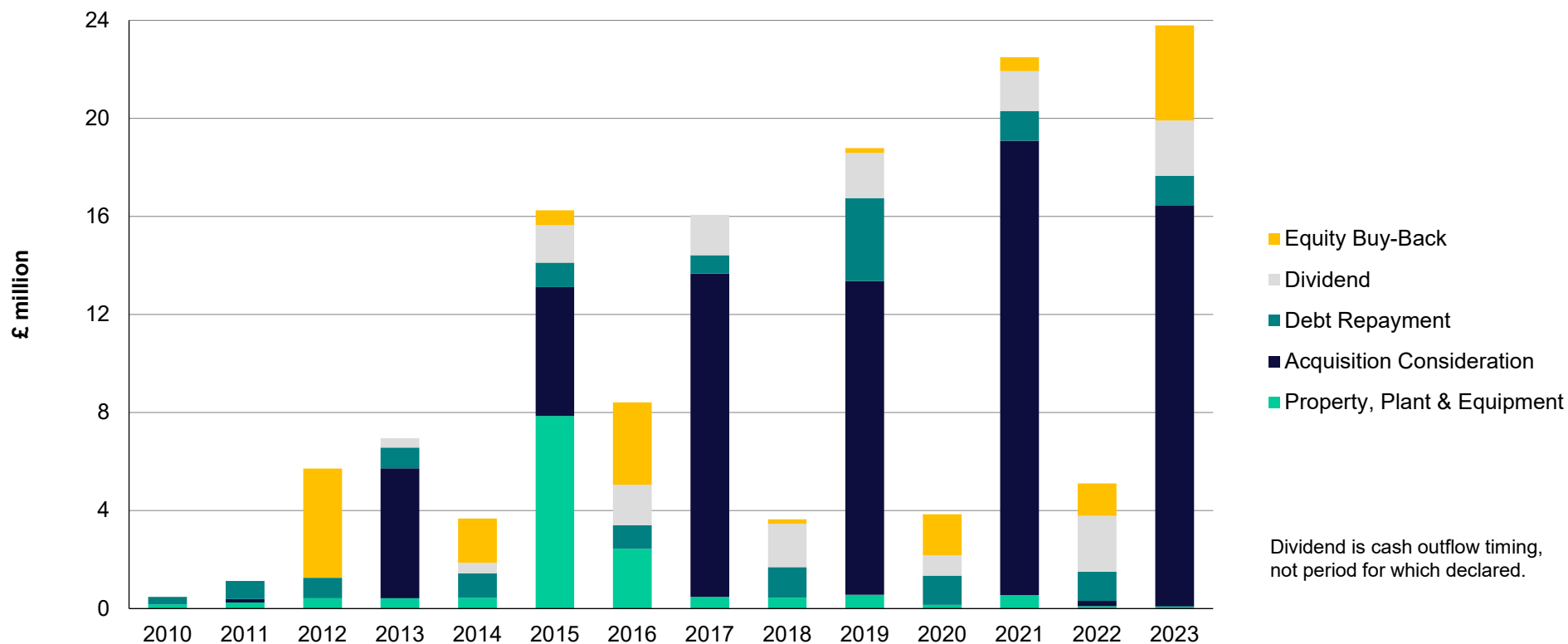
# Capital Allocation 2010-2023

–Major capital deployments related to acquisitions

- 2023 - completion of TPG acquisition

–£6.2m returned to shareholders in 2023

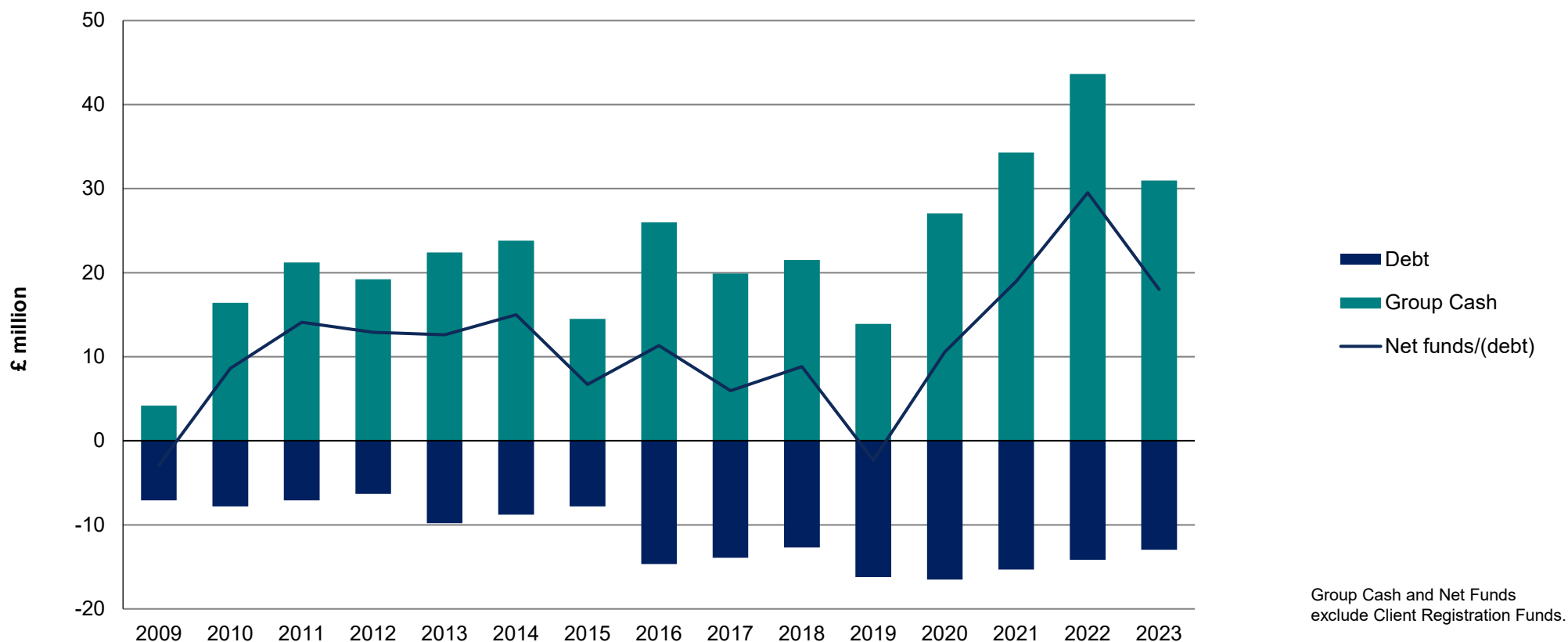
- Share buy-back of £3.9m (2022: £1.3m)
- Dividend payment of £2.3m (2022: £2.3m)



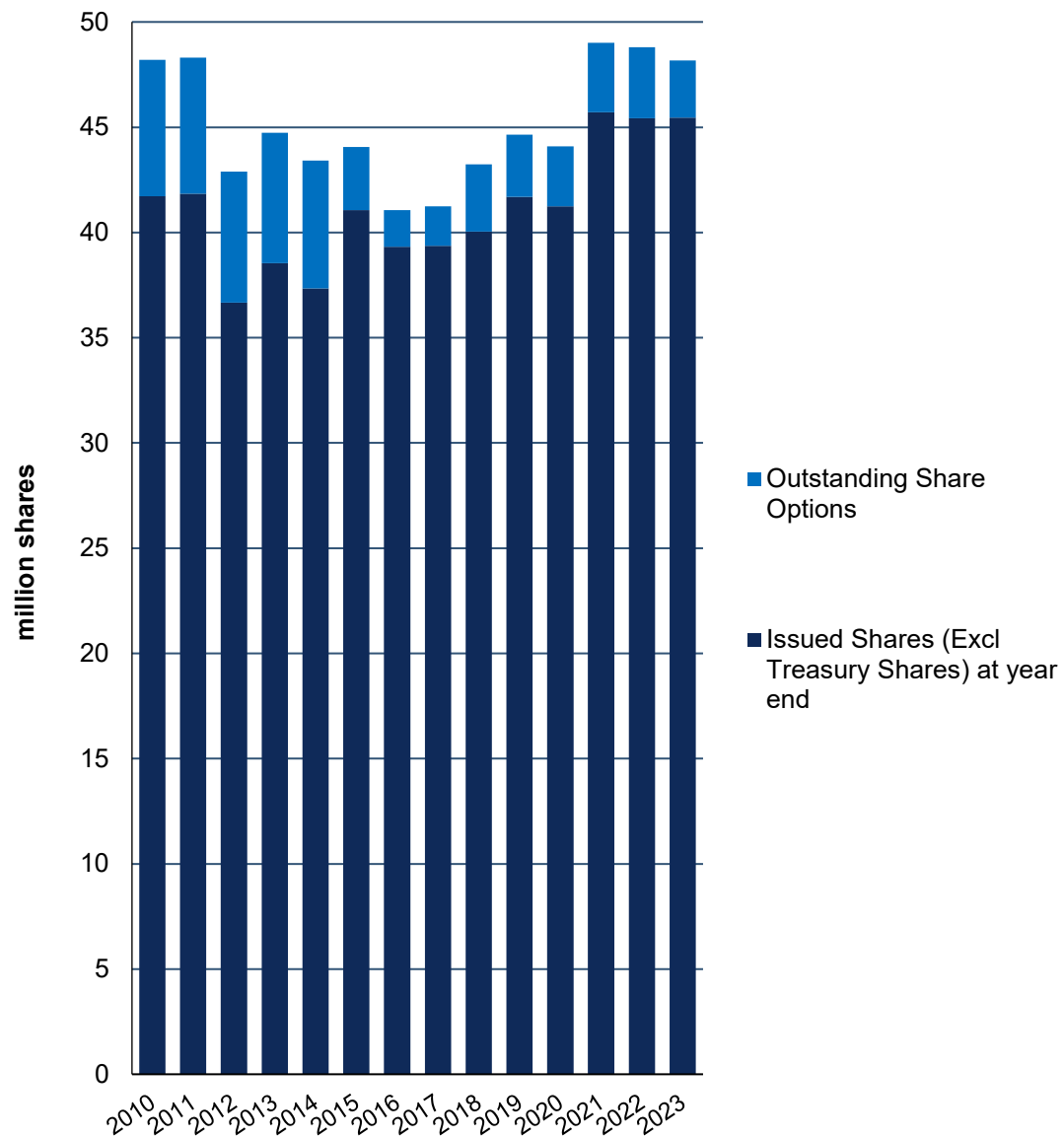


# Cash & Debt 2009-2023

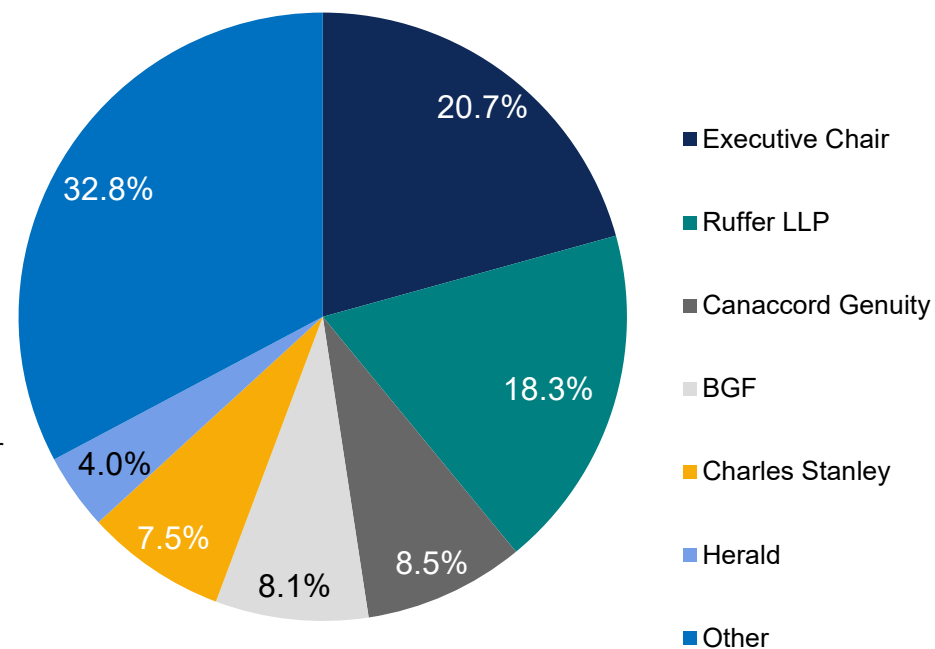
- Group cash at 31 December 2023 of £30.9m and net funds of £18.0m
- After completion of TPG acquisition and share buy-back programme
- Debt refinanced in 2016 and loan increased in 2019 and 2020
- Revolving credit facility of £25m undrawn



# Equity Share Capital



## Major Shareholdings



Shareholdings at 15/3/24  
excluding Treasury and EBT



Thank you

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