Progressive EQUITY RESEARCH

SCIENCE GROUP

PROFESSIONAL AND COMMERCIAL SERVICES

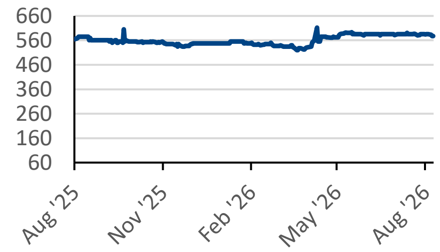
17 August 2026

SAG.L

577p

Market Cap: £233.9m

SHARE PRICE (p)



12m high/low	612p/520p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	£56.8m *(at 30/06/26)*
Enterprise value	£177.1m
Index/market	AIM
Next news	Autumn update
Shares in issue (m)	40.55
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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Interim results to 30th June 2026

We initiated on Science Group in June 2026. In our note we discussed how the Group brings together three divisions under the umbrella of a disciplined group structure. Our note was entitled "Control, Cashflow, Compounding", and the interim results clearly show how the Group is steadfastly demonstrating each of these three characteristics.

- **Focus on adjusted operating profit.** Adjusted Operating Profit (AOP) was £11.5m in the first 6 months of 2026, up from £11.3m in H1 2025. A financial priority of the Group is operating margin and part of the control the Group imposes is to focus on higher margin activities. So, although turnover fell, Group operating margin rose to 24.3% (19.7%). Revenue decreased due to the Group's planned reduction in low margin pass-through work in the Defence practice and no low margin "consumables" order in CMS2 impacting comparator to H1 2025. In addition, the delay in the UK's Defence Investment Plan (DIP) put programmes on hold and the geopolitical environment adversely impacted the Consumer segment within Services.

- **Cashflow continues to be strong**. Central to the investment case for Science Group is its cashflow generation. Control over margins, working capital and capital expenditure mean profits turn into cash. The interim results showed the Group delivering £9.2m of cash from operating activities in the first half of 2026 and, despite the share buyback programme, net funds at 30th June were £56.8m

- **Compounding returns to shareholders.** The third leg of our investment case for Science Group is the commitment to enhancing returns for shareholders. If value-enhancing opportunities become available the Group will deploy surplus cash in acquisitions; if not, the Group returns cash to shareholders via dividends and share buybacks. During the first six months of 2026 the Group returned £13.5m in share buybacks, ahead of our expectations.

- **In summary** Science Group has delivered according to its financial priorities and strategic drivers - focussing on higher margin sales to deliver increases in AOP and operating margin, and turning that operating profit into cash. Even after a substantial buy back representing 5% of market capitalisation, net funds of £56.8m are available if, and only if, a suitable corporate opportunity arises.

FYE DEC (£M)	2023	2024	2025	2026E	2027E
Revenue	113.3	110.7	111.7	100.1	102.7
Adj EBITDA	22.3	22.9	24.5	24.9	25.7
Fully Adj PBT	20.0	21.4	23.6	24.6	25.7
Fully Adj Dil EPS (p)	32.9	35.5	39.4	46.0	51.7
EV/Sales (x)	1.6x	1.6x	1.6x	1.8x	1.7x
EV/EBITDA (x)	7.9x	7.7x	7.2x2x	7.1x	6.9x
PER (x)	17.5x	16.3x	14.6x	12.5x	11.2x

Source: Company Information and Progressive Equity Research estimates.

Divisional analysis

The Services Division's (Sagentia) turnover fell 12.6% from £33.2m to £29m. The bulk of this fall in turnover was part of a planned reduction in sales of low margin pass-through work. So, Service's adjusted operating margin edged up slightly, from 23.9% to 24%. The DIP was finally released on the last day of Science's half-year. Ahead of this the UK's defence contracting market was materially disrupted but post the publication of the DIP the Defence practice is already seeing an improving environment. The geopolitical chaos we saw in the first half of 2026 interrupted purchasing decisions in the Consumer practice at Sagentia. Market sectors are stabilising at varying rates and the Board expects this Division to be driving growth in the second half.

CMS2. CMS2 which designs, manufactures and services submarine management systems for the defence sector had an exceptional H1 with margin increasing 16.4 percentage points to 38.3%. AOP grew from £3.6m in H1 2025 to £4.3m in these interim results. Reported revenue fell from £16.6m to £11.1m but H1 2025 included £4.3m of low margin consumable turnover that did not recur in H1 2026. The revenue and margins in this Division are inherently variable and the interim results stated how margins are expected to normalise for the full year.

Frontier is a developer and supplier of radio and audio semiconductors/modules, with significant market share in its core market. Despite significantly increased DRAM costs which have been passed on in prices charged to the distribution channel the resultant modest unit decline has been offset by pricing and mix of products sold. The Group continues to invest in its latest generation product, Auria. It's typical of the Group's conservative accounting policy that all development expenses relating to Auria are expensed and AOP is converted into cash.

Forecasts

Forecast changes. We have made some small changes to our forecasts having incorporated what we learned from the interim results. For the Services Division we have assumed slightly lower turnover for the full year given the lower activity in H1 in the Defence and Consumer practices, offset by slightly higher margins. CMS2 had an exceptional H1 and we have put our assumed margin up 1 percentage point to reflect this. Otherwise at the divisional level we have left our full-year forecasts unaltered. Central corporate costs are running at a lower level than expected and we have reflected this in our full year forecast, meaning there is no change in our Group profit forecasts. The share buyback has happened at a faster rate than we expected, and is also larger than we had previously forecast. We are now assuming a total buyback in 2026 of £22m which means a lower average number of shares in issue than we had previously forecast. Consequently, our EPS forecast for FY26 increases by 5%.

Financial Summary: Science Group

Year end: December (£m unless shown)

PROFIT & LOSS	**2023**	**2024**	**2025**	**2026E**	**2027E**
Revenue	113.3	110.7	111.7	100.1	102.7
Adj EBITDA	22.3	22.9	24.5	24.9	25.7
Adj EBIT	20.5	21.5	23.1	23.5	24.3
Reported PBT	7.6	14.7	41.5	19.2	21.0
Fully Adj PBT	20.0	21.4	23.6	24.6	25.7
NOPAT	14.9	17.6	18.5	20.2	20.7
Reported EPS (p)	12.1	26.5	75.1	41.8	49.0
Fully Adj Dil EPS (p)	32.9	35.5	39.4	46.0	51.7
Dividend per share (p)	8.0	8.0	10.0	10.5	11.0
CASH FLOW & BALANCE SHEET	**2023**	**2024**	**2025**	**2026E**	**2027E**
Operating cash flow	18.5	23.2	18.8	18.8	19.5
Free Cash flow	8.9	19.3	23.6	19.9	20.6
FCF per share (p)	19.3	41.8	52.3	49.4	54.9
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)	(22.0)	(5.0)
Net cash flow	(13.4)	8.5	33.9	(6.1)	12.4
Overdrafts / borrowings	13.0	11.8	11.4	10.8	10.2
Cash & equivalents	46.5	32.8	41.5	75.0	68.9
Net (Debt)/Cash	18.0	26.8	61.2	58.1	71.0
NAV AND RETURNS	**2023**	**2024**	**2025**	**2026E**	**2027E**
Net asset value	78.4	84.0	103.3	95.5	106.6
NAV/share (p)	169.7	181.6	228.4	236.7	284.3
Net Tangible Asset Value	25.9	25.0	23.6	22.3	21.0
NTAV/share (p)	56.0	54.1	52.2	55.3	56.0
Average equity	78.1	81.2	93.7	99.4	101.1
Post-tax ROE (%)	17.1%	20.2%	19.0%	18.7%	19.2%
METRICS	**2023**	**2024**	**2025**	**2026E**	**2027E**
Revenue growth	30.9%	(2.4%)	0.9%	(10.4%)	2.6%
Adj EBITDA growth	16.8%	2.9%	6.6%	2.0%	2.9%
Adj EBIT growth	20.7%	4.9%	7.1%	2.0%	3.1%
Adj PBT growth	17.7%	6.9%	10.4%	4.3%	4.4%
Adj EPS growth	15.0%	7.9%	11.0%	16.8%	12.3%
Dividend growth	60.0%	0.0%	25.0%	5.0%	4.8%
Adj EBIT margins	18%%	19.5%	20.7%	23.5%	23.6%
VALUATION	**2023**	**2024**	**2025**	**2026E**	**2027E**
EV/Sales (x)	1.6	1.6	1.6	1.8	1.7
EV/EBITDA (x)	7.9	7.7	7.22	7.1	6.9
EV/NOPAT (x)	11.9	10.1	9.6	8.8	8.6
PER (x)	17.5	16.3	14.6	12.5	11.2
Dividend yield	1.4%	1.4%	1.7%	1.8%	1.9%
FCF yield	3.4%	7.2%	9.1%	8.6%	9.5%

Source: Company information and Progressive Equity Research estimates

Progressive EQUITY RESEARCH

17 August 2026

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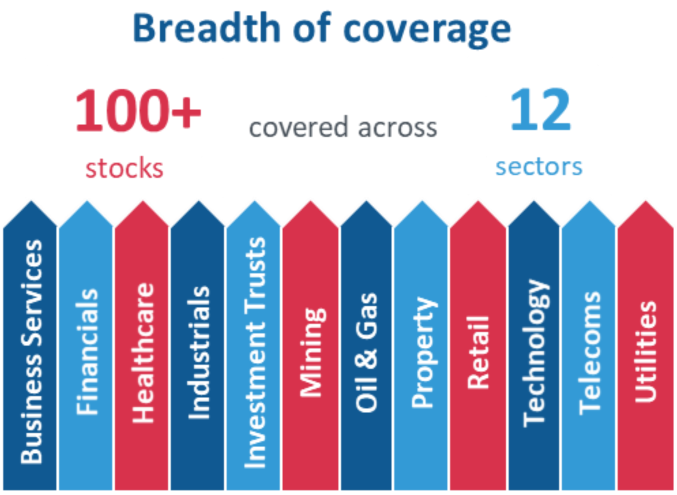

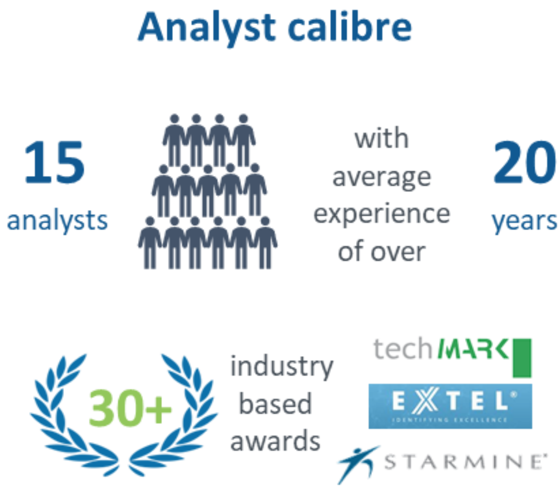

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