

SCIENCE GROUP

PROFESSIONAL AND COMMERCIAL SERVICES

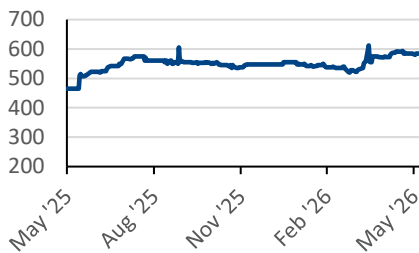
10 June 2026

SAG.L

585p

Market Cap: £239.3m

SHARE PRICE (p)



12m high/low

612p/465p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	£57.2m (at 30/04/26)
Enterprise value	£182.1m
Index/market	AIM
Next news	Interims, July 2026
Shares in issue (m)	40.9
Executive Chair	Martyn Ratcliffe
Group Managing Director	Daniel Edwards
Finance Director	Jon Brett

COMPANY DESCRIPTION

Science Group is a science-led services and systems business.

www.sciencegroup.com

SCIENCE GROUP IS A RESEARCH CLIENT OF
PROGRESSIVE

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Control, cashflow, compounding

Science Group brings together high-return, cash-generative operating businesses, which benefit from being within a disciplined group structure. Our valuation shows the operating businesses trading on a PE of 9.4x, which appears low for such high margins, high returns and cash generation.

- Science Group comprises three divisions:** a high-margin consultancy-led Services Division (branded Sagentia); CMS2, which provides atmosphere management systems for submarines; and Frontier, which designs and supplies Digital Audio Broadcast (DAB+) and other audio solutions for consumer electronics.
- The businesses operate within the robust framework of the group,** with disciplined contract management, a desire to pursue more profitable work rather than chase low-margin business, strict management of working capital, and tight control on capex and R&D expenditure.
- Excellent cash conversion.** Strong financial management means operating profit is converted into cashflow. Free cashflow averaged £21.5m over FY24 and FY25, giving a cashflow yield of 11.7% on the group's enterprise value. The group has deployed this cashflow to the benefit of shareholders via dividends, buybacks and considered investments in acquisition targets.
- Strategic acquisitions.** Two acquisitions in the last seven years have driven turnover from £49m in FY18 to £112m in FY25. If genuine opportunities arise, more acquisitions will be made; if they don't, cash will be returned to shareholders. Discipline in managing the group operationally is mirrored by discipline in managing shareholders' funds.
- Margin improvement.** Despite the anticipated reduction in turnover, margins are assumed to continue to grow as the group weeds out lower-margin work. Science Group's focus is profit and cashflow.
- Valuation.** We value the group using a sum-of-the-parts. However, unusually for such analysis, our starting point is not to value the operations, but rather to deduct the cash and property holdings from the market capitalisation, leaving the operating business as a residual. Using this method, the implied PE valuation of the operations is 9.4x, which appears low for high-margin, high-return, cash-generating businesses.

FYE DEC (£M)	2023	2024	2025	2026E	2027E
Revenue	113.3	110.7	111.7	103.3	106.0
Adj EBITDA	22.3	22.9	24.5	24.9	25.6
Fully Adj PBT	20.0	21.4	23.6	24.7	25.9
Fully Adj Dil EPS (p)	32.9	35.5	39.4	43.7	47.9
EV/Sales (x)	1.6x	1.6x	1.6x	1.8x	1.7x
EV/EBITDA (x)	8.2x	7.9x	7.4x	7.3x	7.1x
PER (x)	17.8x	16.5x	14.8x	13.4x	12.2x

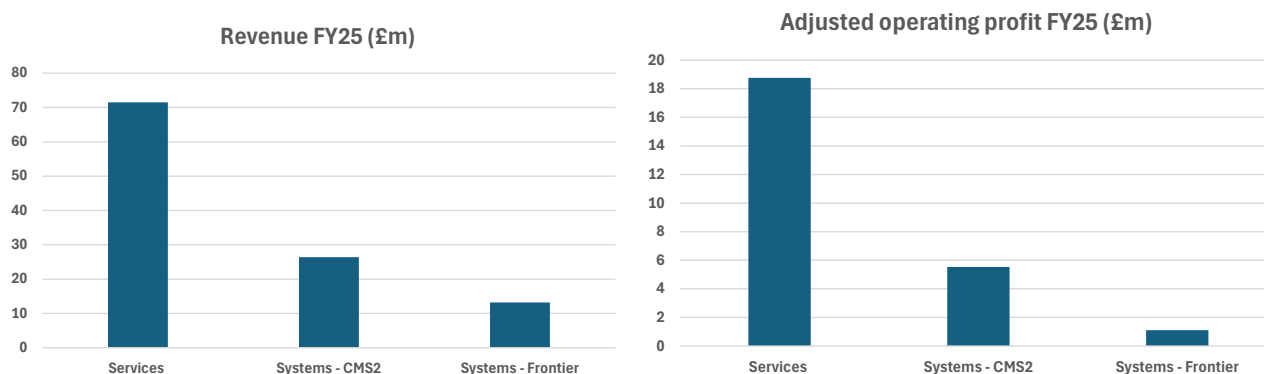
Source: Company Information and Progressive Equity Research estimates.

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Science Group's operations

Science Group – Revenue and gross profit mix, FY25



Source: Company data, Progressive Equity Research

Services Division – Sagentia

- Operating margin of 26.3% (FY25).
- 64% group revenues, 81% group adjusted operating profit.
- The vast majority of Sagentia's consultants hold science or technology degrees.
- High levels of repeat business.

The services division operates under the brand name Sagentia. The business is an innovation and regulatory consultancy with deep science, advanced engineering and technical expertise. Examples of the division's recent work include:

- Medical robotics
- Environmentally friendly pest control
- Incorporating AI into domestic robots.

Systems businesses

CMS2

- Operating margin of 21% (FY25).
- 24% group revenues, 24% group adjusted operating profit.

For more than 60 years, Critical Maritime Systems and Support (CMS2) has been providing technology to manage the atmosphere in submarines. Based in Portsmouth, the business employs around 100 staff working on the technology to generate oxygen and remove carbon dioxide so that submarines can operate for extended periods under water.

The business has a market-leading niche position (outside of the USA) and services an international client base, but the majority of its revenues come directly and indirectly from the UK's MOD.

The timing of the installation of systems makes the turnover in this division inherently variable from year to year. In addition, the timing of orders for low-margin consumables impacts turnover and operating profit. Under Science Group's ownership, since being acquired as part of TP Group in January 2023, CMS2 has undergone a financial and operational turnaround. Its margin has increased from 17% in Science Group's first year of ownership to 20%, and we expect further improvement as service contracts are rolled out, along with an assumed reduction in low-margin consumables sales. In FY25 there was approximately £5m of turnover from consumables, a much higher level than normal and we assume much of this is not repeated in FY26.

The combination of chemistry and systems engineering, to produce proven reliability in a harsh mission-critical environment create high barriers to entry.

Frontier

- Operating margin of 8.4% (FY25).
- 12% group revenues, 5% group adjusted operating profit.

Frontier is a market-leading supplier of DAB+ radio and connected audio chips and modules, powering the majority of non-automotive DAB products in the European market.

The Covid-19 pandemic proved to be a boom time for the business, with people stuck at home. Sales peaked for the division in FY21 and FY22, at around £25m in both years. Destocking after Covid led to a tough year in FY24, with sales at £12.0m and the business only just breaking even. A recovery in FY25 bought sales back to £13.2m, which, along with management action, led to a recovery in operating profit to £1.1m.

Auria, Frontier's latest product is a connected audio platform that secured multiple design wins in 2025 and enters retail in 2026. While early stage, management's characterisation of the opportunity as 'significantly larger than the core radio market' suggests potential upside optionality not currently reflected in our forecasts

Diversified revenue stream in a solid group structure

Science Group's three divisions provide the group with a diversified profit stream. Some overlaps exist between the divisions where they share skills and knowledge, but other than that they operate independently, while benefitting from being part of the group's structure.

However, it's not just the usual benefits that are important in terms of access to efficient admin and systems that matters. What comes through from reading the reports and accounts is that the divisions are subject to a group philosophy. Working capital is not allowed to get out of control. Contracts and winning new business are approached in a structured way so that the chance of taking on onerous contracts is minimised. Capital expenditure and R&D have to be justified; there are no vanity projects.

This philosophy is also visible in the way the group discloses its freehold property as if it's an independent entity. From this disclosure, it can be seen that the three operational divisions are charged a rent for the facilities they operate from. The profitability of Sagentia, Frontier and CMS2 can all be assessed as if they were stand-alone companies having to fund their own facilities independently.

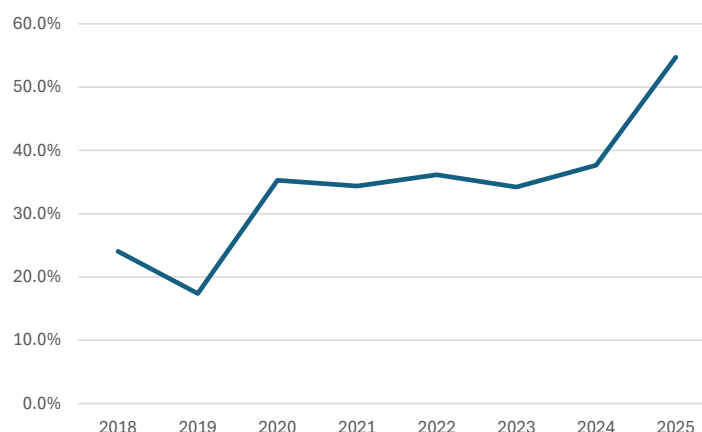
There's a straightforward honesty to the accounts of Science Group. For example, there is no capitalisation of R&D expenditure, while EBITDA was only mentioned twice in the FY24 accounts, and only because it features as part of the debt covenant.

Profit turns into cash and delivers impressive ROCE

Science Group stated in its FY25 results: ‘...the Board’s focus on margin, profit and correlated cash conversion will remain the operating priority...’. We have described how the group manages working capital and capital expenditure, and this is seen in the financial statements.

- Capital expenditure is very low.
- Working capital is tightly controlled. The group has a rigorous process to monitor outstanding invoices and ensure divisional management is focused on collecting debts. Debtor days have averaged 36 over the last three reported years, which is exceptionally low for the type of business.
- The result of this focus on cashflow generation can be seen in the financial statements. Free cashflow was £19.3m in FY24, rising to £23.6m in FY25.
- The focus on margin and cash generation, with share buybacks reducing the capital base, means that Science Group has a very impressive ROCE. The graph below shows the group’s ROCE for the last eight years. The only dip occurred when the group was integrating Frontier in 2019.

Return on Capital Employed (ROCE)



Source: Company data

Acquisitions

In the last seven years, Science Group has made two acquisitions and was building a stake in Ricardo until it was bid for by a third party. Over that time, turnover has increased 128% and adjusted operating profit has trebled from £7.7m to £23.1m. Many examples show corporate acquisitions are fraught with risk and often appear to be driven by ego rather than cold logic. Science Group’s approach is more thoughtful. It follows businesses it is interested in for a long time, so it can build an understanding of the areas and scope of the business and what the risks are. If it completes an acquisition, the group can immediately get to work to restructure and refocus the acquired businesses.

Frontier Smart Technologies was acquired in 2019. The history of Frontier as an independent entity had not been a joyous one. Shares peaked at over 200p in 2017, but after a series of profit warnings the share price was in distressed territory at 13.4p by early 2019. Science Group started to buy shares in May 2019, engaged with the management and then made a formal offer at 25.5p per share, which completed in October 2019. Once acquired, Science Group refocused Frontier onto its core DAB capabilities, provided working capital and cut costs, both operationally and on wasteful R&D.

TP Group was Science Group's next acquisition. The approach here followed a similar path, with an initial stake of over 20% being built in 2021, leading to Science Group installing board members at TP Group. TP Group was burdened by onerous contracts, and its auditors had raised questions about it as a going concern. With board representation at TP, Science Group ensured the onerous contracts were renegotiated and non-core divisions were disposed of. TP was fully acquired in January 2023 and then integrated into the group, providing a defence practice to complement the Services Division and the CMS2 business. Management was strengthened and processes were improved, especially around bidding for contracts and the progressive reduction in low margin activities.

Finally, although this didn't result in an acquisition, a stake was built in Ricardo. Science Group's management had been following the business for some time, so much so they were not surprised when Ricardo issued a profit warning on 30 January 2025. Science Group management had identified issues at Ricardo that it has a track record of fixing, for example poor cost control and poor cash conversion. This was the trigger for stake building in Ricardo, which started on 16 February 2025. By 28 May 2025, the holding in Ricardo was 21.8% and Science Group requested an EGM to remove the chair of Ricardo. However, a bid from WSP for Ricardo at 430p per share led Science Group management to sell the holding it had built up and in doing so a pre-tax profit of £24m was realised.

In summary, the group has a disciplined and successful acquisition strategy. For listed companies, the recurring theme is Science Group's practice of taking a stake from which to engage and conduct due diligence, reducing risk exposure. But the growth has been funded through organic cashflow, and at the 2026 AGM the company noted that the total voting share capital was actually less than it was 15 years prior. This lack of shareholder dilution reflects management's shareholder focus.

Valuation

We adopt a sum-of-the-parts (SOTP) valuation methodology for Science Group.

What is unusual in our approach to Science Group is that our starting point is not ascribing valuation metrics to the divisions of the group and then adding the value of cash and fixed assets. Instead, our starting point is to account for the cash and freehold properties, then deduct these from the market capitalisation to give an implied market value for the operating businesses. We do this for two reasons:

- First, the cash and freehold property combined make up one-third of the market capitalisation of the group.
- Second, it avoids the need to apply debatable comparable valuations to each of the divisions. For example, we don't believe that on the London Stock Exchange there is a fair comparable for the consultancy division. Instead, the investor is left with a valuation multiple that can be compared to wider investment opportunities.

Some may question if one can really trust the value of the cash on the group's balance sheet. Other businesses in the same position may be tempted to invest it in speculative expansion or acquisition. We think this is unlikely at Science Group. The group has

persistently demonstrated that it knows how to look after shareholders' money, and the largest shareholder remains the Chairman:

- ROCE is high.
- The group has demonstrated that it is prepared to return capital to shareholders via dividends and buybacks when it believes there is an excess of cash on the balance sheet.
- Acquisitions are made after following companies for a long period of time and then taking advantage of market conditions to acquire at a good price.

At the end of FY25, the group had net funds of £61.2m; this was after a £10.7m buyback programme, £3.6m of dividend payments in 2025, and paying £5.1m tax on the £25.5m gain on the Ricardo stake. After further buybacks in the early part of FY26, at end-April net funds were £57.2m.

The group owns two UK freehold properties: Harston Mill (9,000 square metres on 6.5 hectares) and Great Burgh (4,000 square metres on 3.6 hectares). The last valuation for these two properties in December 2023 gave a range of £16.9m to £31.6m in total, and they are held on the group's balance sheet at £20.6m on a cost basis. In our SOTP valuation, we value the group's freehold property at £20.6m.

Sum-of-the-parts valuation (SOTP)

Science Group - Sum of the parts valuation		
Market capitalisation (£m)		239.3
Net funds as at 30/4/25 (£m)	57.2	
Freehold property as at 31/12/25 (£m)	20.6	
Implied valuation of operating businesses (£m)		161.5
Adjusted operating profit less implied tax at the group's blended rate (£m)		17.1
Implied PE ratio for operating businesses		9.4x

Source: Company data, Progressive Equity Research

The table above implies that, at the current market capitalisation of Science Group, the operating businesses are valued at a lowly price-to-earnings ratio of 9.4x FY26 earnings. Note that the earnings number we use here is the sum of adjusted operating profit of Services plus CMS2 and Frontier less corporate costs, all notionally taxed at the group's blended tax rate of 24.6%. This is a very low earnings multiple for a group where two of its divisions have operating margins over 20% and the conversion of profits into cash is excellent, as is the return on capital. Merely putting the group's operating earnings on a PE of 12x would imply a market capitalisation of £283m or a share price of 692p, 18% upside to the current price.

Forecasts

Science Group's focus on higher-margin sales means that management is always reviewing lower-margin sales, and in our forecasts we have assumed this process continues. Within our forecasts for the Services Division, we assume a fall in turnover as the exit from lower-margin contracting work (inherited with the TPG acquisition) is completed, partially offset by growth in other practices. So operating margin increases and hence adjusted operating profit is expected to be similar to FY25.

Within the CMS2 division, after a year when consumables sales were very high in FY25, we expect this to decline, so turnover falls over 10%. Again, given this is low-margin business, the impact on operating profit is less.

For Frontier, we assume that there is a small increase in turnover, but continued margin enhancement increases adjusted operating profit from £1.1m to £1.5m.

Overall group sales are forecast to fall by 7% in FY26, but as it is low-margin sales that are lost, group operating profit grows to £23.5m. Further down the income statement, the share buyback programme lowers the average number of shares in issue for FY26 by 6%, and we forecast adjusted EPS to grow by 11% year on year.

Risks

The group is exposed to the usual macroeconomic and political risks that all businesses face. We highlight the following risks that are specific to Science Group:

- The consultancy division is exposed to the resources its clients have for R&D investment, and this may be particularly negatively impacted by economic uncertainty.
- The Frontier business has a high share of the DAB market and therefore is exposed to consumer electronics market demand and the competitive environment. The DAB products are manufactured in Shenzhen, so are at risk of changes in tariffs, shipping costs and shipping times from China.
- The CMS2 and the Defence practice within Services are both exposed to changes in UK defence policy, although we believe CMS2 may be less sensitive to public sector budget volatility.
- Generative AI may negatively impact lower value-added consultancy services, but the group may also be able to use generative AI in the provision of higher value-added consultancy services.

Conclusion

Under the leadership of its Executive Chair Martyn Ratcliffe, Science Group has a long track record of successful operational management, efficient capital management and an effective approach to making acquisitions. The focus of management is margin, profit and cashflow. Even when the global economy is struggling and organic growth is hard to come by, the success in reducing costs and enhancing margins means that cashflow is available to make acquisitions or deliver returns to shareholders via dividends and share buybacks. From this approach, shareholders have enjoyed compounding returns. As the Executive Chair stated in the FY25 results:

'Shareholder alignment is evidenced by the 9-fold increase in AOP (adjusted operating profit) over the past 15 years delivered from share capital dilution of less than 4% since December 2010.'

Economic pressures come and go, and there is an inherently high variability to some sources of Science Group's turnover. We believe that shareholders who are prepared to look through this variability and concentrate instead on the strong market positions of the group's businesses, the high level of cash generation and the proven ability of management to enhance shareholder returns via acquisitions and efficient capital allocation are likely to enjoy above-market returns.

Financial Summary: Science Group

Year end: December (£m unless shown)

	2023	2024	2025	2026E	2027E
PROFIT & LOSS					
Revenue	113.3	110.7	111.7	103.3	106.0
Adj EBITDA	22.3	22.9	24.5	24.9	25.6
Adj EBIT	20.5	21.5	23.1	23.5	24.2
Reported PBT	5.5	12.0	33.3	16.6	18.0
Fully Adj PBT	20.0	21.4	23.6	24.7	25.9
NOPAT	14.9	17.6	18.5	20.1	20.7
Reported EPS (p)	12.1	26.5	75.1	39.7	45.3
Fully Adj Dil EPS (p)	32.9	35.5	39.4	43.7	47.9
Dividend per share (p)	8.0	8.0	10.0	10.5	11.0
CASH FLOW & BALANCE SHEET					
Operating cash flow	18.5	23.2	19.1	19.1	19.4
Free Cash flow	8.9	19.3	23.6	20.2	20.5
FCF per share (p)	19.3	41.8	52.3	47.3	50.3
Acquisitions	13.9	0.0	32.7	0.0	0.0
Disposals	0.6	0.0	58.2	0.0	0.0
Shares issued	(3.9)	(5.0)	(10.7)	(15.0)	(5.0)
Net cash flow	(13.4)	8.5	33.9	1.3	12.1
Overdrafts / borrowings	13.0	11.8	11.4	10.8	10.2
Cash & equivalents	46.5	32.8	41.5	75.0	76.3
Net (Debt)/Cash	18.0	26.8	61.2	65.5	78.2
NAV AND RETURNS					
Net asset value	78.4	84.0	103.3	102.6	113.5
NAV/share (p)	169.7	181.6	228.4	240.6	278.5
Net Tangible Asset Value	25.9	25.0	23.6	22.3	21.0
NTAV/share (p)	169.7	181.6	228.4	240.6	278.5
Average equity	78.1	81.2	93.7	103.0	108.0
Post-tax ROE (%)	17.1%	20.2%	19.0%	18.1%	18.1%
METRICS					
Revenue growth	30.9%	(2.4%)	0.9%	(7.5%)	2.6%
Adj EBITDA growth	16.8%	2.9%	6.6%	1.8%	2.9%
Adj EBIT growth	20.7%	4.9%	7.1%	1.8%	3.1%
Adj PBT growth	17.7%	6.9%	10.4%	4.6%	4.6%
Adj EPS growth	15.0%	7.9%	11.0%	11.0%	9.5%
Dividend growth	60.0%	0.0%	25.0%	5.0%	4.8%
Adj EBIT margins	18%	19.5%	20.7%	22.7%	22.8%
VALUATION					
EV/Sales (x)	1.7	1.7	1.7	1.9	1.8
EV/EBITDA (x)	8.2	7.9	7.5	7.3	7.1
EV/NOPAT (x)	12.2	10.4	9.8	9.0	9.1
PER (x)	17.9	16.6	14.9	13.4	12.2
Dividend yield	1.4%	1.4%	1.7%	1.8%	1.9%
FCF yield	3.3%	7.1%	8.9%	8.1%	8.6%

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

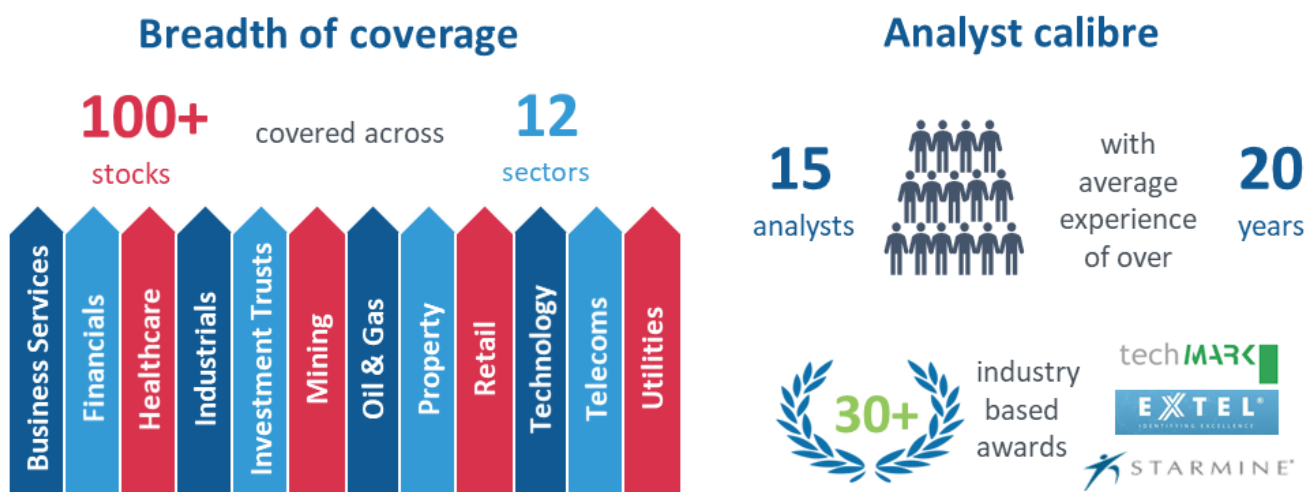
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